Roll No.												

PRESIDENCY UNIVERSITY

BENGALURU

Mid - Term Examinations – October 2026

Date: 08/10/2026 **Time:** 02:00PM – 03:30PM

School: SOC	**Program: B.COM**	
Course Code: CBS1032	**Course Name: Business Economics**	
Semester: First Semester	**Max Marks: 50**	**Weightage: 25%**

CO - Levels	CO1	CO2	CO3	CO4	CO5
Marks	25	25	-	-	-

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 1 mark. **50Q x 1M = 50M**

1	Macroeconomics is also called _____ economics. (a) applied (b) aggregate (c) experimental (d) none of the above	**1 Mark**	**L1**	**CO1**
2	The branch of economic theory that deals with the problem of allocation of resources is: (a) Micro-economic theory (b) Macro-economic theory (c) Econometrics (d) None of the above	**1 Mark**	**L1**	**CO1**
3	Economists regard decision making as important because: (a) The resources required to satisfy our unlimited wants and needs are finite, or scarce. (b) It is crucial to understand how we can best allocate our scarce resources to satisfy society's unlimited wants and needs. (c) Resources have alternative uses. (d) All the above.	**1 Mark**	**L2**	**CO1**

4	Business Economics: (a) Is abstract and applies only the tools of Microeconomics. (b) Involves practical application of economic theory in business decision making. (c) Incorporates tools from multiple disciplines. (d) Both (b) and (c).	**1 Mark**	**L2**	**CO1**
5	In a free market economy, the allocation of resources is determined by: (a) voting done by consumers (b) a central planning authority (c) consumer preferences (d) the level of profits of firms	**1 Mark**	**L1**	**CO1**
6	Freedom of choice is an advantage of: (a) Socialism (b) Capitalism (c) Communism (d) None of the above	**1 Mark**	**L1**	**CO1**
7	Which of the following is a normative statement? (a) Planned economies allocate resources via government departments. (b) Most transitional economies have experienced problems of falling output and rising prices over the past decade. (c) There is a greater degree of consumer sovereignty in market economies than in planned economies. (d) Reducing inequality should be a major priority for mixed economies.	**1 Mark**	**L3**	**CO1**
8	Mr. Satish hired a business consultant to guide him on the growth of his business. The consultant visited his factory and suggested changes with respect to staff appointment, loan availability and so on. Which approach is the consultant using? (a) Microeconomics (b) Macroeconomics (c) None of the above (d) Both (a) and (b)	**1 Mark**	**L3**	**CO1**
9	What implication does resource scarcity have for the satisfaction of wants? (a) Not all wants can be satisfied. (b) We will never be faced with the need to make choices. (c) We must develop ways to decrease our individual wants. (d) The discovery of new natural resources is necessary to increase our ability to satisfy wants.	**1 Mark**	**L2**	**CO1**
10	Which of the following is not a subject matter of Microeconomics? (a) The price of mangoes. (b) The cost of producing a fire truck for the fire department of Delhi. (c) The quantity of mangoes produced for the mango market. (d) The national economy's annual rate of growth.	**1 Mark**	**L2**	**CO1**
11	Which of the following would be considered a topic of study in Macroeconomics? (a) The effect of an increase in wages on the profitability of the cotton industry (b) The effect on steel prices when more steel is imported (c) The effect of an increasing inflation rate on the living standards of people in India (d) The effect of an increase in the price of coffee on the quantity of tea consumed	**1 Mark**	**L2**	**CO1**

12	Which of the following is considered a disadvantage of allocating resources using the market system? (a) Income will tend to be unevenly distributed. (b) People do not get goods of their choice. (c) Men of initiative and enterprise are not rewarded. (d) Profits will tend to be low.	**1 Mark**	**L2**	**CO1**
13	A capital-intensive technique would be chosen in a: (a) labour-surplus economy where the relative price of capital is lower. (b) capital-surplus economy where the relative price of capital is lower. (c) developed economy where technology is better. (d) developing economy where technology is poor.	**1 Mark**	**L2**	**CO1**
14	Who defined Business Economics in terms of the use of economic analysis in the formulation of business policies? (a) Adam Smith (b) Robbins (c) Joel Dean (d) Alfred Marshall	**1 Mark**	**L1**	**CO1**
15	A study of how an increase in the corporate income tax rate will affect the national unemployment rate is an example of: (a) Macroeconomics (b) Descriptive Economics (c) Microeconomics (d) Normative Economics	**1 Mark**	**L3**	**CO1**
16	'Economics is a study of mankind in the ordinary business of life' was given by: (a) Adam Smith (b) Lord Robbins (c) Alfred Marshall (d) Samuelson	**1 Mark**	**L1**	**CO1**
17	In which type of economy do consumers and producers make their choices based on the market forces of demand and supply? (a) Open economy (b) Controlled economy (c) Command economy (d) Market economy	**1 Mark**	**L1**	**CO1**
18	A mixed economy means: (a) Co-existence of small and large industries (b) Promoting both agriculture and industries in the economy (c) Co-existence of rich and poor (d) Co-existence of public and private sectors	**1 Mark**	**L1**	**CO1**
19	Who gave the positive aspect of economics as a science? (a) Alfred Marshall (b) A.C. Pigou (c) Adam Smith (d) Robbins	**1 Mark**	**L1**	**CO1**
20	The choice between labour-intensive and capital-intensive techniques is related to: (a) What to produce? (b) How to produce? (c) For whom to produce? (d) All of the above	**1 Mark**	**L2**	**CO1**
21	A socialist economy is also known as: (a) Mixed economy (b) Centrally planned economy (c) Capitalist economy (d) None of the above	**1 Mark**	**L1**	**CO1**
22	Which aspect of taxation involves Normative Economics? (a) The incidence of the tax (b) The effect of the tax on incentives to work (c) The 'fairness' of the tax (d) All the above	**1 Mark**	**L2**	**CO1**

