

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

1. *Gross Domestic Product (GDP) of any nation*

- (a) *excludes capital consumption and intermediate consumption*
- (b) *is inclusive of capital consumption or depreciation*
- (c) *is inclusive of indirect taxes but excludes subsidies*
- (d) *None of the above*

2. *Read the following statements*

I. *'Value added' refers to the difference between value of output and purchase of intermediate goods.*

II. *'Value added' represents the contribution of labour and capital to the production process.*

- (a) *Statements I and II are incorrect*
- (b) *Statements I and II are correct*
- (c) *Statement I is correct and II is incorrect*
- (d) *Statement II is correct and I is incorrect*

3. *Non-economic activities are*

- (a) *those activities whose value is excluded from national income calculation as it will involve double counting*
- (b) *those which produce goods and services, but since these are not exchanged in a market transaction they do not command any market value*
- (c) *those which do not involve production of goods and services as they are meant to provide hobbies and leisure time activities*
- (d) *those which result in production for self consumption and therefore not included in national income calculation*

4. *The concept of 'resident unit' involved in the definition of GDP denotes*

- (a) *A business enterprise which belongs to a citizen of India with production units solely situated in India*
- (b) *The unit having predominant economic interest in the economic territory of the country for one year or more irrespective of the nationality or legal status*
- (c) *A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India*
- (d) *Households and business enterprises composed of citizens of India alone living in India during the accounting year*

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

5. Which of the following does not enter into the calculation of national income?
- (a) Exchange of previously produced goods
  - (b) Exchange of second hand goods
  - (c) Exchange of stocks and bonds
  - (d) All the above
6. Gross National Product at market prices  $GNP_{MP}$  is
- (a)  $GDP_{MP} + \text{Net Factor Income from Abroad}$
  - (b)  $GDP_{MP} - \text{Net Factor Income from Abroad}$
  - (c)  $GDP_{MP} - \text{Depreciation}$
  - (d)  $GDP_{MP} + \text{Net Indirect Taxes}$
7. The basis of distinction between market price and factor cost is
- (a) net factor income from abroad
  - (b) net indirect taxes (i.e., Indirect taxes - Subsidies)
  - (c) net indirect taxes (i.e., Indirect taxes + Subsidies)
  - (d) depreciation ( consumption of fixed capital)
8. Choose the correct statement
- (a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these
  - (b)  $NNP_{FC} = \text{National Income} = \text{FID (factor income earned in domestic territory)} - \text{NFIA}$ .
  - (c) Capital goods and inventory investment are excluded from computation of GDP
  - (d)  $NDP_{MP} = GDP_{MP} + \text{Depreciation}$
9. Which of the following enters into the calculation of national income?
- (a) The value of the services that accompany the sale
  - (b) Additions to inventory stocks of final goods and materials
  - (c) Stocks and bonds sold during the current year
  - (d) (a) and (b) above
10. If net factor income from abroad is positive, then

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

- (a) *national income will be greater than domestic factor incomes.*
- (b) *national income will be less than domestic factor incomes.*
- (c) *net exports will be negative*
- (d) *domestic factor incomes will be greater than national income*

11. *Which of the following is an example of transfer payment?*

- (a) *Old age pensions and family pensions*
- (b) *Scholarships given to deserving diligent students.*
- (c) *Compensation given for loss of property due to floods*
- (d) *All the above*

12. *The GDP per capita is*

- (a) *a measure of a country's economic output per person*
- (b) *actual current income receipts of persons*
- (c) *national income divided by population*
- (d) *(a)and (c) above*

13. *Mixed income of the self -employed means*

- (a) *net profits received by self -employed people*
- (b) *outside wages received by self- employed people*
- (c) *combined factor payments which are not distinguishable,*
- (d) *wages due to non- economic activities*

14. *Which of the following is added to national income while calculating personal income?*

- (a) *Transfer payments to individuals*
- (b) *Undistributed profits of corporate*
- (c) *Transfer payments made to foreigners*
- (d) *Mixed income of self employed*

15. *Read the following statements and answer the following question.*

- I. Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production,*
- II. Intermediate consumption excludes fixed assets whose consumption is recorded as consumption of fixed capital.*

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

- (a) Only I is true
- (b) Both I and II are true
- (c) Only II is true
- (d) Neither I nor II is true

