FOUNDATION EXAMINATION SET 1

MODEL QUESTION PAPER TERM - JUNE2025

PAPER - 4

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour **Full Marks: 100**

Answer all questions. Each question carries 2 marks.

1.	What is the correct condition in an economy as per the macroeconomic model discussed?		
	(a)	C + S = I	O
	(b)	S = I	O
	(c)	C = I	O
	(d)	Y = C + S	O
2.	Suppose the total cost of production of commodity x is ₹1,25,000. Out of this implicit cost is ₹35,000 & normal profit is ₹25,000. Than the explicit cost is _______		
	(a)	₹65,000	O
	(b)	₹90,000	O
	(c)	₹1,00,000	O
	(d)	₹55,000	O
3.	If the price of burger rises from ₹12 per piece to ₹20 per piece as a result of which the daily sales decrease from 300 to 200 pieces per day. The price elasticity of demand can be estimated as:		
	(a)	0.5	O
	(b)	0.8	O
	(c)	0.25	O
	(d)	2.10	O
4.	LAC curve is also known as:_____________		
	(a)	Supply curve	O
	(b)	Marginal cost curve	O
	(c)	Demand curve	O
	(d)	Planning curve	O
5.	What does "Y" represent in the equilibrium equation Y = C + I?		
	(a)	Consumption demand	O
	(b)	National income (or output)	O
	(c)	Investment demand	O
	(d)	Savings	O

6.	At the point of Inflection, TP will generally-		
	(a)	Equal to Zero	O
	(b)	Show increases trend	O
	(c)	Show decreasing or increasing trends	O
	(d)	be negative	O
7.	The supply function of a product y is given by: $S_y = 4P_y + 5$. Where P_y stands for the price of the product. What is the quantity supplied when the price is ₹3?		
	(a)	14	O
	(b)	20	O
	(c)	17	O
	(d)	19	O
8.	If the price elasticity of demand for wine is estimated to be -6, then a 20% increase in price of wine will lead to …….. in quantity demanded of wine at that price		
	(a)	19.6% increase	O
	(b)	12% decrease	O
	(c)	20.6% decrease	O
	(d)	12% increase	O
9.	What pricing strategy involves setting a low price to attract customers and gain market share, with plans to raise the price later once the market share is secured?		
	(a)	Price skimming	O
	(b)	Penetration pricing	O
	(c)	Dynamic pricing	O
	(d)	Competitive pricing	O
10.	In a Collusive Oligopoly, firms form a cartel to:		
	(a)	Fix the price and output to maximize joint profit	O
	(b)	Increase market share by undercutting each other's prices	O
	(c)	Engage in non-price competition to attract consumers	O
	(d)	Compete aggressively and lower prices	O

11.	Which type of market does a firm typically have excess production capacity in the long run?		
	(a)	Perfect competition	O
	(b)	Monopoly	O
	(c)	Monopolistic competition	O
	(d)	Oligopoly	O
12.	In which market structure do firms have no control over the price and are considered price takers?		
	(a)	Monopoly	O
	(b)	Oligopoly	O
	(c)	Monopolistic Competition	O
	(d)	Perfect Competition	O
13.	What are the two key conditions that a firm in a monopolistic market must satisfy to reach equilibrium?		
	(a)	Marginal Cost = Marginal Revenue and Average Cost = Marginal Revenue	O
	(b)	Marginal Cost = Marginal Revenue and MC curve cuts MR curve from below	O
	(c)	Marginal Cost = Marginal Revenue and MC curve cuts MR curve from above	O
	(d)	Marginal Cost = Average Revenue and MC curve cuts MR curve from below	O
14.	In the Bertrand Duopoly Model, each producer can always lower the price until:		
	(a)	Price is equal to the competitive price	O
	(b)	Price is equal to the cost of production	O
	(c)	Price is higher than the rival's price	O
	(d)	Price is equal to the monopoly price	O
15.	Which is the first order condition for the profit of a firm be maximum?		
	(a)	AC = MR	O
	(b)	AC = AR	O
	(c)	MR = AR	O
	(d)	MC = MR	O