23	Which of the following statements is incorrect? (a) Alfred Marshall propagated the wealth definition of Economics (b) L. Robbins introduced the 'scarcity' definition of Economics (c) Samuelson emphasised the 'growth' aspect of Economics (d) A.C. Pigou believed in the 'welfare' aspect of Economics	**1 Mark**	**L2**	**CO1**
24	The socialist economy was propounded by: (a) Karl Marx and Friedrich Engels (b) Samuelson (c) A.C. Pigou (d) Adam Smith	**1 Mark**	**L1**	**CO1**
25	The central problem in every economic society is: (a) To ensure a minimum level of income for every individual. (b) To allocate scarce resources in such a manner that society's unlimited wants are satisfied in the best possible manner. (c) To ensure that production occurs in the most efficient manner. (d) To provide a job to every job seeker.	**1 Mark**	**L2**	**CO1**
26	Demand for a commodity refers to: (a) desire backed by ability to pay for the commodity. (b) need for the commodity and willingness to pay for it. (c) the quantity demanded of that commodity at a certain price. (d) the quantity of the commodity demanded at a certain price during any particular period of time.	**1 Mark**	**L1**	**CO2**
27	Which of the following pairs of goods is an example of substitutes? (a) Tea and sugar (b) Tea and coffee (c) Pen and ink (d) Shirt and trousers	**1 Mark**	**L1**	**CO2**
28	The Law of Demand, assuming other things remain constant, establishes the relationship between: (a) income of the consumer and the quantity of a good demanded by him. (b) price of a good and the quantity demanded. (c) price of a good and the demand for its substitute. (d) quantity demanded of a good and the relative prices of its complementary goods.	**1 Mark**	**L1**	**CO2**
29	In the case of an inferior good, the income elasticity of demand is: (a) Positive (b) Zero (c) Negative (d) Infinite	**1 Mark**	**L1**	**CO2**
30	Contraction of demand is the result of: (a) decrease in the number of consumers. (b) increase in the price of the good concerned. (c) increase in the prices of other goods. (d) decrease in the income of purchasers.	**1 Mark**	**L2**	**CO2**
31	Identify the coefficient of price elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price: (a) Equal to one (b) Greater than one (c) Less than one (d) Zero	**1 Mark**	**L2**	**CO2**
32	If, regardless of changes in its price, the quantity demanded of a good remains unchanged, the demand curve for the good will be: (a) Horizontal (b) Vertical (c) Positively sloped (d) Negatively sloped	**1 Mark**	**L1**	**CO2**

33	Total utility is maximum when: (a) Marginal utility is zero (b) Marginal utility is at its highest point (c) Marginal utility is negative (d) None of the above	**1 Mark**	**L1**	**CO2**
34	If the demand for a good is inelastic, an increase in its price will cause the total expenditure of the consumers of the good to: (a) Remain the same (b) Increase (c) Decrease (d) Any of these	**1 Mark**	**L2**	**CO2**
35	In the case of a Giffen good, the demand curve will usually be: (a) Horizontal (b) Downward-sloping to the right (c) Vertical (d) Upward-sloping to the right	**1 Mark**	**L1**	**CO2**
36	By consumer surplus, economists mean: (a) The area inside the budget line above the price of the commodity (b) The area between the average revenue and marginal revenue curves (c) The difference between the maximum amount that a person is willing to pay for a good and its market price (d) The difference between the market price and the supply curve	**1 Mark**	**L1**	**CO2**
37	A vertical supply curve parallel to the Y-axis implies that the elasticity of supply is: (a) Zero (b) Infinity (c) Equal to one (d) Greater than zero but less than infinity	**1 Mark**	**L1**	**CO2**
38	Conspicuous goods are also known as: (a) Prestige goods (b) Snob goods (c) Veblen goods (d) All of the above	**1 Mark**	**L1**	**CO2**
39	If the price of Pepsi increases, the demand curve of Coca-Cola is expected to: (a) Shift towards the left, since these are substitutes (b) Shift towards the right, since these are substitutes (c) Remain at the same level (d) None of the above	**1 Mark**	**L2**	**CO2**
40	_____ depicts the complete picture of a consumer's tastes and preferences. (a) Budget line (b) Average cost curve (c) Indifference map (d) Marginal revenue curve	**1 Mark**	**L1**	**CO2**
41	The term business cycle refers to: (a) The ups and downs in production of commodities (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	**1 Mark**	**L1**	**CO2**
42	A significant decline in general economic activity extending over a period of time is: (a) Business cycle (b) Contraction phase (c) Recession (d) Recovery	**1 Mark**	**L1**	**CO2**
43	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	**1 Mark**	**L1**	**CO2**

44	The lowest point in the business cycle is referred to as the: (a) Expansion (b) Boom (c) Peak (d) Trough	**1 Mark**	**L1**	**CO2**
45	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	**1 Mark**	**L1**	**CO2**
46	A variable that tends to move later than aggregate economic activity is called: (a) A leading variable (b) A coincident variable (c) A lagging variable (d) A cyclical variable	**1 Mark**	**L1**	**CO2**
47	Industries that are extremely sensitive to the business cycle are the: (a) Durable goods and service sectors (b) Non-durable goods and service sectors (c) Capital goods and non-durable goods sectors (d) Capital goods and durable goods sectors	**1 Mark**	**L2**	**CO2**
48	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	**1 Mark**	**L2**	**CO2**
49	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	**1 Mark**	**L2**	**CO2**
50	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	**1 Mark**	**L2**	**CO2**