

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

**CA Foundation: Business Economics**

Chapter 5 - Business Cycles

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 trough of a business cycle occurs when ----- hits its lowest point
  - a) Inflation in the economy
  - b) The money supply
  - c) Aggregate economic activity
  - d) The unemployment rate
  
2. 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
  
3. Industries that are extremely sensitive to the business cycle are the:
  - a) Durable goods & Service sectors
  - b) Non-durable goods & Service sectors
  - c) Capital goods & Non-durable goods sectors
  - d) Capital goods & durable goods sectors
  
4. During recession, the unemployment rate ----- and output -----
  - a) Rises, falls
  - b) Rises, rises
  - c) Falls, rises
  - d) Falls, falls
  
5. Peaks and troughs of the business cycle are known collectively as
  - a) Volatility
  - b) Turning points

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

- c) Equilibrium points  
d) Real business cycle events
6. Which of the following is not a characteristic of Business cycle:  
a) Business cycles have serious consequences on the well-being of the society  
b) Business cycles occur periodically, although they do not exhibit the same regularity  
c) Business cycles have uniform characteristics and causes  
d) Business cycles are Contagious and Unpredictable
7. According to Keynes, fluctuations in Economic activities are due to:  
a) Fluctuations in aggregate effective demand  
b) Innovations  
c) Changes in money supply  
d) Fluctuations in agricultural output
8. The lowest point in the business cycle is referred to as:  
a) Expansion  
b) Boom  
c) Peak  
d) Trough
9. Which of the following is not an example of coincident indicator:  
a) Industrial Production  
b) Inflation  
c) Retail sales  
d) New orders for plant and equipment
10. The cobweb theory was propounded by:  
a) Hawtrey  
b) Adam Smith  
c) J M Keynes  
d) Nicholas Kaldor
11. If the growth rate of population is higher than the rate of economic growth, there will be ----- in the economy:  
a) more savings  
b) no effect on savings  
c) lesser savings

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

d) none of the above

12. 2001 recession was preceded by an absolute mania in dot-com and technology stocks, while 2007-09 recessions followed a period of unprecedented speculation in the:

- a) UK housing market
- b) US housing market
- c) Kenyan housing market
- d) Australian housing market

13. Unemployment is an example of which economic indicator:

- a) Leading Indicators
- b) Lagging Indicators
- c) Coincident Indicators
- d) None of these

14. The four phases of the Business cycle are:

- a) Expansion, peak, contraction and trough
- b) Contraction, expansion, trough and boom
- c) Expansion, contraction, peak and trough
- d) Peak, depression, bust and boom

15. The term business cycle refers to:

- a) the ups & downs in production of communities
- b) the fluctuating levels of economic activity over a period of time
- c) decline in economic activities over prolonged period of time
- d) increasing unemployment rate and diminishing rate of savings

16. Surviving the sluggish business cycles require businesses to plan and set policies with respect to:

- a) Product
- b) Prices
- c) Promotion
- d) All of the above

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

17. According to Schumpeter, ----- cycles occur as a result of innovations which take place in the system from time to time:

- a) Economic
- b) Trade
- c) Money
- d) Demand

18. 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

19. According to ----- trade cycles occur due to onset of innovations:

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

20. Which of the following does not occur during an expansion:

- a) Consumer purchases of all types of goods tend to increase
- b) Employment increases as demand for labour rises
- c) Business profits and business confidence tend to increase
- d) None of the above

21. Increase in aggregate effective demand causes conditions of:

- a) Recession
- b) Boom
- c) Unemployment
- d) Inflation

22. Which of the following is not an internal cause:

- a) Money Supply
- b) Fluctuations in effective demand
- c) Macroeconomic policies
- d) Population growth

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

23. Capital is easily available, and therefore consumers and businesses alike can borrow at:

- a) High rates
- b) Low rates
- c) Zero rates
- d) Average rates

24. Present fluctuations in prices may become responsible for fluctuations in output and ----- at some subsequent period:

- a) Demand
- b) Prices
- c) Supply
- d) Employment

25. If the growth rate of population is higher than the rate of economic growth, savings in the economy will be:

- a) Lesser
- b) Higher
- c) Neutral
- d) No change

26. The different phases of a business cycle:

- a) do not have the same length & severity
- b) expansion phase always last more than ten years
- c) last many years and are difficult to get over in short periods
- d) none of these

