

MOCK TEST PAPER 2
FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. Which aspect of taxation involves Normative Economics?
 - (a) the incidence of the tax
 - (b) the effect of the tax on incentives to work
 - (c) the "fairness" of the tax
 - (d) all the above.
2. When the price of a substitute of commodity X falls, the demand for X:
 - (a) rises
 - (b) falls
 - (c) remains unchanged
 - (d) any of the above
3. If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is:
 - (a) >1
 - (b) $= 1$
 - (c) < 1
 - (d) 0
4. A consumer who is below the personal budget line:
 - (a) is not spending all personal income
 - (b) is spending all personal income
 - (c) may be spending all personal income
 - (d) is in equilibrium
5. If the income elasticity of demand is greater than 1, the commodity is
 - (a) a necessity
 - (b) a luxury
 - (c) an inferior good
 - (d) a non-related good

6. The substitution effect for a fall in the price of a commodity (*ceteris paribus*) is given by:
- (a) a movement up a given IC
 - (b) a movement from a higher to a lower IC
 - (c) a movement down a given IC
 - (d) any of the above
7. If the MRTSLK equals 2, then the MPK/MPL is:
- (a) 2
 - (b) 1
 - (c) 2
 - (d) 4
8. The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:
- (a) always
 - (b) never
 - (c) often
 - (d) sometimes
9. At the shut-down point:
- (a) $P = AVC$
 - (b) $TR = TVC$
 - (c) the total losses of the firm equal TFC
 - (d) all of the above.
10. If the monopolist incurs losses in the short run, then in the long run:
- (a) the monopolist will go out of business
 - (b) the monopolist will stay in business
 - (c) the monopolist will break even
 - (d) any of the above
11. In monopolistic competition, we have:
- (a) few firms selling a differentiated product
 - (b) many firms selling a homogeneous product
 - (c) few firms selling a homogeneous product
 - (d) many firms selling a differentiated product
12. In both the Chamberlin and the kinked demand curve models, the oligopolists:
- (a) recognize their interdependence
 - (b) do not collude

- (c) tend to keep prices constant
 - (d) all of the above.
13. Who gave the theory of price discrimination?
- (a) Marshall
 - (b) Pigou
 - (c) Cournot
 - (d) Simon
14. If a good has a price elasticity of demand greater than 1, it is considered:
- (a) Price inelastic
 - (b) Price elastic
 - (c) Unit price elastic
 - (d) Price neutral
15. The income elasticity of demand measures:
- (a) The responsiveness of quantity demanded to changes in price
 - (b) The responsiveness of quantity demanded to changes in income
 - (c) The responsiveness of quantity supplied to changes in price
 - (d) The responsiveness of quantity supplied to changes in income
16. Which of the following factors does NOT influence supply?
- (a) Production costs
 - (b) Technological advancements
 - (c) Prices of inputs
 - (d) Consumer preferences
17. In a market economy, resource allocation is primarily determined by:
- (a) Central planning by the government
 - (b) Consumer demand and supply in the marketplace
 - (c) The decisions of a few large corporations
 - (d) international trade agreements
18. During a recession, the economy experiences:
- (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
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
20. Which of the following is a lagging economic indicator?
- (a) Consumer confidence index
 - (b) Stock market performance
 - (c) Unemployment rate
 - (d) New housing starts
21. Price Elasticity of Demand of a good is -3 . It shows that:
- (a) When price falls by 1%, demand rises by 3%
 - (b) When price rises by 1%, demand falls by 3%
 - (c) Either (a) or (b)
 - (d) Neither (a) nor (b)
22. The demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
- (a) Proportionately large fall in quantity demanded
 - (b) No change in quantity demanded
 - (c) Proportionately small fall in quantity demanded
 - (d) Infinite change in quantity demanded
23. Which of the following is not a reason for operation of increasing returns to a factor?
- (a) Better utilisation of fixed factor
 - (b) Limitation of fixed factor
 - (c) Increase in efficiency of variable factor
 - (d) Indivisibility of fixed factor
24. At the Point of Inflexion:
- (a) Total Product is maximum
 - (b) Average Product is maximum
 - (c) Marginal Product is maximum
 - (d) Marginal Product is zero
25. Cost function is a _____ concept:
- (a) Economical
 - (b) Functional
 - (c) Financial
 - (d) Technical

