Final Test Semester 1 Paper 2 INDIAN INSTITUTE OF MATERIALS MANAGEMENT Business Economics & Accounting Management[PGDMM, PGDSCM & L (2 years)]

Instructions:
1. Answer all 50 questions. Each question carries 2 marks Total: 100 Marks
2. Duration 1 Hour.

*Required

1. Email *

________________________

2. Name *

________________________

3. Roll Number *

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4. "_________ deals with individual and specific problems of both small and big business organisations. So its scope of operation is quite ___ and involves only the principles of microeconomics."

Mark only one oval.

☐ Business Economics, limited
☐ Economics, extended
☐ Business Economics, optimum
☐ Traditional Economics, large
5. "As ______ and ______ are required by managers for business planning and taking timely decisions on crucial issues, this aspect plays a very strategic role in business economics."

*Mark only one oval.*

- cost, demand analysis
- demand analysis, demand forecasts
- profit, capital analysis
- Demand forecasts, cost

6. Adam Smith, the _____ century _____ philosopher and economist, is considered as the ‘Father of Economics’.

*Mark only one oval.*

- 16th, German
- 17th, British
- 18th, Scottish
- 19th, Polish

7. ______ and supply in the market play a crucial role in deciding the _____ of a commodity and size of the market.

*Mark only one oval.*

- Demand, price
- Income demand, quantity
- Cost demand, cost
- Joint demand, quality

8. Demand and _____ are directly proportional to normal goods whereas the ____ and income are inversely proportional to inferior goods.

*Mark only one oval.*

- price, price
- income, demand
- price demand, income
- cross demand, price demand
9. In case of the increase in demand, the demand curve shifts towards _____, while, in case of decrease in demand, the demand curve shifts towards _____.

*Mark only one oval.*

- left, right
- right, right
- right, left
- left, left

10. _____ refers to the willingness of a seller to offer a particular quantity of a product in the market for sale at a specified price and time.

*Mark only one oval.*

- Sales
- Buy
- Supply
- Demand

11. _____ and price of the product in the market affect the supply of a product.

*Mark only one oval.*

- Inventory
- Demand
- Supply
- Sales

12. The price at which both demand and supply intersect is known as the _____.

*Mark only one oval.*

- market price
- equilibrium price
- cost price
- price
13. It said that “necessity is the mother of _____ and _____ is the mother of production”.

Mark only one oval.

☐ invention, demand
☐ demand, supply
☐ supply, demand
☐ supply, invention

14. According to ________ assumption, the utility gained from different commodities consumed by an individual can be summed together to calculate the total utility.

Mark only one oval.

☐ Marginal utility of money is constant
☐ Rationality
☐ Utilites are additive
☐ Diminishing marginal utility

15. According to the _______ approach, utility is a psychological phenomenon which possesses a descriptive character and thus differs across individuals such as happiness, satisfaction, etc.

Mark only one oval.

☐ cardinal utility
☐ ordinal utility
☐ marginal utility
☐ total utility

16. In economics, _______ refers to the creation of those goods and services which have exchange value in the economy.

Mark only one oval.

☐ demand
☐ supply
☐ capital
☐ production
17. “_______ refers to the total amount of units of output which is produced per unit of time by the different factors of inputs.”

*Mark only one oval.*

- Average production
- Marginal production
- Cardinal production
- Total production

18. According to _____, “General equilibrium occurs through the mutual interdependence between different markets and their constituents.”

*Mark only one oval.*

- Prof. Stigler
- Walras
- Koutsoyiannis
- Leibhafsky

19. _____ can be described as the cost of the next best alternative forgone by a business entity, while, _____ is the money spent by the producer to purchase or own the factors of production.

*Mark only one oval.*

- Implicit Costs, Business Costs
- Business Costs, Fixed Costs
- Incremental Cost, Real Costs
- Opportunity cost, Explicit cost

20. “The summation of _____ and _____ is referred to as total cost in the short run.”