16.	Automobile industry,Gas industry is an example of _______ market		
	(a)	Perfect competition	O
	(b)	Monopoly	O
	(c)	Oligopoly	O
	(d)	Monopolistic competition	O
17.	According to Adam Smith invisible hands are also called _____		
	(a)	Price mechanism	O
	(b)	Demand-supply equilibrium	O
	(c)	Self-regulating market system	O
	(d)	Competitive market forces	O
18.	Price discrimination of ___________ degree is based on the paying capacity of the consumer.		
	(a)	First degree	O
	(b)	Second degree	O
	(c)	Third degree	O
	(d)	Fourth degree	O
19.	Supply of money refers to		
	(a)	Total money held by RBI	O
	(b)	Total money with all the commercial banks and RBI	O
	(c)	Total money in Government account	O
	(d)	Total money held by the public	O
20.	_______ was established as the apex bank for industrial credit.		
	(a)	State Bank of India	O
	(b)	Industrial Development Bank of India (IDBI)	O
	(c)	Development Credit Bank (DCB)	O
	(d)	Industrial Credit and Investment Corporation of India (ICICI)	O
21.	Which of the following is NOT included in M2 money supply in India?		
	(a)	M1	O
	(b)	Time liability portion of savings deposits	O
	(c)	Term deposits maturing within one year	O
	(d)	Call/term borrowings of banks	O

22.	In the Cambridge version of the Quantity Theory of Money, what does the variable "K" represent?		
	(a)	Total transactions	O
	(b)	Cash balance (part of income)	O
	(c)	Velocity of money	O
	(d)	Price level	O
23.	Which of the following is considered as broad money in India?		
	(a)	M1	O
	(b)	M2	O
	(c)	M3	O
	(d)	M4	O
24.	A reduction in the cash reserve ratio (CRR) by the central bank will typically lead to:		
	(a)	A decrease in the money supply	O
	(b)	An increase in interest rates	O
	(c)	A decrease in bank lending	O
	(d)	An increase in the money supply	O
25.	Reverse Repo transaction means		
	(a)	Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate	O
	(b)	Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date	O
	(c)	Sale or purchase of securities by the holder to the investor with the commitment to sell or purchase them at a predetermined rate and date	O
	(d)	Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date	O
26.	What does SWIFT stand for?		
	(a)	Society for Worldwide International Financial Transactions	O
	(b)	Society for Worldwide Inter-bank Financial Telecommunication	O
	(c)	Secure Worldwide Interbank Financial Transfers	O
	(d)	Society for World Inter-bank Financial Transactions	O

27.	When was the International Development Association (IDA) established?		
	(a)	1945	O
	(b)	1950	O
	(c)	1960	O
	(d)	1975	O
28.	Cost push inflation arises due to		
	(a)	Increase in price of precious metal	O
	(b)	Mismatch between demand and supply of commodities	O
	(c)	Combine phenomena of demand pull and cost-push inflation.	O
	(d)	Persist entries in factor cost	O
29.	The micro business environment does not include		
	(a)	Economy	O
	(b)	Firms and consumers	O
	(c)	market and competitors	O
	(d)	both(B) and (C)	O
30.	Porter's Five Forces Model does not include		
	(a)	Rival sellers	O
	(b)	Substitute products	O
	(c)	Bargaining power of suppliers	O
	(d)	Bargaining power of employees	O
31.	What does PESTEL analysis primarily help businesses assess?		
	(a)	External macro-environmental factors	O
	(b)	Company-specific product development	O
	(c)	Short-term economic forecasting	O
	(d)	Internal financial performance	O