16. What is the primary focus of Keynesian economics?

- (a) Supply-side policies
- (b) Aggregate demand
- (c) Classical economics
- (d) Market equilibrium

17. In the Keynesian model, what does the term "aggregate demand" refer to?

- (a) Total planned expenditure in an economy
- (b) Total supply of goods
- (c) Government spending only
- (d) Consumer savings

18. What is the formula for aggregate demand (AD) in a two-sector economy?

- (a)  $AD = C + I$
- (b)  $AD = C + S$
- (c)  $AD = Y + C$
- (d)  $AD = I + S$

19. Which component is typically the largest in aggregate demand?

- (a) Investment
- (b) Government spending
- (c) Consumption
- (d) Net exports

20. What does the marginal propensity to consume (MPC) represent?

- (a) The total consumption at zero income
- (b) The increase in consumption from an increase in income
- (c) The total income divided by total consumption
- (d) The ratio of savings to total income

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

21. In the Keynesian framework, equilibrium occurs when:
- (a) Aggregate supply equals aggregate demand
  - (b) Consumption equals savings
  - (c) Government spending equals taxes
  - (d) Investment exceeds savings
22. The consumption function is expressed as:
- (a)  $C = a + bY$
  - (b)  $C = Y + I$
  - (c)  $C = I + S$
  - (d)  $C = Y_d + S$
23. What does 'a' represent in the consumption function  $C=a+bY$ ?
- (a) Marginal propensity to consume
  - (b) Autonomous consumption when income is zero
  - (c) Total income
  - (d) Total savings
24. In a two-sector model, which equation represents equilibrium?
- (a)  $I = S$
  - (b)  $AD = AS$
  - (c)  $Y = C + I$
  - (d) All of the above
25. If the marginal propensity to consume (MPC) is 0.75, what is the marginal propensity to save (MPS)?
- (a) 0.25
  - (b) 0.75
  - (c) 1.00
  - (d) 0.50
26. Which of the following is NOT a component of aggregate expenditure?
- (a) Consumption (C)

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

- (b) Investment (I)
- (C) Exports (X)
- (d) Taxation (T)

27. The term 'liquidity preference' refers to:

- (a) Demand for money balances
- (b) Supply of goods and services
- (C) Savings behaviour of households
- (d) Investment decisions by firms

28. According to Keynes, what can cause prolonged unemployment?

- (a) Excessive government intervention
- (b) Insufficient aggregate demand
- (C) High interest rates
- (d) Supply shocks

29. What does the investment multiplier measure?

- (a) Change in investment relative to change in savings
- (b) Change in output resulting from an initial change in investment
- (C) Change in government spending relative to GDP
- (d) Change in consumption due to interest rate changes

30. In a three-sector economy, which sector is added to the two-sector model?

- (a) Foreign sector
- (b) Government sector
- (C) Financial sector
- (d) Agricultural sector

31. What does 'circular flow' illustrate in economics?

- (a) The movement of money and resources between sectors
- (b) The relationship between inflation and unemployment
- (C) The balance of trade
- (d) The effects of fiscal policy

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

32. Which factor does NOT influence consumption according to Keynesian theory?

- (a) Disposable income
- (b) Interest rates
- (c) Tax rates
- (d) Corporate profits

33. Which statement best describes Keynes' view on saving?

- (a) Saving is always equal to investment
- (b) Saving increases as income increases
- (c) Saving decreases as interest rates rise
- (d) Saving has no impact on economic stability

34. *In the Keynesian model, equilibrium aggregate output is determined by*

- (a) aggregate demand
- (b) consumption function
- (c) the national demand for labour
- (d) the price level

35. *Keynes believed that an economy may attain equilibrium level of output*

- (a) only at the full-employment level of output
- (b) below the full-employment level of output
- (c) only if prices were inflexible
- (d) a) and c) above

36. *If the consumption function is  $C = 20 + 0.5Y_d$ , then an increase in disposable income by ` 100 will result in an increase in consumer expenditure by `-----*

- (a) 25
- (b) 70
- (c) 50
- (d) 100

37. *If the consumption function is expressed as  $C = a + bY$  then a represents*

- (a) autonomous consumer expenditure.
- (b) the marginal propensity to consume.

