



CA Foundation – New Syllabus
Business Economics

Chapter 5
Business Cycles

MCQ Compiler by MVSIR

Basics	
MTP Oct 19, Oct 20, ICAI SM	
1	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
MTP Oct 20, Mar 21, June 24, ICAI SM	
2	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.
Phases of Business Cycles	
MTP Apr 19, Apr 21, Nov 22, ICAI SM	
3	Four phases of 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
ICAI SM	
4	The different phases of a business cycle a) do not have the same length and 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 the above
MTP May 20, ICAI SM	
5	The lowest point in the business cycle is referred to as the a) Expansion b) Boom c) Peak d) Trough
PYQ Jun 23	
6	_____ is not a phase of business cycle a) Peak b) Trough c) Expansion d) reconstruction
MTP Mar 18	
7	During 1920s, UK saw rapid growth in GDP, production levels and living standards. The economic growth also caused an unprecedented rise in stock market values. This is an example of: a) Boom b) Recession c) Contraction d) Trough

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A.Q., MTP Apr 23	
8	Cost of living increases when business cycle is ____ a) at peak b) contracting c) expanding d) at lowest point
MTP Oct 20, Apr 21, ICAI SM	
9	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.
MTP Aug 18, Mar 19, SEQ	
10	When aggregate economic activity is increasing, economy is said to be in a) an expansion. b) a contraction. c) a peak d) a turning point
PYQ Jun 23	
11	Increase in national output and other economic variable is a characteristic of in Business cycles a) Trough b) Depression c) Contraction d) Expansion
A.Q.	
12	During an upturn in business cycle, negative output gap does not become much more negative than it was. This is because of the fact ____ a) Capacity increases because of the rise in investment. b) Expenditure decreases because of the rise in the interest rate. c) The government lowers the taxes during an upturn. d) Labour productivity decreases during upturn.
A.Q.	
13	During business cycles the opposite of a trough is ____ a) an inflation b) a hyperinflation c) a trend d) a peak
MTP Mar 18 May 20, ICAI SM	
14	A significant decline in general economic activity extending over a period of time is a) business cycle b) contraction phase c) Recession d) recovery
ICAI SM	
15	During recession, the unemployment rate _____ and output _____. a) Rises; falls b) Rises; rises c) Falls; rises d) Falls; falls.

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MTP May 20, ICAI SM	
16	When aggregate economic activity is declining, the economy is said to be in a) Contraction b) an expansion. c) a trough d) a turning point
MTP May 20, Mar 18, ICAI SM	
17	Economic recession shares all of these characteristics except a) Fall in the levels of investment, employment b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services. c) Investor confidence is adversely affected and new investments may not be forthcoming d) Increase in the price of inputs due to increased demand for inputs
MTP Apr 21	
18	A rise in sale of which type of good is expected in the case of recession? a) Luxury b) Necessity c) Inferior d) Normal
ICAI SM	
19	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
MTP Apr 19, Oct 20, May 23, May 24 ICAI SM	
20	Peaks and troughs of the business cycle are known collectively as a) Volatility. b) Turning points. c) Equilibrium points d) Real business cycle events
MTP Jun 22, May 23, June 24	
21	Peak is the _____ stage of expansion. a) Later b) Earlier c) Either (A) or (B) d) None of the above
MTP Jun 22, Nov 23	
22	During business cycles the opposite of a peak is _____ a) an inflation b) a hyperinflation c) a trend d) a trough
MTP Nov 22, MTP Jun 22, MTP Apr 24	
23	Decrease in input demand _____ a) Doesn't affect inputs prices b) Pushes inputs prices up c) Pulls inputs prices down d) Either (B) or (C)
PYQ Jun 22	
24	Expansion phase of business cycle depicts characteristics except _____ a) Consumer spending on goods and services tend to rise b) Business confidence tends to rise c) Interest rates and profits tend to rise d) Unemployment tends to rise

