INDIAN INSTITUTE OF MATERIALS MANAGEMENT

PGDMM/PGDSCM&L – Two Years Course

COMPUTER MARKED ASSIGNMENT (CMA) For Jan-June 2020 semester.

Semester 1
PAPER – 2
BUSINESS ECONOMICS & ACCOUNTING

Instructions:

1. Answer all 50 questions (compulsory). Each question carries 2 marks Total : 100 Marks
2. Read instructions given on the OMR answer sheet and answer the questions.

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1. A market demand Schedule for a product indicates that?
   a. As the product's price falls, consumers buy less of the good
   b. There is a direct relationship between price and quantity demanded
   c. As a product's price rises, consumers buy less of other goods
   d. There is an inverse relationship between price and quantity demanded

2. According to Marshall, the basis of consumer surplus is
   a. Law of increasing marginal returns
   b. Law of proportions
   c. Law of diminishing marginal utility
   d. law of diminishing marginal returns

3. People demand more of product X when the price of product Y decreases. This means X and Y are __________

   a. Complements.
   b. Substitutes
   c. Competitive
   d. Complex

4. A positive cross elasticity of demand coefficient indicates that
   a. A product is an inferior good
   b. A product is a normal good
   c. Two products are substitute goods
   d. Two products are complementary goods

5. When the output increases in the same proportion as the increase in input it is?
   a. Average
   b. Constant
   c. Decreasing
   d. Increasing

6. The vertical difference between TVC and TC is equal to

   a. MC
   b. AVC
   c. TFC
   d. AC

7. The rate at which a firm can substitute capital for labor and hold output constant is the

   a. Marginal rate of production
   b. Law of diminishing marginal returns
   c. Marginal rate of factor substitution
   d. Isoquant.

8. Cobb Douglas production function mainly studies?

a. Capital and Labour
b. Labour and Entrepreneur
c. Land and Labour
d. Land and Capital

9. Which of the following is a characteristic of a perfectly competitive market?

a. Firms are price setters.
b. There are few sellers in the market.
c. Firms can exit and enter the market freely
d. Firms are price takers.

10. The upper portion of the kinked demand curve is relatively

a. More inelastic
b. More elastic
c. Less elastic
d. Inelastic

11. For maximization of profit in the short run, the condition is

a. AR = AC
b. MR = MC
c. MR = AR
d. MC = AC

12. If the demand curve confronting an individual firm is perfectly elastic, then firm is

a. Price taker
b. Adjust output
c. Adjust price
d. Adjust demand

13. SIDBI has been entrusted with the responsibility of

a. Providing financial assistance to all sectors.
b. Developing medium and large scale industry.
c. Providing incentives to medium scale industry.
d. Developing and supporting small business.

14. Minimum wage means

a. Wage sufficient to ensure the workman food, shelter, clothing, frugal comfort and provision for evil days.
b. Wages paid in proportion to workman's work efficiency.
c. A wage sufficient to satisfy the workman's basic needs.
d. A sum of money paid under contract by an employer to a workman for services rendered

15. Moving into international markets is a particularly attractive strategy to firms whose domestic markets

a. Demand a differentiation strategy for success.
b. Are limited in opportunities for growth.
c. Have developed unfriendly business attitudes toward the industry.
d. Have too much regulation.

16. Finance Function comprises
    a. Safe custody of funds only
    b. Expenditure of funds only
    c. Procurement of finance only
    d. Procurement & effective use of funds

17. In India, rural income is generally lower than the urban incomes. Which of the following reason not account for this?
    a. A large number of farmers are illiterate and know little about scientific agriculture.
    b. Prices of primary products are lower than those of manufacturing products.
    c. Investment in agriculture has been low when compared to investment in industry.
    d. Lack of government initiatives.

18. The most appropriate measure of a country's economic growth is its
    a. Gross Domestic Product
    b. Net Domestic Product
    c. Net National Product
    d. Per Capita Real Income

19. Total utility is maximum when?
    a. MU is zero
    b. AU is the highest
    c. MU is the highest
    d. MU is equal to AU

20. For a cotton seller in India, dumping refers to selling cotton as
    a. Lower price in Mumbai and higher price in Delhi
    b. Lower price in Mumbai and higher price in Paris
    c. Higher price in Mumbai and lower price in Paris
    d. Lower price in Delhi and higher price in Mumbai

21. The price mechanism cannot
    a. Act as a signal
    b. Act as an incentive
    c. Act as a rationing device
    d. Shift the demand curve

22. Price discrimination policy help's in increasing profits in case of
    a. Perfect competition
    b. Monopolistic competition
    c. Monopoly
    d. Oligopoly