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

- (c) *the consumption income relationship*
- (d) *Non- linear consumption function*

38. *If the consumption function is expressed as  $C = a + bY$  then  $b$  represents*

- (a) *autonomous consumer expenditure when income is zero*
- (b) *the marginal propensity to consume.*
- (c) *the expenditure multiplier when consumption is increased*
- (d) *part of disposable income*

39. *The marginal propensity to consume (MPC) can be defined as*

- (a) *a change in spending due to a change in income*
- (b) *a change in income that is saved after consumption*
- (c) *part of income that is spent on consumption.*
- (d) *part of income that is not saved.*

40. *According to Keynes, consumption expenditure is determined by*

- (a) *the level of interest rates*
- (b) *extent of government taxes and subsidies*
- (c) *disposable income*
- (d) *autonomous investment expenditure*

41. *If the consumption function is  $C = 20 + 0.5Y_d$ , then an increase in disposable income by 100 will result in an increase in consumer expenditure by -----*

- (a) 25
- (b) 70
- (c) 50
- (d) 100

42. *If the autonomous consumption equals ` 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals ` 10,000, then total consumption will be `*

- (a) 8,000
- (b) 6,000
- (c) 10,000



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

(d) None of the above

43. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the

- (a) level of full employment income.
- (b) less than full employment level of income.
- (c) equilibrium level of income which may or may not be full employment level of income
- (d) autonomous level of income which may not be full employment level of income

44. In a closed economy, aggregate demand is the sum of

- (a) consumer expenditure, demand for exports and government spending.
- (b) consumer expenditure, planned investment spending and government spending.
- (c) consumer expenditure, actual investment spending, government spending and net exports.
- (d) consumer expenditure, planned investment spending, government spending, and net exports.

45. Under equation  $C = a + by$ ,  $b = 0.8$ , what is the value of 2 sector expenditure multiplier?

- (a) 4
- (b) 2
- (c) 5
- (d) 1

46. Government sector adds the following key flows to the model except:

- (a) Taxes on households and business sector to fund government purchases
- (b) Transfer payments to household sector and subsidy payments to the business sector
- (c) Government purchases goods & services from business sector and factors of production from household sector, and
- (d) Government borrowing in capital markets to finance the surplus occurring when taxes fall short of government purchases

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

47. The three-sector model consists of:

- (a) Household, Business & Government Sectors
- (b) Business, Foreign & Government Sectors
- (c) Household, Business & Foreign sectors
- (d) None of these

48. Basic purpose of Circular flow is to understand how ----- moves within an economy:

- (a) Resources
- (b) Goods
- (c) Services
- (d) Money

49. Total Receipts of Firms = Value of -----

- (a) Input
- (b) Output
- (c) Labour
- (d) Capital

50. Aggregate supply represents aggregate value expected by business firms and aggregate demand represents their ----- value:

- (a) Fair
- (b) Market
- (c) Realised
- (d) Book

51. When using the expenditures approach the value added method allows national income accounts to avoid:

- (a) Errors & Omissions
- (b) Mistakes
- (c) Inflated values
- (d) Double Counting

52. National Income in India is calculated with the help of:

- (a) Income method
- (b) Output method
- (c) Expenditure method
- (d) Income & Output method

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

53. The long-run secular annual percentage rate of change in real GNP is called:

- (a) Full employment
- (b) Secular employment
- (c) Natural growth rate
- (d) Stagflation

54. Subsidies means:

- (a) Payment of government for purchase of goods & services
- (b) Payment by business enterprises to factors of production
- (c) Payment by companies to shareholders
- (d) payment by government to business enterprises without buying any goods & services

55. Transfer Income is:

- (a) Income accruing to the capitalists
- (b) Income earned in transferable jobs
- (c) Income of business enterprises
- (d) Income received by not doing any economic activity

56. The branch of macroeconomics that is concerned measuring macroeconomic activity called:

- (a) General equilibrium
- (b) Consumption function
- (c) National income accounting
- (d) General level of price determination

57. Name the institution that prepares the National Income accounts regularly:

- (a) CSO
- (b) NSSO
- (c) RBI
- (d) IMF

58. Social accounting system in india is classified into which one of the following sets of sectors:

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

- (a) Enterprise, households & government
- (b) Assets, Liabilities & debt position
- (c) Public sector, private sector and joint sector
- (d) Income, product & expenditure