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PYQ Jun 22	
25	A typical feature of depression is in the interest rate. a) Rise b) Constant c) Fall d) Infinity
PYQ Jun 22	
26	Which of the following statement is correct for a business cycle? a) A typical feature of depression is the rise in the interest rate b) A typical feature of depression is the constant interest rate c) Recession is the severe form of depression d) Depression is the severe form of recession
PYQ Jun 22	
27	Actual demand stagnates in which of the following stage of a business cycle? a) Expansion b) Peak c) Contraction d) Recovery
PYQ Jun 22	
28	In which stage of the business cycle involuntary unemployment is almost zero? a) Expansion b) Peak c) Contraction d) Recovery
MTP Apr 19, Oct 20, ICAI SM	
29	The _____ causes recovery of economy & acts as a turning point from depression to expansion a) Increase of unemployment b) Decrease of employment c) spurring of investment d) decrease of investment
Characteristics of Business Cycles	
MTP May 20, ICAI SM	
30	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.
ICAI SM	
31	Which of the following is not a characteristic of business cycles? 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.

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ICAISM		A.Q.	
32	Business cycle generally originate in free market economies. what is a free market economy?	35	_____ sector is more prone to the adverse effects of the business cycle
a) The economy where government is in possession of major assets b) The economy where private firms control major assets c) The economy where decisions of productions are taken by public sector undertakings d) The economy where price is controlled by government.		a) Agriculture b) Service c) Industrial d) Can't say	
ICAISM		MTP Oct 20	
33	Which of the following statements is correct?	36	Which of the following statements is correct?
a) The business cycle largely affects the agricultural sector b) The business cycle largely affects small employees c) The business cycle generally affects all sectors of economy but business sector in particular. d) The business cycle affects low wages workers		a) Business cycles occur periodically although they do not exhibit the same regularity. b) Business cycles have distinct phases of expansion, peak, contraction and trough. c) Business cycles generally originate in free market economies d) All of the above	
A.Q. June 24		MTP Mar 18	
34	Which of the following statements is correct regarding business cycles?	37	Which of the following statements is false with respect to Business Cycles:
a) Business cycles always affect all sectors uniformly. b) Business cycles may affect all sectors uniformly. c) Business cycles do not affect all sectors uniformly. d) None of these		a) They occur periodically. b) They generally originate in free market economies. c) They are international in character. d) They do not affect capitalist economies.	
		MTP Nov 22, MTP Jun 22	
		38	Different business cycles _____ in duration and _____ intensity.
		a) differ b) similar c) consistent d) Can't say	

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MTP Jun 22		PYQ Jun 22	
39	Repercussions of business cycles get _____ felt on nearly all economic variables.	43	Which of the following statement is correct?
a) alternatively b) simultaneously c) one by one d) All of the above		a) No economy follows a perfectly timed cycle b) Economy follows a perfectly timed cycle c) Most of the economy follows a perfectly timed cycle d) Capitalist economy follow a perfectly timed cycle	
MTP Jun 22		Indicators of Business Cycles	
40	Which of the following statements is correct regarding business cycles?	MTP May 20	
a) Business cycles are contagious and international in character. b) Business cycles begin in one country and spread to other countries through trade relations. c) Business cycles have serious consequences on well being of the societies. d) All of the above		Economists use changes in variety of activities to measure business cycle & to predict where economy is headed towards is called- a) Leading indicators b) Indicators c) Lagging Indicators d) None of these	
PYQ Jun 22		MTP May 20, ICAI SM	
41	Which of the following is not correct about the business cycles?	45	Economic indicators are -
a) Business cycles have distinct phase of expansion, peak, contraction and trough b) Business cycles generally originate in capitalist economies c) Business cycles are contagious and are internal in character d) All sectors of the economy are adversely affected in equal proportion		a) A one stroke solution to check the phase of economy b) Indicators showing the movement of economy c) Some activities which predict the direction of economy d) Just an illusion	
PYQ Jun 23		MTP Dec 22, Mar 22, Apr 21, ICAI SM	
42	Which is a feature of business cycles?	46	The Turning point of business cycle is predicted by:
a) Pervasive in nature b) Occurs in restrictive market economy c) Periodical regularity d) It has same reasons always		a) Lagging Indicator b) Leading Indicator c) Coincident d) All of the above	

