Skillshort

Self-Study Preparation Pack

CA FOUNDATION

Paper 4: Business Economics

Last-Week Plan, Formula Sheet & Exam Strategy

7-day revision plan · one-page formula sheet · one-liners · 2-hour exam-hall plan

7 days | 2 mocks + past papers | Negative marking 0.25 VERIFY

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

7-day revision plan

Day	Morning (3 h)	Afternoon (3 h)	Evening (2 h)
7	Ch II demand, elasticity, indifference curves (file 01)	Ch II practice set (file 05)	Formula sheet below + mistake log
6	Ch III production and cost	Ch III set + cost tables	Ch I one-liners
5	Ch IV markets + game theory	Ch IV set	Ch VI business cycles
4	Ch V national income + Keynes models	Ch V set (numericals)	**Mock Test 1 (2 h)**
3	Analyse Mock 1; Ch VII public finance	Ch VIII money market	Ch VII–VIII sets
2	Ch IX international trade, Ch X Indian economy	Ch IX–X sets	**Mock Test 2 (2 h)**
1	Latest ICAI paper (file 03 link) in 2 h	Revise mistake log and one-liners only	Sleep by 10:30 pm

Formula sheet

Topic	Formula
Price elasticity	$e_p = (\Delta Q/Q) \div (\Delta P/P)$; arc = $(\Delta Q/\Delta P) \times (P_1 + P_2)/(Q_1 + Q_2)$; point = lower ÷ upper segment
Income / cross elasticity	$e_y = \%\Delta Q \div \%\Delta Y$; $e_{xy} = \%\Delta Q_x \div \%\Delta P_y$ (+ substitutes, − complements)
Revenue	$TR = P \times Q$; $MR = \Delta TR/\Delta Q$; **$MR = AR(1 - 1/e)$**; TR maximum where MR = 0 (e = 1)
Cost	$TC = TFC + TVC$; $AFC = TFC/Q$; $AVC = TVC/Q$; $ATC = AFC + AVC$; $MC_n = TC_n - TC_{n-1}$
Production	$AP = TP/L$; $MP = \Delta TP/\Delta L$; MRTS = MP_L/MP_K; least cost: MP_L/w = MP_K/r
Market rules	Equilibrium MR = MC (MC rising); shut down if P < min AVC; Lerner index = (P − MC)/P
National income	GNP = GDP + NFIA; NDP = GDP − depreciation; FC = MP − NIT; **NI = NNP_FC**
Keynes	MPC + MPS = 1; k = 1/(1 − MPC); tax multiplier −MPC/(1 − MPC); balanced budget = 1; open economy 1/(1 − b + m)
Equilibrium	$Y = (a + I)/(1 - b)$; $Y = C + I + G + (X - M)$
Money	$MV = PT$; $M = kPY$; money multiplier $(1 + c)/(c + r)$; credit multiplier 1/r
Deficits	FD = total expenditure − revenue receipts − non-debt capital receipts; PD = FD − interest; RD = revenue expenditure − revenue receipts

50 one-liners for the last day

REMEMBER Concepts

1 Robbins – scarcity definition. 2 Opportunity cost – next best alternative. 3 PPC concave – increasing opportunity cost. 4 Giffen – inferior, income effect > substitution effect. 5 Veblen – prestige goods. 6 Own price → movement; other factors → shift. 7 Rectangular hyperbola demand – e = 1. 8 Mid-point of linear demand – e = 1. 9 Complements – negative cross elasticity. 10 Inferior – negative income elasticity.

11 IC convex – diminishing MRS. 12 ICs never intersect. 13 Budget-line slope −Px/Py. 14 Consumer surplus – Marshall. 15 Supply through origin – es = 1. 16 Rational stage – Stage II. 17 MP = 0 → TP maximum. 18 MP = AP at AP maximum. 19 a + b = 1 → constant returns. 20 AFC – rectangular hyperbola.

21 MC cuts AVC and ATC at minimum. 22 LAC – envelope curve. 23 Perfect competition – P = AR = MR. 24 Shut down below minimum AVC. 25 Monopolist never on inelastic demand. 26 Higher price in less-elastic market. 27 Chamberlin – monopolistic competition, excess capacity. 28 Sweezy – kinked demand, price rigidity. 29 Prisoners' dilemma – cartel instability. 30 Nash – no gain from unilateral change.

31 NI = NNP at factor cost. 32 Transfer payments and second-hand sales excluded. 33 Effective demand – Keynes. 34 Say's law – supply creates its own demand. 35 Paradox of thrift. 36 Balanced-budget multiplier = 1. 37 Hawtrey – monetary; Schumpeter – innovations; Pigou – psychological. 38 Unemployment – lagging indicator; stock prices – leading. 39 Public goods – non-rival, non-excludable. 40 Adverse selection – before; moral hazard – after.

41 Musgrave – allocation, distribution, stabilisation. 42 Liquidity trap – perfectly elastic money demand. 43 Baumol – inventory; Tobin – portfolio. 44 M3 = M1 + time deposits. 45 MPC of RBI – 6 members; target 4% ± 2% VERIFY. 46 Ricardo – comparative advantage; H-O – factor endowments; Krugman – economies of scale. 47 WTO – 1 January 1995, Geneva. 48 MFN = non-discrimination. 49 FDI – control (10%+); FPI – no control. 50 NITI Aayog – 1 January 2015; GST – 1 July 2017.

Exam-hall strategy (2 hours)

Time	Action
0–60 min	First pass: answer all theory questions you are sure of (about 70). Mark numericals and doubtful ones
60–95 min	Numericals – one formula each; write the working on the rough sheet
95–110 min	Doubtful questions: attempt only if you can eliminate two options (negative marking VERIFY)
110–120 min	Check OMR / answer bubbling and question numbers

STRATEGY Rules that save marks

- Read the **last line** of the stem first – "NOT", "incorrect", "except" reverse the answer.
- In statement questions test each statement separately, then match the combination.
- For curve questions draw a 5-second sketch on the rough sheet.
- Never leave easy one-liners of Chapters VI, IX and X for the end – they are your fastest marks.