59. Which one of the following is not included while estimating National Income through Income method:

- (a) Rental Income
- (b) Undistributed profits
- (c) Mixed income
- (d) Pension

60. Given the following information about an economy, compute **GNP at Market prices?**

Consumption = 5000

Gross Investment = 1000

Govt. purchases = 800

Exports = 600

Imports = 800

Depreciation = 250

- (a) Rs. 7,100
- (b) Rs. 6,850
- (c) Rs. 6,600
- (d) Rs. 6,350

61. Estimates of GDP by PPP method seeks to measure in real terms:

- (a) Relative level of economic well-being across countries
- (b) Level of Human development
- (c) Ability to repay external debt
- (d) None of the above

62. GNP gap is the gap between:

- (a) GNP and NNP
- (b) GNP and Depreciation
- (c) GNP and GDP
- (d) Potential and actual GNP

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

63. Which of the following statement is correct with respect to the composition of National Income in India:

- (a) The share of manufacturing sector has declined
- (b) The share of the services sector has increased sharply
- (c) The share of agricultural has remained static
- (d) The share of services sector has declined

64. A deflator is a technique of:

- (a) Adjusting for change in commodity
- (b) Accounting for higher increase of GNP
- (c) Accounting for decline of GNP
- (d) Adjusting for changes in price level

65. According to Pigou, National dividend will be maximum when:

- (a) Marginal cost is minimised
- (b) Net social marginal productivity is maximised
- (c) Net Private marginal productivity is maximised
- (d) Net social marginal productivity becomes equal to net private marginal productivity

66. Which one of the following accounting systems given information regarding the savings of the community:

- (a) National Income accounting
- (b) Input-Output accounting
- (c) Flow-of-funds accounting
- (d) Personal income accounting

67. The difference between the profit of a teashop and that of WIPRO is that:

- (a) The former is included in GDP while the latter is not
- (b) The former is not included in GDP while latter is
- (c) The whole profit of the teashop is included in personal income but that of WIPRO is not
- (d) There is no difference

68. If the working hours increase, ceteris paribus then the economy's GDP would:

- (a) Increase
- (b) Decrease

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

- (c) *Remain constant*
- (d) *Uncertain*

69. *An increase in the index of retail prices must signify*
1. *A fall in real wages*
  2. *A fall in the standard of living*
  3. *An increase in the cost of living*

*Which of the above statements is correct:*

- (a) *1, 2 and 3*
- (b) *1 & 2 only*
- (c) *2 & 3 only*
- (d) *3 only*

70. *The difference between disposable income and personal savings consists of:*

- (a) *Indirect Taxes*
- (b) *Personal consumption expenditures*
- (c) *Direct Taxes*
- (d) *Investment expenditure*

71. *A worker whose income is unreported or reported to the government is called:*

- (a) *Unemployed worker*
- (b) *Underground worker*
- (c) *Voluntary worker*
- (d) *Discouraged worker*

72. *Annual growth rate of National Income was recorded lowest during:*

- (a) *Second plan*
- (b) *Third plan*
- (c) *Fifth plan*
- (d) *Sixth plan*

73. *Estimates of National Income in India include:*

- (a) *Value of Intermediate products*
- (b) *Services rendered by House wives*
- (c) *Production for self-consumption*

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

(d) Value of illegal activities

74. Depreciation means:

- (a) Destruction of plant in a fire accident
- (b) Loss of equipment over time due to wear & tear
- (c) Outdated technology
- (d) Fall in the price of the new machine

75. The first notable national income estimator in pre-independent India is:

- (a) Findlay Shirras
- (b) V.K.R.V Rao
- (c) R.C. Dutt
- (d) Dadabhai Naoroji

76. The cause of income inequality is the:

- (a) Difference of opportunities
- (b) Law of inheritance
- (c) system of private property
- (d) All of these

77. National Income estimates in India have reference to a year as:

- (a) A calendar year (Jan-Dec)
- (b) A Financial year (April-March)
- (c) A U.N. year (July)
- (d) All the above

78. Which of the following is an interpersonal transfer payment:

- (a) Payment made to housewife
- (b) Pocket allowance to children
- (c) Maintenance allowance to old parents
- (d) All of these

79. For an item to be included in GNP it must meet:

- (a) The item must be sold through market price
- (b) The item must be a final good
- (c) The item must be currently produced
- (d) All the above

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

80. Double counting is avoided by:

- (a) Excluding Financial transfers
- (b) Using the value added approach to GNP measurement
- (c) Excluding the market value of previously produced goods
- (d) omitting goods that do not involve a market charge