23. Normal profits are considered as
    a. Explicit cost
    b. Implicit cost
    c. Social cost
    d. Private cost

24. In perfect competition in the long run there will be no
    a. Normal profits
    b. Supernormal profits
    c. Production
    d. Costs

25. Average revenue curve will not touch O-X axis because it cannot be
    a. Positive
    b. Zero
    c. Negative
    d. Vertical

26. The term financial assets include all of the following except
    a. technical knowledge
    b. bank loan
    c. lease obligation
    d. shares, bonds and debentures

27. Which of the following is the second law of Gossen?
    a. Law of equi marginal utility
    b. Law of equi product
    c. Theory of Indifference curve
    d. Law of diminishing marginal utility

28. The consumer will but more units of a good if the value of the good's
    a. Total utility is greater than price
    b. Marginal utility is less than the price
    c. Marginal utility is greater than price
    d. Total utility is less than price

29. In the financial statements, contingent liability is
    a. adjusted
    b. recognized
    c. not recognized
    d. not adjusted

30. the term "Imprest system" is used in relation to
    a. purchase book
    b. sales book
    c. cash book
    d. petty cash book

31. What is the book wherein various accounts are opened is called
    a. Journal
    b. Ledger
    c. Subsidiary
    d. Trial balance

32. What are the serious limitations of Financial Ratios
    a. Ratios are not predictive
    b. Ratios indicates weakness only
    c. Ratio can be used only by themselves
    d. Ratios are screening device

33. Why is cash budget prepared?
    a. It helps in cash management
    b. It helps in preparing balance sheet
    c. It is legally compulsory
    d. Both (a) and (b)

34. Debt equity ratio is a test of
    a. Liquidity
    b. Profitability
    c. Solvency
    d. Turnover

35. Which of the following is not a cash outflow
    a. Increase in creditors
    b. Increase in debtors
    c. Increase in stock
    d. Increase in bill receivable

36. What is the ideal quick ratio
    a. 1:1
    b. 2:1
    c. 3:1
    d. 4:1

37. Break- even point is also known as
    a. Total cost
    b. Total revenue
    c. No profit- no cost
    d. Contribution

38. In the context of standard costing, basic standard is established for
    a. Short period
    b. Current period
    c. Indefinite period
    d. Pre-defined period

39. Which of the following would be included in a cash budget?
    a. Patent amortization
    b. Goodwill
    c. Dividends
    d. Depreciation charges

40. The main purpose of cost accounting is to
    a. Assist management in decision- making
    b. Maximize profits and minimize cost
    c. Comply norms issued by the government of India time to time
    d. Prepare cost accounts in the line with the accounting standards

41. In increase production volume situation, the behavior of fixed cost and variable cost will be
    a. Decreases, increases
    b. Increase, decreasing
    c. Constant, increases
    d. Increases, constant

42. ROI is computed by
    a. Profit and sales
    b. Profit and investment
    c. Cost of capital and financial statement
    d. Working capital and profit

43. In proper capital budgeting analysis we evaluate incremental
    a. Cash flow
    b. Accounting income
    c. Earnings
    d. Operating profits

44. Sales budget is
    a. Expenditure budget
    b. Master budget
    c. Functional budget
    d. Cash budget

45. What is not included in quick assets
    a. Cash
    b. Gold
    c. Inventories
    d. Advance for supply of raw material

46. Which budget is prepared first of all
    a. Cash budget
    b. Master budget
    c. Budget for the key factor
    d. Flexible budget

47. One of the basic differences between marginal costing and absorption costing is regarding the treatment of
    a. Direct material
    b. Variable overheads
    c. Fixed overheads
    d. Prime cost

48. Which of the following are possible causes of material price variance?
    1) Change in the market price
    2) Use of poor quality of material
    3) Inefficient buying
    4) Untimely buying
    5) Paying overtime for urgent work
    6) Use of substitute material for different prices

    Select the correct answer using the codes given below

    a. 1,3,4 and 6.
    b. 2,3,5 and 6.
    c. 3,4,5 and 6.
    d. 1,3,5 and 6.

49. The margin of safety may be defined as
    a. The point at which break-even point sales are achieved
    b. The excess of planned sales over the current actual sales
    c. The extent of which sales revenue exceeds fixed cost
    d. The difference between planned sales and break- even point sales

50. Which one of the following statement id correct?
    a. Increases in liability are credits and decrease in debt.
    b. Increases in assets are credit and decreases are debits.
    c. Increase in capital
    d. Increases in expenses are credit and decreases are debits

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