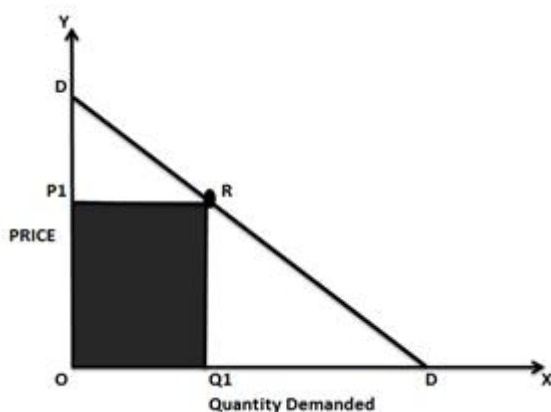
26. Demand curve of a firm under monopoly is:
- (a) Downward sloping
 - (b) Indeterminate
 - (c) Upward sloping
 - (d) Perfectly elastic
27. Demand curve under Oligopoly is:
- (a) Less elastic
 - (b) Perfectly elastic
 - (c) Highly elastic
 - (d) Indeterminate
28. In a commodity market, excess demand exists when:
- (a) market price is greater than equilibrium price
 - (b) equilibrium price is greater than market price
 - (c) equilibrium price is not equal to market price
 - (d) government fixes the price
29. A few Big sellers' is a Characteristics of:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) None of the above
30. The cost curve, which is Inversely S-shaped is:
- (a) Average Cost Curve
 - (b) Total Fixed Cost Curve
 - (c) Total Variable Cost Curve
 - (d) Marginal Cost Curve
31. Which of the following is not an example of coincident indicator?
- (a) Inflation
 - (b) Industrial Production
 - (c) Retail Sales
 - (d) New order for Plant and equipment
32. The cost which is never zero even when production is stopped is known as:
- (a) Supplementary Cost
 - (b) Prime Cost
 - (c) Explicit cost

- (d) None of these
33. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-Axis. It happens because:
- (a) Selling costs are zero
 - (b) There is freedom of entry and exit
 - (c) Firm is a price-taker
 - (d) None of these
34. Which of these country is a purely socialist economy?
- (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
35. According to Hawtrey trade cycle is a ____
- (a) Monetary phenomenon
 - (b) Unplanned phenomenon
 - (c) Fiscal phenomenon
 - (d) All the above
36. Dynamic fare charged by Indian railways is an example of :
- (a) Pure Monopoly
 - (b) Discriminating Monopoly
 - (c) Perfect Competition
 - (d) None of these
37. The Interest on own capital is:
- (a) Implicit Cost
 - (b) Future Cost
 - (c) Explicit Cost
 - (d) None of these
38. The Firm and Industry are same in:
- (a) Duopoly
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
39. Opportunity Cost is _____.
- (a) A cost that cannot be avoided.

- (b) The cost incurred in the past before we make a decision about what to do in the future.
 - (c) That which we forgo or give up when we make a choice or a decision.
 - (d) The additional benefit of buying an additional unit of a product.
40. Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.
- (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
41. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
- (a) 0
 - (b) > 0 but < 1
 - (c) 1
 - (d) > 1
42. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
43. Economy's historical performance was reflected by:
- (a) Lagging indicator
 - (b) Leading indicator
 - (c) Either (a) or (b)
 - (d) None of these
44. Collectively peaks and troughs together is known as:
- (a) Turning Points
 - (b) Contraction
 - (c) Expansion
 - (d) None of these
45. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
 - (b) Prisoner dilemma for buyers
 - (c) To raise the price of the good they offer

- (d) None of these
46. Successful business firms spend considerable time, energy, and efforts in analysing the _____ for their products.
- (a) Supply
(b) Price
(c) Demand
(d) None of these
47. By way of an optimal choice, a consumer tends to:
- (a) save money
(b) purchase large quantity
(c) None of these
(d) maximize satisfaction subject to constraints like tastes and preferences.
48. The economist's concept of demand is _____ as desire or need or choice or preference or order.
- (a) the same thing
(b) not the same thing
(c) (a) or (b)
(d) None of these
49. The demand for labour in response to the wage rate is _____ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is_____.
- (a) Derived demand, Direct demand
(b) Direct demand, Derived demand
(c) Individual demand, Market demand
(d) Company demand, Industry demand
50. Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.
Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.
- (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
51. Which of the following groups of goods have inelastic demand?
- (a) Salt, Smart phone
(b) School uniform, branded goggles and smart phone
(c) Salt, school uniform and medicine

- (d) Medicine, branded sports shoes and diamond ring
52. If the price of a commodity raised by 12% and Ed is (-) 0.63, the expenditure made on the commodity by a consumer will ____.
- (a) decrease
 (b) Increase
 (c) remain same
 (d) can't Say
53. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has ____.
- (a) more of one of the goods
 (b) less of at least one of the goods
 (c) more of at least one of the goods and less of the other good.
 (d) more of at least one of the goods and no less of the other good.
54. During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____ vegetables than/as her usual demand showing the demand of vegetables is ____.
- (a) more, inelastic demand
 (b) less, elastic demand
 (c) same, inelastic demand
 (d) same, elastic demand
55. In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP1RQ1 is _____.