81. The first man who scientifically estimated National Income of India was:

- (a) Jawaharlal Nehru
- (b) V.K.R.V. Rao
- (c) Manmohan Singh
- (d) I.K. Gujral

82. NNP at Factor Cost:

- (a) GNP - Depreciation
- (b) NNP at Market prices + Depreciation
- (c) NNP at Market prices - Indirect Taxes + Subsidies
- (d) NNP at Market prices + indirect Taxes

83. NDP at Market Price is equal to:

- (a) GNP - Capital consumption
- (b) GNP - Net Income from abroad
- (c) GDP - Capital consumption
- (d) GDP + Net income from abroad

84. Money receipts that are not accompanied by the production of a good or service:

- (a) Revenue
- (b) Surplus
- (c) Transfer payments
- (d) User costs

85. Real Net National Product is equal to:

- (a) Gross National Product at base year price
- (b) Net National Product at base year price
- (c) Gross National Product at Market price
- (d) Net National Product at Current price



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

86. On which of the following do people of India spend most of their income:

- (a) Clothing
- (b) Food
- (c) Fuel & light
- (d) Household durables

87. Which of the following statement is false:

- (a) Price of imported cars are not included in GDP deflator
- (b) WPI is based on paasche's index
- (c) Economic prosperity brings a structural change in favour of the service sector
- (d) Economic theory is delved through the inductive approach

88. Which of the following is a component of the GDP:

- (a) Mr.X received Rs.5,000/- by selling 10 shares of Reliance
- (b) Transport corporation of India purchased a new truck
- (c) Monthly allowance that you get from parents
- (d) Amount of money cronje received from a bookie

89. Flow of funds accounts cover:

- (a) Money transactions in the economy
- (b) Credit transactions in the economy
- (c) Both (a) & (b)
- (d) Foreign financial intermediaries

90. In a closed economy, aggregate demand is the sum of:

- (a) Consumer expenditure, demand for exports and government spending
- (b) Consumer expenditure, planned investment spending and government spending
- (c) Consumer expenditure, actual investment spending, government spending and Net exports
- (d) Consumer expenditure, planned investment spending, government spending and Net exports

91. Under equation  $C=a+by$ ,  $b=0.8$ , what is the value of 2 sector expenditure multiplier:

- (a) 4
- (b) 2
- (c) 5

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

(d) 1

92. The marginal propensity to consume (MPC) can be defined as:

- (a) A change in spending due to change in Income
- (b) A change in income that is saved after consumption
- (c) Part of income that is spent on consumption
- (d) Part of income that is not saved

93. If the consumption function is expressed as  $C=a+bY$  the 'b' represents:

- (a) Autonomous consumer expenditure when income is Zero
- (b) The Marginal propensity to consume
- (c) The expenditure multiplier when consumption is increased
- (d) Part of disposable income

94. If the consumption function is  $C=20+0.5Y_d$ , then increase in disposable income by Rs. 100/- will result in an increase in consumer expenditure by:

- (a) 25
- (b) 70
- (c) 50
- (d) 100

95. National Product at market prices is higher than National product at factor cost by the amount of:

- (a) Indirect Taxes
- (b) Subsidies
- (c) Indirect Taxes
- (d) Indirect Taxes-Subsidies

96. The point where aggregate expenditure equal National income is:

- (a) Price equilibrium
- (b) Price-quantity equilibrium
- (c) Full equilibrium
- (d) Macroeconomic equilibrium

97. A year is used as common length of time for National Income estimation because it:

- (a) Incorporates the effects of policy changes
- (b) Is neither too long nor too short

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

- (c) *Accounts for cyclical changes*
- (d) *Is conventionally followed by many countries*

98. *Three methods of computing National Income are:*

- (a) *Production, outlay and Income methods*
- (b) *Savings, investment and Income methods*
- (c) *Production, depreciation and Income methods*
- (d) *None of these*

99. *National Income figures are:*

- (a) *Very exact*
- (b) *Partially exact*
- (c) *Only estimates*
- (d) *Wrong*

100. *“National dividend is that part of objective income of the community, including of-course income derived from abroad which can be measured in money” who said it:*

- (a) *Marshall*
- (b) *Ricardo*
- (c) *Adam Smith*
- (d) *Pigou*

  
**Commerce Academy**  
Challenging the Limits