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MTP Apr 23		MTP Apr 19, ICAI SM	
47	Economic indicator required to predict the turning point of business cycle is:	51	Leading economic indicators
a) Leading indicator b) Lagging indicator c) Coincident d) All of the above		a) are used to forecast probable shifts in economic policies b) are generally used to forecast economic fluctuations c) are indicators of stock prices existing in an economy d) are indicators of probable recession and depression	
MTP Mar 22, PYQ Jun 23		MTP Aug 18, Oct 20, ICAI SM	
48	Variable that change after real output change are:	52	Which of the following is not an example of coincident indicator?
a) Leading Indicator b) Lagging Indicator c) Concurrent Indicator d) None of these		a) Industrial production b) Inflation c) Retail Sales d) New orders for plant and equipment	
ICAI SM		PYQ Jun 23	
49	A leading indicator is	53	Which of the following is not an example of lagging indicator
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		a) Consumer price index b) Labour cost price per unit c) Commercial lending d) Personal income	
MTP May 20, ICAI SM		MTP Apr 23, PYQ Jun 23	
50	A variable that tends to move later than aggregate economic activity is called	54	Variables that change before the real output changes are called:
a) a leading variable b) a coincident variable. c) a lagging variable. d) a cyclical variable		a) Lagging indicator b) Leading Indicator c) Concurrent Indicator d) None of these	
		MTP Mar 19, Mat 24, SEQ	
		55	Which of the following is not a variable in the index of leading indicators?
		a) New consumer goods orders b) Delayed deliveries c) New building permits d) Prime rate	

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A.Q.		A.Q.	
56	An important indicator of a nation's well being is _____	58	The government and industry try to predict the business cycle by using indicators. These are:
a) Gross Domestic Product (GDP) b) Gross National Product (GNP) c) Gross National Income (GNI) d) Growth rate of GDP or GNP		a) variable that can explain the growth of production capacity. b) Variables that precede the actual movements in expenditure and production. c) The expenditure categories of consumption, investment and exports. d) Domestic and foreign indications relating to the business cycle and the tendency	
A.Q.		MTP Apr 23	
Match List I with List II and choose the correct answer using the codes given below.		59	Economy's historical performance was reflected by:
LIST I a. Leading indicator b. Lagging indicator c. Coincident indicator		a) Lagging indicating b) Leading indicating c) Either (a) or (b) d) None of these	
LIST 2 I. Industrial production II. Changes in stock price III. Corporate profit		MTP May 20	
57		60	A indicator which occur simultaneously with the business cycle movements is-
Codes: a b c (A) I II III (B) II III I (C) III II I (D) I III II		a) Lagging indicator b) Coincident indicator c) Leading indicator d) None of these	
		PYQ Jun 22	
		61	Which of the following is an example of a leading indicator?
		a) Changes in stock prices b) Changes in unemployment rate c) Changes in GDP d) Change in commercial lending activity	

