Skillshort

Self-Study Preparation Pack

CA FOUNDATION

Paper 4: Business Economics

Important Topics, Weightage & Past-Paper Frequency

ICAI official weightage (new scheme) + Skillshort count of ICAI papers Sept 2025, Jan 2026 and May 2026

10 chapters · 100 MCQs | Demand, production, markets and national income ≈ 50% | Numericals ≈ 15–20 MCQs VERIFY

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

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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.

Weightage: official vs actual

ICAI publishes a section-wise weightage (±5% deviation allowed). The "actual" columns are Skillshort's **keyword-based count** of the MCQs in recent ICAI papers. About 15% of questions mix topics and could not be classified, so treat the counts as approximate VERIFY.

#	Chapter	ICAI weightage	Sept 2025	Jan 2026	May 2026	Priority
I	Introduction to Business Economics	5%	~5	~4	~5	MED Medium
II	Theory of Demand and Supply (incl. consumer behaviour)	10%	~21	~18	~14	HIGH Very high
III	Theory of Production and Cost	10%	~14	~13	~15	HIGH Very high
IV	Price Determination in Different Markets	15%	~8+	~7+	~8+	HIGH High
V	Determination of National Income	15%	~11	~13	~15	HIGH Very high
VI	Business Cycles	5%	~4	~3	~2	MED Medium
VII	Public Finance	10%	~3	~7	~7	MED Medium–high
VIII	Money Market	10%	~6	~8	~6	HIGH High
IX	International Trade	10%	~8	~8	~8	HIGH High
X	Indian Economy	10%	~3	~5	~4	MED Medium

TREND What the counts show

Chapters II and III are asked **more** than their 10% weightage – together they give 25–35 MCQs. National income is consistently 11–15. International trade is steady at about 8. Business cycles and Indian economy are the smallest, but they are pure memory and quick to score.

Topic-wise priority list

Chapter	Must-do topics (asked almost every attempt)	Also prepare
I Introduction	Definitions (Smith, Marshall, Robbins, Samuelson); nature and scope of business economics; central problems; capitalist / socialist / mixed economy features	PPC shape and shifts; opportunity cost
II Demand & supply	Law of demand and exceptions (Giffen, Veblen); shift vs movement; **price, income, cross elasticity numericals**; point and arc elasticity; total outlay method	Indifference curves – properties, MRS, budget line, consumer equilibrium; consumer surplus; supply elasticity; equilibrium with demand/supply shifts
III Production & cost	Law of variable proportions – three stages; TP/AP/MP relations; returns to scale; isoquants, MRTS, least-cost combination; **cost tables (TFC, TVC, AFC, AVC, MC)**	Cobb–Douglas; economies of scale; explicit/implicit cost; LAC envelope curve
IV Markets	Perfect competition – firm equilibrium, shut-down point, long run; monopoly – MR = AR(1 – 1/e), price discrimination; monopolistic competition – excess capacity, selling costs	Oligopoly – kinked demand, cartels, price leadership; **game theory – dominant strategy, Nash equilibrium, prisoners' dilemma**
V National income	GDP/GNP/NNP, MP vs FC; three methods and what to exclude; **NI numericals**; Keynes – consumption function, MPC/MPS, multiplier	Three- and four-sector models, tax and balanced-budget multiplier; inflationary/deflationary gap; paradox of thrift
VI Business cycles	Phases and features; theories (Hawtrey, Schumpeter, Pigou, Keynes, Hayek, Samuelson–Hicks)	Leading / lagging / coincident indicators

Chapter	Must-do topics (asked almost every attempt)	Also prepare
VII Public finance	Musgrave's three functions; market failure – **public goods, externalities, information**; government intervention (Pigouvian tax, price ceiling/floor)	Fiscal policy, deficits, crowding-out; merit/demerit goods
VIII Money market	Demand for money – Fisher, Cambridge, Keynes (three motives, liquidity trap), Friedman, Baumol, Tobin; **money multiplier**; M0, M1, M3	Monetary policy instruments, MPC, repo/SDF/MSF corridor; crypto vs CBDC
IX International trade	Theories – mercantilism, Smith, Ricardo, H-O, new trade theory; tariffs and non-tariff measures; WTO principles	Exchange rate – depreciation/appreciation, systems; FDI vs FPI
X Indian economy	Colonial economy – drain, de-industrialisation; planning; **1991 reforms (LPG)**	Recent reforms – GST, IBC, NITI Aayog, PLI; sector shares

Question-type pattern

Type	Share (approx.)	Example skill tested
Direct concept / definition	~45%	"Which curve is a rectangular hyperbola?"
"Which of the following is correct / NOT correct" and statement-based	~30%	Two or three statements, choose the correct combination
Numericals	~15–20%	Elasticity, cost tables, NI aggregates, multiplier, money multiplier
Graph / table reading	~5%	Identify a stage or a market from a figure or schedule

STRATEGY Score plan for 70+

Secure Chapters II, III and V (≈ 45 MCQs) with numericals practice; then memorise one-liners of VI, IX and X. Use file 05 sets to test each chapter at exam speed.