27. 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 & employment
- c) Economic expansions are followed by economic growth and development
- d) Stagflation is followed by inflationary economic growth

28. The most probable outcome of an increase in the money supply:

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

- a) Interest rates to rise, investment spending to rise, and aggregate demand to rise
- b) Interest rates to rise, investment spending to fall, and aggregate demand to fall
- c) Interest rates to fall, investment spending to rise, and aggregate demand to rise
- d) Interest rates to fall, investment spending to fall, and aggregate demand to fall

29. Investors sell stocks, and buy ----- investments that traditionally do not lose value such as gold, bond, and the U.S dollar:

- a) Haven
- b) Unsafe Haven
- c) Safe Haven
- d) Angel

30. Excessive increase of ----- and money also set off inflation in the economy:

- a) Interest
- b) Debit
- c) Credit
- d) Prices

31. With reduced investments, employment, income and ----- also take a downturn and the economy faces contraction in economic activities:

- a) Production
- b) Consumption
- c) Expenditure
- d) Savings

32. Surviving the ----- business cycles require businesses to plan and set policies with respect to products, prices and promotion:

- a) Rapid
- b) Sluggish
- c) Booming
- d) Falling

33. Economic downturns and recessions is one of the major challenges of sustaining a business in the:

- a) Short term
- b) Long term

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

- c) Mid-business trade cycle
- d) Whole business trade cycle

34. Variables that change after real output changes are called:

- a) Leading Indicators
- b) Coincident Indicators
- c) Lagging Indicators
- d) None of these

35. Macroeconomic policies, monetary and ----- policies also cause business cycles:

- a) Inflationary
- b) Deflationary
- c) Fiscal
- d) Non-Fiscal

36. Modern business community and are affected by waves of optimism or -----

- a) Pessimism
- b) Negativity
- c) Positivity
- d) Fatalism

37. In ----- trade, business fluctuations that occur in one part of world get easily transmitted to other parts:

- a) Unilateral
- b) Quasi
- c) Bilateral
- d) International

38. Different phases of the business cycle require fluctuating levels of input use, especially:

- a) Land
- b) Labour
- c) Capital
- d) Organisation

39. In a free market economy, where ----- of profits is the aim of business:

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

- a) Optimization
- b) Maximization
- c) Minimization
- d) Utilisation

40. Fluctuations in ----- spending, with its impact on aggregate economic activity result in Business fluctuations:

- a) Consumer
- b) Producers
- c) Government
- d) Investors

41. The difference between exports and imports is the ----- demand for goods and services:

- a) Gross foreign
- b) Net foreign
- c) Gross national
- d) Net national

42. Post war what can a country do to itself:

- a) Wind up
- b) Reconstruct
- c) Migrate to another location
- d) None of these

43. Which of the following is not an example of “Cyclical” Business:

- a) Fashion retailers
- b) Electrical goods
- c) Restaurants
- d) Pharmaceuticals

44. Economists use changes in a variety of activities to measure the business cycle and to predict where the economy is headed towards which are called:

- a) Signals
- b) Indicators
- c) Barometer
- d) Clues



**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

45. J R Hicks theory of the Business cycle has been built primarily on the basis of the principle of:

- a) Consumption function
- b) Marginal efficiency of capital
- c) Acceleration
- d) Real balance effect

46. Multiplier & accelerator were mathematically combined by:

- a) J.M. Clark
- b) J.M. Keynes
- c) Hutt
- d) J.R. Hicks

47. Kaldor's model of trade cycle is based on:

- a) Saving
- b) Investment
- c) MEC
- d) Both a & b



48. The effect of consumption function on economic fluctuations was mentioned in one form or the other in business cycle literature from:

- a) Adam smith to Marshall
- b) Malthus to Wicksell
- c) Adam smith to robbins
- d) Malthus to Adam smith

49. A) samuelson's trade cycle model has pave the way for a more accurate analysis of nature of cyclical fluctuations

B) Samuelson' model serves as a useful tool for understanding the process of income generation

Of these

- a) 'A' is true but 'B' is false
- b) 'A' is false but 'B' is true

**AJA Commerce Academy**  
**CA - Foundation**  
**Test Series – Economics**

- c) Both 'A' and 'B' are true
- d) Both 'A' and 'B' are false

50. The important monetary measures in the hands of the central bank include all of following except:

- a) Rediscount rate
- b) Reserve ratios
- c) Open market operations
- d) Public revenue