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PYQ Jun 22, Jun 23, MTP May 23		MTP May 20, Apr 21, ICAI SM	
62	Coincident economic indicators are also called as which of the following?	66	According to _____ trade cycles occur due to onset of innovations.
a) Concurrent indicators b) Compound indicators c) Coexist indicators d) Random indicators		a) Hawtrey b) Adam Smith c) J M Keynes d) Schumpeter	
PYQ Jun 23		MTP Mar 21, May 24	
63	Those variables that change after the real output changes are called as _____	67	What are internal causes of business cycle?
a) Lagging indicators b) Leading indicators c) Concurrent indicators d) Coincident indicators		a) fluctuations in effective demand. b) macroeconomic policies c) money supply d) All the above	
Causes of Business Cycles			
MTP Oct 20, ICAI SM		PYQ Jun 23	
64	The most probable outcome of an increase in the money supply is	68	Which of the following is not an internal cause of business cycles
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		a) Fluctuations in effective demand b) Fluctuations in investment c) Macro-economic policies d) Post war reconstruction	
MTP Dec 22, MTP Apr 21, ICAI SM		MTP Dec 22, MTP Apr 21, ICAI SM	
69	According to Keynes, fluctuations in Economic activities are due to-	69	According to Keynes, fluctuations in Economic activities are due to-
a) Fluctuation in aggregate effective demand. b) Innovations c) Changes in money supply d) Fluctuation in agricultural output		a) Fluctuation in aggregate effective demand. b) Innovations c) Changes in money supply d) Fluctuation in agricultural output	
MTP Apr 21, Apr 23, June 24		MTP Apr 21, Oct 20, Oct 18, ICAI SM	
65	Innovation theory is propounded by	70	Which of the following is the cause of business cycles?
a) Schumpeter b) Nicholas Kaldor c) Keynes d) None of these		a) Fluctuations in aggregate effective demand b) Fluctuations in investments c) Fluctuations in government spending d) All of the above	

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MTP Dec 22, A.Q.		A.Q.	
71	According to British economist J. M. Keynes _____ was the main cause of massive decline in income and employment during Great Depression of 1930.	Trade/Business cycles occur due to	
a) Lower aggregate expenditure in the economy. b) Banking crises and low money supply. c) Overdabtness. d) Lower profits & pessimism		LIST 1 i. Changes in money supply ii. Innovations take place in the system iii. Waves of optimism or pessimism iv. Fluctuations in aggregate effective demand	
MTP Oct 20, May 20, Mar 21		LIST 2	
72	According to Hawtrey trade cycle is	a	Schumpeter
a) monetary Phenomenon b) unplanned Phenomenon c) fiscal Phenomenon d) all the above		b	Keynes
MTP May 23		c	Hawtrey
73	Fluctuation in economic activities according to Keynes are due to-	d	AC Pigou
a) Innovations b) changes in money supply c) Fluctuation in aggregate effective demand d) Fluctuation in government spending		a) i-d, ii-c, iii-b, iv-a b) i-a, ii-b, iii-c, iv-d c) i-d, ii-a, iii-c, iv-b d) i-c, ii-a, iii-d, iv-b	
MTP Dec 22, A.Q.		MTP Dec 22, A.Q.	
75	Post war reconstruction	75 Post war reconstruction	
a) will push the economy to slow down because of excess external debts. b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income. c) can cause boom or recession depending upon the policies for reconstruction adopted by govt. d) None of these		a) will push the economy to slow down because of excess external debts. b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income. c) can cause boom or recession depending upon the policies for reconstruction adopted by govt. d) None of these	
MTP Mar 22		MTP Mar 22	
76	Fluctuation in Economic activities are due to :	76 Fluctuation in Economic activities are due to :	
a) Change in money supply b) Profitability c) Fluctuation in aggregate demand d) None of these		a) Change in money supply b) Profitability c) Fluctuation in aggregate demand d) None of these	

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MTP Nov 23, A.Q.
77 In order to influence spending on the goods and services in the short run, monetary policy is directed at directly influencing

a) Unemployment rate
b) Inflation rate
c) Interest rate
d) Economic growth rate

MTP Apr 21, MTP Mar 22
78 Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism.

a) Pigou
b) Schumpeter
c) Hawtrey
d) Keynes

MTP Oct 18, Oct 20
79 Which of the following is the external cause of Business Cycles?

a) Fluctuations in Effective Demand
b) Fluctuations in Investment
c) Variations in government spending
d) War

MTP Mar 18
80 Who expressed the view that fluctuations in investments are the prime cause of business cycles?

a) Hawtrey
b) Pigou
c) Schumpeter
d) Keynes

MTP Jun 22, Nov 23
81 Which one of the following is not an internal cause of business cycles?

a) Money supply
b) Technology shocks
c) Psychological factors
d) Fluctuations in investment

ICAI SM
82 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.