- (a) Total Revenue (TR)
 (b) Marginal Revenue (MR)
 (c) Total Cost (TC)
 (d) None of these

56. Price discrimination is related to:
- (a) Income
 - (b) Time
 - (c) Size of the purchase
 - (d) Any of the above
57. Secular Period is also known as:
- (a) long period
 - (b) Short period
 - (c) Very long period
 - (d) None of these
58. An Industry comprised of a very large number of sellers producing a standardized product is known as:
- (a) Pure competition
 - (b) Pure monopoly
 - (c) Monopolistic competition
 - (d) None of these
59. Cost Incurred which has no relevance to future planning is called:
- (a) Marginal cost
 - (b) Sunk cost
 - (c) Average cost
 - (d) None of these
60. Being ____ utility varies with different persons:
- (a) Subjective
 - (b) Absolute
 - (c) Objective
 - (d) None of these

PART - II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. Which of the following is not true about a Limited Liability Partnership (LLP)?
- (a) Separate Legal Entity
 - (b) Incorporation not mandatory like normal partnership
 - (c) Designated Partners
 - (d) Hybrid form of Business Organisation
62. Change of customer's liking from oily foods to healthy packaged foods can be classified amongst which of the following?
- (a) Trend
 - (b) Event
 - (c) Issue
 - (d) Expectation
63. Where is India's largest SEZ?
- (a) Hazira
 - (b) Dhamra
 - (c) Tehri
 - (d) Mundra
64. Indigo, Spice Jet and Vistara, operating in Indian aviation, are a result of?
- (a) Privatisation
 - (b) Liberalisation
 - (c) Globalisation
 - (d) Foreign Direct Investment
65. Which of the following is Government's initiative for furthering and facilitating businesses in India?
- (a) Good and Service Tax
 - (b) Make in India
 - (c) Skill India
 - (d) Beti Bachao Beti Padhao
66. A stock market where the number of transactions is very low and thus, the volatility in the market is huge, is called?
- (a) Thin Market
 - (b) Slow Market
 - (c) Lazy Market
 - (d) Weak Market

67. Which of the following statements cannot be associated with Business?
- (a) Revenue and profits are core to every business
 - (b) Only an educated person can start a business
 - (c) Capital is needed to start a business
 - (d) It is better to be aware of Legal Compliances for all businesses
68. Which of the following internal strategies to respond to environment involves formulation and clarification of organization's mission?
- (a) Competitive Response
 - (b) Administrative Response
 - (c) Dynamic Response
 - (d) Collective Response
69. In which state did Jamnalal Bajaj start Bajaj Auto Limited?
- (a) Maharashtra
 - (b) Madhya Pradesh
 - (c) Rajasthan
 - (d) Haryana
70. Foreign Exchange Management Act (FEMA), would fall under which of the following type of Public Policy?
- (a) Restrictive
 - (b) Regulatory
 - (c) Facilitating
 - (d) Advisory
71. Which of the following is not a Funding Institution?
- (a) World Bank
 - (b) NABARD
 - (c) Reserve Bank of India
 - (d) International Monetary Fund
72. A company is said to undergo _____ when its assets are sold off piecemeal rather than one single operating entity?
- (a) Acquisition
 - (b) Merger
 - (c) Liquidation
 - (d) Sale off
73. Dormant companies can be incorporated for which of the following purposes?
- (a) For Future Projects

- (b) Holding Intellectual Property
 - (c) Both A or B
 - (d) Only for creating a dummy company to book insignificant transactions
74. Data which is useful in decision making is called?
- (a) Database
 - (b) Information
 - (c) Resource
 - (d) Law
75. Which of the following is the Vision of Airtel?
- (a) Make best quality Calls
 - (b) Win customers for life
 - (c) Win over competition
 - (d) Provide cheapest internet in India
76. FDI is restricted in which of the following sectors of economy in India?
- (a) Healthcare Business
 - (b) Online Gaming Business
 - (c) Education Business
 - (d) Atomic Energy
77. All scheduled banks are required to maintain a certain minimum cash reserve ratio with the RBI. This provision enables RBI to ensure what?
- (a) Forex Rate Fluctuation
 - (b) Credit Position of the Country
 - (c) Savings of People
 - (d) Collect Public Data of Money held by People
78. The marketing department of Go Now Pvt. Ltd. divided the consumers into different groups based on their characteristics, like buying frequency, actuals spend, age and preferences. Which of the following has the marketing department focused on?
- (a) Market Segmentation
 - (b) Market Division
 - (c) Market Analysis
 - (d) Market Grouping
79. Head of a Hindu Undivided Family is called?
- (a) Father
 - (b) Karta
 - (c) Coparcener

