

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

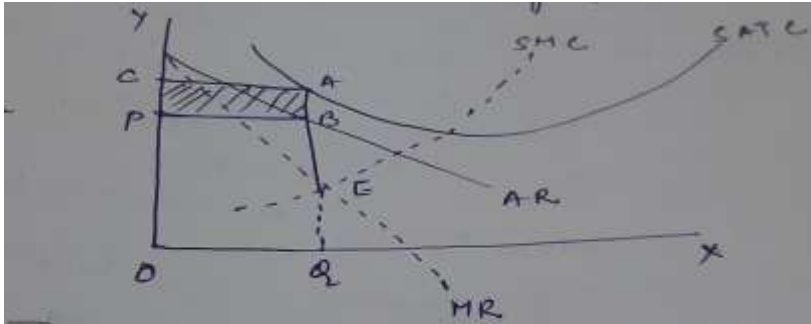
1. An Applied Economics that fills the gap between economic theory and business practice:
 - (a) Business Economics
 - (b) Macro Economics
 - (c) Welfare Economics
 - (d) None of these
2. Administered price are determined in socialism by:
 - (a) Market Forces
 - (b) Government
 - (c) Both (a) and (b)
 - (d) None of these
3. Exception to the law of demand
 - (a) Speculative effect
 - (b) Fear of Shortage
 - (c) Ignorance
 - (d) All the above
4. The Shape of TC Curve of the monopolist is ____
 - (a) U Shape
 - (b) S Shape
 - (c) Inverse S Shape
 - (d) None of these
5. Unique supply curve in monopoly is not due to ____
 - (a) $P > MC$
 - (b) $P < MC$
 - (c) $P = MC$
 - (d) None of these
6. Shampoo manufactures is an example of :
 - (a) Perfect Competition
 - (b) Monopolistic Competition

- (c) Monopoly
 - (d) None of these
7. Reliance Jio can be described as part of which form to market structure:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Duopoly
 - (d) Perfect Competition
8. Price Elasticity of demand of a firm is infinite in _____
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Oligopoly
 - (d) Monopolistic Competition
9. Price Discrimination cannot be implemented?
- (a) When there is perfect competition in the market.
 - (b) Elasticity of demand must be different in both the market.
 - (c) Two or more market which can be separated and can be kept separate.
 - (d) All the above
10. Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure:
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) Oligopoly
11. AR is different from MR under:
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect Competition
 - (d) Both a and b
12. Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition:
- (a) Price will remain constant
 - (b) Price will decrease
 - (c) Price will decrease
 - (d) None of these

13. Cross elasticity of Product in Monopoly is:

- (a) Zero
- (b) High
- (c) Infinity
- (d) None of these

14. In the following diagram the Monopolist is incurring -----



- (a) Losses
- (b) Profit
- (c) Super normal profit
- (d) None of these

15. The dilemma faced by a Monopolistic is setting _____.

- (a) Price
- (b) Output
- (c) Both a and b
- (d) Either a or b

16. Innovation theory is propounded by :

- (a) Schumpeter
- (b) Nicholas Kaldor
- (c) Keynes
- (d) None of these

17. Fluctuations in Economic activities are due to:

- (a) Aggregate demand
- (b) Aggregate effective demand
- (c) Effective demand
- (d) None of these

18. During expansion phase of business cycle which of the following does not occur:

- (a) Business profits and business confidence tend to increase

- (b) Demand for labour increases as employment increases.
 - (c) Purchase of all types of goods is increased by consumer.
 - (d) None of these
19. Phase of business cycle are ____
- (a) Expansion, peak, contraction, and trough
 - (b) Contraction, expansion, trough, and boom.
 - (c) Expansion, contraction, peak and trough
 - (d) Peak, depression, bust and boom
20. External causes of business Cycle are:
- (a) Money Supply
 - (b) Fluctuations in Investment
 - (c) Technological Shock
 - (d) None of these
21. Great Depression of 1930's is an example of:
- (a) Business cycle
 - (b) Consumer sovereignty
 - (c) Freedom of choice
 - (d) None of these
22. Which of the following is a normative statement?
- (a) Health care basic facilities to be provided to all citizens.
 - (b) With Industrialisation, unemployment rate decreases.
 - (c) On national defence India spent huge amount of money.
 - (d) None of these
23. Which of the following is not a demerit of Capitalism?
- (a) The pattern of demand does not represent the real need of the society.
 - (b) Strikes and lockdown are very common under capitalism
 - (c) Capitalism usually functions in a democratic framework.
 - (d) None of these
24. Socialist economy does have:
- (a) Right to work and minimum standard to living
 - (b) Absence of competition
 - (c) Right to private property
 - (d) Both a and b