83 Suppose in an economy the population growth rate remained 6% during last 5 years while the economic growth rate during the same period was just 3%.
What will be the consequences of it? Select the right option from the options given below.

a) Lesser savings → Lower investment → Low income & employment → Low effective demand → Overall slowdown in economic activities
b) More consumption expenditure → more demand → more production → more employment & income → Overall boom in economic activities
c) Increase in labour supply → Lower wage rate → Low income → Low savings & investments → Low production → Overall slowdown in economic activities
d) None of the above

MTP Jun 22, Nov 23
84 Nicholas Kaldor propounded

a) Nacholas theory
b) Kaldor Theory
c) Cobweb theory
d) Cobb-douglas theory

Additional Practice Questions

MTP Oct 18
85 Which of the following is not an example of business cycle?

a) During 1920s, UK saw rapid growth in gross domestic Product, production levels and living standards.
b) Due to bursting of Information Technology bubble stock markets crashed and countries began feeling of down turn in their economies.
c) The Sub-prime crisis led to chain effect and it had worldwide impact.
d) The cycle business has seen a slowdown in growth over a period of time

A.Q.
86 Cyclical business refers to

a) The business where demand fluctuates seasonally.
b) The business which keep on changing their product.
c) The business whose fortunes are closely related to the rate of economic growth.
d) All of the above

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MTP May 20
87 If demand for goods and services is more than their supply, the resultant inflation is:

a) Cost push inflation.
b) stagflation
c) deflation.
d) demand pull inflation

MTP Mar 22
88 Businesses whose fortunes are closely linked to the rate of economic growth is referred to as:

a) Cyclical
b) Counter Cyclical
c) Fiscal Policy
d) None of these

89 Net domestic expenditure is consumption expenditure plus _____

a) Net foreign investment
b) Net foreign investment plus net domestic investment
c) Net domestic investment
d) Replacement expenditure

A.Q.
90 Business cycle emerge in _____

a) Socialist economy
b) Free market economy
c) Mixed economic system
d) None of the above

PYQ Jun 22
91 _____ sector cannot be included as 'cyclical' businesses.

a) electric goods
b) House builders
c) Agriculture
d) Restaurants

92 Which of the following characteristics does not belong to expansion path of businessmen cycles

- a) Consumer spending on goods and services tend to rise
- b) Business confidence tends to rise
- c) Interest rates and profits tend to rise
- d) Unemployment tends to rise

93 The rhythmic fluctuations in aggregate economic activity that an experiences over a period of time are called

- a) Inflation
- b) Unemployment
- c) Business cycles
- d) Growth rate

94 Which of the following is not an example of cyclical business?

- a) Fashion retailers
- b) House Builders
- c) Restaurants
- d) Washing powder

95 Recent example of the Business cycle is 'the housing bubble' of the US economy. This bubble got bust in

- a) 1930
- b) 1998
- c) 2000
- d) 2008

96 The phase of business cycle in which growth rate becomes negative and the level of national income and expenditure declines rapidly resulting in widespread unemployment

- a) Contraction
- b) Recession
- c) Depression
- d) Recovery

97 Which one of the following factors is an external cause or exogenous factor which may lead to boom or bust?

- a) Economical factor
- b) Social factor
- c) Natural factor
- d) Industrial factor

98 Trade cycles occur as a result of mismatch between aggregate demand function and aggregate supply functions. Who said this?