- (d) Mitakshara
80. Which of the following is not part of internal environment of a business organisation?
- (a) Labor Unions
 - (b) Corporate Culture
 - (c) Customers
 - (d) Organisational Structure
81. How many SBU (Strategic Business Units) does Bharat Petroleum Ltd. have?
- (a) Five
 - (b) Three
 - (c) Seven
 - (d) Ten
82. The following statements characterise Public Policy making, but one of them is false. Find the odd one out.
- (a) It is a collective effort of various departments
 - (b) It can only be formulated in a mixed economic setup
 - (c) It focuses on goals and results
 - (d) It is always formulated with a positive intent
83. Under which section of IRDAI Act can IRDAI function and impart its duties?
- (a) Section 11 of IRDAI Act, 1999
 - (b) Section 21 of IRDAI Act, 1999
 - (c) Section 19 of IRDAI Act, 1999
 - (d) Section 14 of IRDAI Act, 1999
84. Token money paid in the early stages of Negotiation is called?
- (a) Early Money Deposit
 - (b) Earning Money Deposit
 - (c) Token E-Cash
 - (d) Earnest Money Deposit
85. Which of the following is a non-economic activity?
- (a) Sweets Shop
 - (b) Selling seeds of rare plants
 - (c) Serving free water on a hot summer day
 - (d) Village School Carpenter
86. Luxury hotels and luxury car companies compete to get attract the disposal income of affluent customers. What type of competition is it?
- (a) Direct Competition

- (b) Indirect Competition
 - (c) No Competition
 - (d) Both Direct and Indirect Competition
87. Ministry of Petroleum and Natural Gas owns which of the following?
- (a) Indian Oil Corporation Ltd.
 - (b) GAIL Ltd.
 - (c) Bharat Petroleum
 - (d) Reliance Industries Ltd.
88. NABARD as a development bank, is concerned with various segments and issues, except?
- (a) Self Help Groups of Men
 - (b) Tribal Development
 - (c) Self Help Groups of Women
 - (d) Water Treatment Planning
89. The current Reverse Repo Rate is 2.5%. The difference between repo and reverse repo shall be 250 basis points. RBI increases reverse repo by 150 basis points. What is the new Repo Rate?
- (a) 6%
 - (b) 6.5%
 - (c) 7%
 - (d) 7.5%
90. Five private banks and two nationalised banks together issued a loan of INR 2,000 crores to Zhakthee Limited for opening a rice mill in ten rural areas of India. What are these kinds of loans with multiple banks involved called?
- (a) Large Bank Loans
 - (b) Syndicate Loans
 - (c) Overdraft Loans
 - (d) Industrial Loans
91. Which type of economic activity requires specialised subject knowledge for rendering of services?
- (a) Business
 - (b) Agriculture
 - (c) Employment
 - (d) Profession
92. Race, age, income, educational background, asset ownership, location, etc. form part of which environment?
- (a) Demographic Environment
 - (b) Socio-Cultural Environment

- (c) Economic Environment
 - (d) Technological Environment
93. In 2008, Centurion Bank was acquired by?
- (a) ICICI Bank Ltd.
 - (b) Axis Bank Ltd.
 - (c) HDFC Bank Ltd.
 - (d) SBI
94. Government Organisations were operating at really poor profits margins and insignificant aims and mission. What brought about a change in their operation and ownership?
- (a) Globalisation
 - (b) Privatisation
 - (c) Liberalisation
 - (d) Change of Political Parties
95. Which of the following does SEBI not cater to?
- (a) Government Organisations
 - (b) Investors
 - (c) Intermediaries
 - (d) Security Issuing Companies
96. A position when a person's assets are not enough to pay off the liabilities due, is called?
- (a) Poverty
 - (b) Risk Adjustment
 - (c) Payoff
 - (d) Insolvency
97. Which of the following is not a domain/characteristic of Business and Commercial Knowledge?
- (a) It is Independent
 - (b) It is Ever Expanding
 - (c) It is Vast
 - (d) It is Multi-Disciplinary
98. While analyzing technological environment, which of the following is not considered?
- (a) Capital Requirement
 - (b) Current technology being used
 - (c) Upcoming technologies relevant to business
 - (d) The relations with the country creating the technology

99. Who is the current CFO of TATA Sons Pvt. Ltd.?
- (a) Natrajan Chandrasekaran
 - (b) Rajnish Kumar
 - (c) Saurabh Agrawal
 - (d) Jatin Dalal
100. Social Equity and Ecological Balance are a part of?
- (a) Globalisation
 - (b) Sustainable Development
 - (c) Liberalisation
 - (d) Brand Loyalty