32.	Which of the following is an example of a societal factor analyzed in PESTEL?		
	(a)	Technological disruptions in the market	O
	(b)	Environmental regulations	O
	(c)	Changing population demographics	O
	(d)	Taxation laws	O
33.	In the VUCAFU model, what does "Volatility" primarily refer to?		
	(a)	Stability in market trends	O
	(b)	The rapid and unpredictable nature of change	O
	(c)	Long-term economic growth	O
	(d)	Predictable changes in the market	O
34.	How does "Ambiguity" in the VUCAFU model impact decision-making		
	(a)	It provides clear guidelines for decisions	O
	(b)	It ensures predictable results	O
	(c)	It simplifies the decision-making process	O
	(d)	It leads to confusion and lack of clarity in future outcomes	O
35.	What is the primary focus of the emerging dimensions of VUCAFU?		
	(a)	Fostering global partnerships	O
	(b)	Addressing new complexities in the global environment	O
	(c)	Establishing long-term financial stability	O
	(d)	Focusing on traditional market trends	O
36.	In the context of management, what is the "Class or Elite" scope referring to?		
	(a)	A group of subordinates responsible for execution of tasks	O
	(b)	The owners of the company who make critical decisions	O
	(c)	A collective group of individuals performing managerial activities who form a distinct class	O
	(d)	The employees responsible for non-managerial tasks	O
37.	Which of the following is NOT one of the three broad groups of the scope of management according to Herbison and Myres?		
	(a)	Organizational Structure	O
	(b)	Economic Resource	O
	(c)	System of Authority	O
	(d)	Class or Elite	O

38.	T-group training is also known as		
	(a)	Classroom Training	O
	(b)	Apprenticeship Training	O
	(c)	Internship Training	O
	(d)	Sensitivity Training	O
39.	A thirsty person may use body language by lifting the thumb to face in order to communicate that he needs a glass of drinking water. This process is called:		
	(a)	Medium	O
	(b)	Encoding	O
	(c)	Decoding	O
	(d)	Feedback	O
40.	Which of the following is not an external source of recruitment?		
	(a)	advertisement	O
	(b)	promotions	O
	(c)	casual callers	O
	(d)	recommendations of employees	O
41.	Tendency of people to interpret the same message in different ways may act as a ______ barrier.		
	(a)	Semantic	O
	(b)	Emotions	O
	(c)	Time pressure	O
	(d)	Selective perception	O
42.	The theory that implies use of ‘Carrot and Stick’ Approach is		
	(a)	Theory X	O

	(b)	Theory Y	O
	(c)	Maslow's Need Hierarchy Theory	O
	(d)	Herzberg's Model	O
43.	Which control is based on the notion that we can have control over events that will take place and not on events which have already taken place?		
	(a)	Concurrent control	O
	(b)	Pre-control	O
	(c)	Post control	O
	(d)	Feed Forward control	O
44.	Free-rein Leadership is also known as		
	(a)	Laissez Fair Leadership	O
	(b)	Participative Leadership	O
	(c)	Authoritarian Leadership	O
	(d)	None of the above	O
45.	System 2 managers are		
	(a)	Exploitative Autocratic	O
	(b)	Benevolent Autocratic	O
	(c)	Consultative Autocratic	O
	(d)	Democratic Autocratic	O
46.	Likert suggested that _____ is the ideal system towards which organizations should work.		
	(a)	System 1	O
	(b)	System 2	O
	(c)	System 3	O
	(d)	System 4	O

47.	A decision to launch a new production plant is		
	(a)	Programmed decision	O
	(b)	Personal decision	O
	(c)	Non-routine decision	O
	(d)	Organizational decisions	O
48.	The technique that involves use of the brain to find different ideas which can solve a critical problem is		
	(a)	Creative technique	O
	(b)	Participative technique	O
	(c)	Heuristic technique	O
	(d)	All of the above	O
49.	Drucker mentions four criteria for selection of an alternative.		
	(a)	Risk, economy of cost, timing and limitation of human resources	O
	(b)	Risk, economy of effort, timing and limitation of resources.	O
	(c)	Value, economy of effort, timing and limitation of resources.	O
	(d)	Safety, value, timing and limitation of resources.	O
50.	Linear programming is the technique for optimization of		
	(a)	A constraint function	O
	(b)	A resource function	O
	(c)	A probabilistic and not deterministic function	O
	(d)	An objective function	O

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Answer all questions. Each question carries 2 marks.

Answer:

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
b	a	a	d	b	c	c	d	b	a
11.	12.	13.	14.	15.	16.	17.	18.	19.	20.
c	d	b	b	d	c	a	a	d	b
21.	22.	23.	24.	25.	26.	27.	28.	29.	30.
d	b	c	d	c	b	c	d	a	d
31.	32.	33.	34.	35.	36.	37.	38.	39.	40.
a	c	b	d	b	c	a	d	b	c
41.	42.	43.	44.	45.	46.	47.	48.	49.	50.
a	a	c	a	b	d	c	a	b	d