- a) Pigou
- b) Schumpeter
- c) Hawtrey
- d) Keynes

MTP Apr 23, RTP Sep 24

99 Information Technology bubble burst of 2000 is an example of:

- a) Business Cycle
- b) Consumer Sovereignty
- c) Freedom of choice
- d) None of these

MTP Apr 23, June 24

100 Which is not the External Causes of business cycle:

- a) Technology shock
- b) Population Growth
- c) Money Supply
- d) Natural Factors

MTP May 23

101 Assertion (A): Investment has also a supply effect.
Reason (R): Because it raises capacity to produce.

- a) (A) is true and (R) is false
- b) Both (A) and (R) are true & (R) is the correct explanation of (A)
- c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
- d) (A) is false and (R) is true

MTP Apr 23

102 Minimum assured price to the farmers to purchase their output by the government is called:

- a) Market Price
- b) Equilibrium Price
- c) Support Price
- d) Ceiling Price

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Answer Key - Economics Chapter 5

1	B	16	A	31	C	46	D	61	A	76	C	91	C
2	A	17	D	32	B	47	D	62	A	77	C	92	D
3	A	18	C	33	C	48	B	63	A	78	A	93	C
4	A	19	C	34	C	49	B	64	C	79	D	94	D
5	D	20	B	35	C	50	C	65	A	80	D	95	D
6	D	21	A	36	D	51	B	66	D	81	B	96	C
7	A	22	D	37	D	52	D	67	D	82	B	97	C
8	C	23	C	38	A	53	D	68	D	83	A	98	D
9	D	24	D	39	B	54	B	69	A	84	C	99	A
10	A	25	C	40	D	55	D	70	D	85	D	100	C
11	D	26	D	41	D	56	A	71	A	86	C	101	B
12	A	27	B	42	D	57	B	72	A	87	D	102	C
13	D	28	A	43	A	58	D	73	C	88	A		
14	C	29	C	44	B	59	A	74	D	89	C		
15	A	30	D	45	C	60	B	75	B	90	B		

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Business Economics

Chapter 5
Business Cycles

Latest MTP And PYQ MCQs

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Latest MTP & PYQ MCQs

MTP Nov 23, Apr 24		PYQ Dec 23
1	Coincident indicator is not indicated as:	6 Which of the following is an external cause of business cycle?
a) Inflation b) Industrial Production c) Retail Sales d) New order for Plant and equipment		a) Fluctuations of effective demand b) Microeconomic policy c) Changes in government spending d) Technological shocks
MTP Apr 24		PYQ Dec 23
2	Economy's historical performance was reflected by:	7 Which of the following is a coincident indicator?
a) Lagging indicating b) Leading indicating c) Either (a) or (b) d) None of these		a) New order of plant and equipment b) Corporate profits c) GDP d) Labour cost per unit
MTP Apr 24		PYQ Dec 23
3	Different business cycles in duration and intensity	8 Production of new and better goods and services using new technology
a) differ b) Similar c) Consistent d) Can't say		a) Troughs in business cycle b) Loss of employment c) Expansion of employment d) Reduced need of investment
MTP Apr 24		PYQ Dec 23
4	According to Keynes, what can cause involuntary unemployment in an economy?	9 It is very important to understand the phase of business cycle and is relevant for new business because _____
a) High interest rates b) Insufficient aggregate demand c) Government intervention d) Excessive savings		a) It affects the demand for their product. b) It helps frame appropriate policies and planning. c) It helps to decide an entry into the market. d) It affects their profits.
PYQ Dec 23		PYQ Dec 23
5	Consumer price index number belongs to which of the following indicator?	10 Expansionary monetary policy of government directs towards _____
a) Leading indicator b) Lagging indicator c) Coincident indicator d) Stock market indicator		a) Reduction in inflation b) Rising of aggregate demand c) Decline in employment rate d) Increase in interest rates