*Mark only one oval.*

- total fixed cost, total variable cost
- total variable cost, Average Total Cost
- Average Total Cost, Average Variable Cost
- Direct Costs, marginal cost
21. ______ refer to the cost advantage enjoyed by an organisation when it increases its level of output, while, ______ refer to the decrease in the average total cost of an organisation due to the production of a wider variety of goods or services.

*Mark only one oval.*

- [ ] Average revenue, diseconomies of scale
- [ ] Diseconomies of scale, average revenue
- [ ] Economies of scale, economies of scope
- [ ] Economies of scope, economies of scale

22. Business activities are ______ activities carried out within the organisation in order to earn a profit.

*Mark only one oval.*

- [ ] economic
- [ ] social
- [ ] cultural
- [ ] general

23. ______ are the final accounts prepared to determine the profit or loss, financial strengths and weaknesses of the business at the end of an accounting period.

*Mark only one oval.*

- [ ] Balance sheet
- [ ] Profit and loss account
- [ ] Financial statements
- [ ] Cash flow statement
24. _____ is a device used by corporate management to ____ the reported profit in order to paint a good financial position of the organisation.

Mark only one oval.

☐ Balance sheet, calculate
☐ Bottom line, manipulate
☐ Balance sheet, summarise
☐ Bottom line, analyse

25. _____ is a process of assessing the organisation’s present and future financial performance and position by recording, evaluating and interpreting the financial data.

Mark only one oval.

☐ DuPont analysis
☐ Comparative analysis
☐ Financial ratio analysis
☐ Financial statement analysis

26. _____ refers to the firm’s ability to convert its assets into cash and _____ assesses the firm’s ability to meet short-term obligations, usually for one year.

Mark only one oval.

☐ Profitability ratio, valuation ratio
☐ Liquidity ratio, liquidity ratio
☐ Leverage ratio, turnover ratio
☐ Profitability ratio, profitability ratio
27. ______ can be performed either on the basis of time series/trend series or on inter-firm series, while, the ______ is a measure of financial analysis and an expanded version of Return on Equity (ROE).

Mark only one oval.

☐ DuPont analysis, comparative analysis
☐ Financial ratio analysis, financial statements analysis
☐ Comparative analysis, DuPont analysis
☐ Financial statements analysis, Financial ratio analysis

28. Accounting equation is also known as ______ equation whereby the total of a company’s assets always _____ the sum of shareholders’ equity and external liabilities.

Mark only one oval.

☐ statement of cash flows, double
☐ balance sheet, equals
☐ statement of income, greater
☐ Financial statements, lower

29. An account is a systematised format of recording ______ data.

Mark only one oval.

☐ debit
☐ credit
☐ profit or loss
☐ accounting

30. ______ is a book of original entry in which transactions are recorded on a ____ basis as and when they occur.

Mark only one oval.

☐ Journal book, day-to-day
☐ Principle book, weekly
☐ Passbook, monthly
☐ Ledger, yearly
31. The ______ system records, classifies, analyses, summarises and allocates various types of costs associated with a process.  

*Mark only one oval.*  
- financial accounting  
- cost accounting  
- profit and loss account  
- managerial accounting  

32. ______ are those costs that can be specifically and directly attributed to a particular cost object or a project or any piece of work, while, ______ are those costs that are not directly attributable to any cost object.  

*Mark only one oval.*  
- Indirect costs, direct costs  
- Fixed costs, variable costs  
- Direct costs, indirect costs  
- Variable costs, fixed costs  

33. ______ is a cost control technique wherein the predefined standard costs are compared with the actual cost of producing that product or service.  

*Mark only one oval.*  
- Process costing  
- Job costing  
- Labour costing  
- Standard costing  

34. Broadly, there are ______ types of costs that may impact the production volume in an organisation.  

*Mark only one oval.*  
- two  
- three  
- four  
- five
35. Contribution margin is the difference between the sales ____ of a product and its ____ cost.