25. Scarcity of resources occurs due to:
- (a) High demand of resources
 - (b) Absence of Substitutes
 - (c) Mismanagement and inequality
 - (d) All of these
26. In case of inferior goods:
- (a) Income effect and substitution effect work in opposite direction
 - (b) Income effect and substitution effect work in same direction
 - (c) It leads consumer to purchase less of a good and more of the substitute
 - (d) None of these
27. If $MU_x = 30$, $P_x = 5$, $MU_y = 40$ the value of P_y will be
- (a) 10
 - (b) 15
 - (c) 6
 - (d) None of these
28. When the demand curve is parallel to Y axis the elasticity of demand will be _____
- (a) Zero
 - (b) Utility
 - (c) Less than Unity
 - (d) None of these
29. A rise in sale of which type of good is expected in the case of recession:
- (a) Luxury
 - (b) Necessity
 - (c) Inferior
 - (d) Normal
30. If price of both goods fall how would the budget line be affected?
- (a) The budget line will shift to left.
 - (b) The budget line will shift to right
 - (c) The budget line will not change
 - (d) The new budget line will have the same slope as the original so long as the price of both goods change in the same proportion.
31. When price of a good rises from Rs. 20 to Rs. 30 the producer supplies 20 percent more the Price elasticity of supply is
- (a) 0.5
 - (b) 0.4

- (c) 1
 - (d) None of these
32. Cartels can be formed in which form of market:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
33. Average revenue curve is more elastic under monopolistic competition than under monopoly due to:
- (a) Government control
 - (b) Availability of close substitute
 - (c) Lack of no substitute
 - (d) None of these
34. From the following demand curve determine the elasticity at the given price
 $Q = 1200 - 10P$
 When $P = 5$, $dQ/dP = 10$
- (a) Elastic
 - (b) Inelastic
 - (c) Unitary elastic
 - (d) None of these
35. The Delphi process is a technique of:
- (a) Budget Analysis
 - (b) Demand forecasting
 - (c) Cost Analysis
 - (d) None of these
36. If the Price of Thumps Up increase the demand curve of Pepsi will:
- (a) Remain at the same level
 - (b) Shift towards right
 - (c) Shift towards left
 - (d) None of those
37. Consumer surplus means:
- (a) Area between the average revenue and marginal revenue curve.
 - (b) Area inside the budget line above the price of the commodity.
 - (c) Difference between the market price and the surplus curve.
 - (d) Difference between the maximum amount a person is willing to pay for a good and its maximum price

38. Which of the following is a variable cost in the short run?
- (a) Rent
 - (b) Wages
 - (c) Internal payments on borrowed financial capital
 - (d) None of these
39. Linear homogeneous function means:
- (a) Input and output increases by same proportions.
 - (b) Input increases by some proportions and output increase more than proportionately
 - (c) Input increase by some proportion and output less than the proportionately
 - (d) None of these
40. When output of a firm increases in the short run, its average fixed cost:
- (a) Decreases
 - (b) Increases
 - (c) Remain constant
 - (d) First rises then decline
41. If a very small factory were to expand its scale of operations in the long run it is likely that it would initially experience:
- (a) Constant returns to scale
 - (b) Diseconomies of scale
 - (c) Economies of scale
 - (d) None of these
42. Entry of firms is barred in which form of market structure:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Monopolistic Competition
43. In the absence of competition the monopolist:
- (a) The monopolist need not produce at the optimal level
 - (b) Produce at the optimal level
 - (c) Either a or b
 - (d) None of these
44. The firm's Cost function is not a determinant of:
- (a) The price of the labour
 - (b) The price of the firm's output
 - (c) Taxes
 - (d) The production functions