PYQ Dec 23		PYQ Dec 23	
11	A measurable economic factor that changes before the economy starts to choose a particular pattern is	15	Fiscal Policies are associated with _____
a) Coincident indicator b) Leading indicator c) Cyclical indicator d) Lagging indicator		a) Government expenditure b) Reserve Equipment c) Inflation d) Supply of money	
PYQ Dec 23		MTP Nov 23	
12	Which of the following is not a feature of business cycles?	16	Business cycle emerge in _____
a) Business cycles are contagious and international in character. b) The duration of these business cycles will vary. c) The intensity of fluctuation varies. d) The length of each phase is definite		a) Socialist economy b) Free market economy c) Mixed economic system d) None of the above	
PYQ Dec 23		MTP Nov 23	
13	XYZ is an Advertisement Agency. Its future projects are closely related to the rate of economic growth. Then XYZ business referred to as	17	Internal causes of business cycle
a) Durable business b) Non durable business c) Cyclical business d) Non cyclical business		a) Money Supply b) Psychological factors c) Macroeconomic Policies d) All of the above	
PYQ Dec 23		MTP Dec 23, Aug 24	
14	Which one of the following is not for expansion phase of business cycle?	18	During a recession, the economy experiences:
a) Involuntary unemployment is almost zero b) Price and costs also tend to rise faster c) Increase in capital and consumer expenditure d) Supply exceeds demand		a) A decrease in prices and inflation b) High levels of economic growth and expansion c) A decline in employment and economic activity d) Increased business investments and consumer spending	
PYQ Dec 23		MTP Dec 23, Aug 24	
19	Which of the following policy measures is typically used by central banks to manage the business cycle?		
a) Fiscal policy b) Monetary policy c) Trade policy d) Industrial policy			

MTP Dec 23, Aug 24, May 24		PYQ Sep 2024	
20	Which of the following is a lagging economic indicator?	25	Business whose fortune is closely linked to the rate of economic growth is referred to as:
a) Consumer confidence index b) Stock market performance c) Unemployment rate d) New housing starts		a) Cyclical Business b) Seasonal Business c) Static Business d) Dynamic Business	
MTP Dec 23, May 24		PYQ Sep 2024	
21	According to Hawtrey trade cycle is a _____	26	During what time, the production of weapons and arms, most of the resources of the country are diverted for their production?
a) Monetary phenomenon b) Unplanned phenomenon c) Fiscal phenomenon d) All the above		a) Post-war b) Pre-war c) War d) peace	
MTP Dec 23, Aug 24		PYQ Sep 2024	
22	Economy's historical performance was reflected by:	27	In Recovery phase of business cycle, the process of reversal is initially felt in the:
a) Lagging indicator b) Leading indicator c) Either (a) or (b) d) None of these		a) Capital market b) Labour market c) Agriculture market d) Financial market	
RTP Sep 24		PYQ Sep 2024	
23	What is the similarity between the Subprime Crisis and Greece Crisis?	28	When there is fall in the levels of investment and employment, producers do not instantaneously recognise the pulse of the economy. What is indicated by this situation?
a) High Financial Leverage b) Low-Interest Rate c) Credit Expansion d) All of the above		a) Peak b) Expansion c) Contraction d) Trough and Depression	
PYQ Sep 2024		PYQ June 2024	
24	What is the term for the lowest point of economic activity in a business cycle, where unemployment is high, and production is at its lowest?	29	Which is the external cause of business cycle?
a) Prosperity b) Trough and Depression c) Peak d) Expansion		a) Variations in government spending b) Macroeconomic policies c) Psychology factors d) Technological shocks	

PYQ June 2024	
30	The variable that changes after the real income changes is known as _____ indicator.
a) Leading b) Lagging c) CO-incidental d) They do not indicate anything	

PYQ June 2024	
31	Find the correct option
Hawtrey	Innovation
Pigou	Money supply
Schumpeter	Psychological factors
Keynes	Effective aggregate demand
a) a,b,c,d b) b,c,a,d c) a,b,d,c d) b,a,d,c	

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Answer Key – Economics Chapter 5 – MTP & PYQ MCQs

1	D	6	D	11	B	16	B	21	A	26	C
2	A	7	C	12	D	17	D	22	A	27	B
3	A	8	C	13	C	18	C	23	D	28	C
4	B	9	C	14	D	19	B	24	B	29	D
5	B	10	B	15	A	20	C	25	A	30	B
										31	B

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