*Mark only one oval.*

- profits, variable
- costs, fixed
- revenue, variable
- loss, fixed

36. The break-even point is the point at which the total revenues are ____ to the total costs of the product.

*Mark only one oval.*

- higher
- lower
- double
- equal

37. In the ____ strategy, a business unit or an organisation can concentrate on a limited market segment or a narrow product line.

*Mark only one oval.*

- overall differentiation
- focus
- differentiation
- cost leadership

38. The ____ is a comprehensive budget that includes all the aspects of an organisation’s operations and finances.

*Mark only one oval.*

- investment
- master budget
- budget
- revenue
39. There are _____ types of variances that can be analysed using a flexible budget.  

*Mark only one oval.*

- five
- four
- two
- three

2 points

40. Which one of the following scope of the application of business economics covers the aspects of a business?  

*Mark only one oval.*

- Profit Maximisation
- Capital Management
- Both a and b
- None of these

2 points

41. Which one of the following functions performed by a managerial economist?  

*Mark only one oval.*

- Performing market research
- Forecasting sales of an organisation
- Performing investment analysis
- All of these

2 points

42. To deal with all economics and business decision making related questions, organisations include six steps in their decision-making processes. Which one of the following step involves changes in the ongoing processes and work patterns of the organisation?  

*Mark only one oval.*

- Define the problem
- Implement the decision
- Find alternative courses of action
- Formulate potential solutions

2 points
43. The movement of the workforce across continents, exchange of ideas and technologies, and adoption of new culture and values, which leads to globalisation are examples of:

*Mark only one oval.*

- First Law of Economics
- Second Law of Economics
- Third Law of Economics
- None of these

44. Which one of the following laws of economics states that 'If the demand for a particular product is high in the market, then the manufacturers will also increase its supply in the market to meet the growing demands’?

*Mark only one oval.*

- First Law of Economics
- Second Law of Economics
- Third Law of Economics
- None of these

45. “When the demand for different quantities of a commodity or service depends not only on its own price but also on the price of other related commodities or services, then the demand is known as the ________.”

*Mark only one oval.*

- joint demand
- cross demand
- composite demand
- price demand
46. Which one of the following is the pictorial representation of the demand schedule?  

*Mark only one oval.*

- [ ] Demand curve
- [ ] Law of demand
- [ ] Price demand
- [ ] Income demand

47. Which one of the following is a types of demand curve?  

*Mark only one oval.*

- [ ] a. Individual demand curve
- [ ] b. Market demand curve
- [ ] c. Both a and b
- [ ] d. None of these

48. Which one of the following is the effect of change in the relative price of a commodity over the demand of that commodity?  

*Mark only one oval.*

- [ ] Income Effect
- [ ] Substitution Effect
- [ ] Law of Diminishing Marginal Utility
- [ ] Change in the Number Of Buyers

49. Which one of the following statement is not correct?  

*Mark only one oval.*

- [ ] a. "The downward movement along the same demand curve is known as the expansion of demand."
- [ ] b. "The upward movement along the same demand curve is called the contraction of demand."
- [ ] c. Both a and b
- [ ] d. None of these
50. Which one of the following determinants or factors influencing the supply of products?

Mark only one oval.

- Price of a product
- Cost of production
- Taxation policies
- All of these

51. Which one of the following is a type of supply, which states that the total amount of goods that are available for selling in the market at a specific price and for a specific time period by all firms?

Mark only one oval.

- a. Individual supply
- b. Market supply
- c. Both a and b
- d. None of these

52. When a supplier is ready to offer huge quantities of products in the market at the same price, an increase in supply occurs due to:

Mark only one oval.

- reduction in taxes
- decrease in prices of factors of production
- upgradation in production techniques
- All of these

53. Which one of the following is a condition when a large quantum of goods is supplied at higher than usual prices?

Mark only one oval.

- Expansion or extension of supply
- Contraction of supply
- Both a and b
- None of these