45. Normal profit is part of :
- (a) Implicit Costs
 - (b) Average Cost
 - (c) Explicit Cost
 - (d) None of these
46. Monopoly market and Monopsony market when in combination caused:
- (a) Monopolistic market
 - (b) Oligopoly market
 - (c) Bilateral Monopoly market
 - (d) Duopoly market.
47. What will be the shape of indifference curve in case of two perfect substitutes:
- (a) C Shaped
 - (b) L Shaped
 - (c) U Shaped
 - (d) Straight line
48. The Turning point of business cycle is practiced by :
- (a) Leading Indicator
 - (b) Coincident
 - (c) Lagging indicator
 - (d) All the above
49. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism:
- (a) Pigou
 - (b) Schumpeter
 - (c) Hawtrey
 - (d) Keynes
50. Which of the following statement is correct?
- (a) An industry consists of many firms.
 - (b) Price rigidity is an important feature of monopoly.
 - (c) Under perfect competition factors of production do not move freely
 - (d) Selling cost are possible under perfect competition.
51. Which of the Statement is correct: -
- (a) Isoquant slopes downwards from left to right
 - (b) No two Isoquant can intersect each other
 - (c) Isoquants are convex to the origin
 - (d) All the above

52. Suppose production function is given by:
 $Q_2 = 15\sqrt{LK}$ what type of return does it exhibit?
- (a) Constant return
 - (b) Increasing return
 - (c) Decreasing return
 - (d) None of these
53. The slope of Isocost line is
- (a) w/r
 - (b) r/w
 - (c) $r \times w$
 - (d) None of these
54. Relative price of goods reflects their:
- (a) Opportunity Cost
 - (b) Fixed Cost
 - (c) Average Cost
 - (d) None of these
55. A mfg. company has $TFC = 120$ lakhs, $TVC = 100Q + 7Q^2 + 0.25Q^3$
 Calculate the MC?
- (a) $100 + 1.4Q + 0.75Q^2$
 - (b) $120 + 7Q^2 + 0.25Q^3$
 - (c) $100 + 7Q^2 + 0.25Q^3$
 - (d) None of these
56. Marketing Planning is based on:
- (a) Demand forecasting
 - (b) Demand function
 - (c) Demand estimation
 - (d) Demand Analysis
57. Monopolistic Competition theory architect was :
- (a) Roden
 - (b) Marx
 - (c) J R Hicks
 - (d) Chamberlin
58. Production function in short run is called:
- (a) Production possibility frontier
 - (b) Return to Scale

- (c) Laws of variable
 - (d) None of these
59. Which markets form has features or selling cost :
- (a) Oligopoly
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) None of these
60. Cinema Halls, Telephone bills etc are following
- (a) Differential Pricing
 - (b) Full cost pricing
 - (c) Marginal Cost Pricing
 - (d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. Marketing, Finance, Operations, Human Behaviour, Law and Policy, Economics, all together derive BCK. What does it tell us about BCK's domains?
 - (a) BCK is Vast
 - (b) BCK is Expanding
 - (c) BCK is Eclectic
 - (d) BCK is Vague
2. Gain for one is a loss for someone else - this concept can be understood by which of the characteristics of Business Environment?
 - (a) It is Dynamic
 - (b) It has far reaching impact
 - (c) It is multi-faceted
 - (d) It is complex
3. Bank of Madura was acquired by which of these?
 - (a) ICICI Bank Ltd
 - (b) State Bank of India
 - (c) Life Insurance Corporation of India (LIC)
 - (d) HDFC Bank Ltd
4. Policy Context has a core motive behind it, which is?
 - (a) Economic Welfare
 - (b) GDP Growth
 - (c) Holistic Development
 - (d) Social Welfare
5. Which of the following is not a function of RBI?
 - (a) Promotion of Banking
 - (b) Collection of Foreign Institutional Data
 - (c) Banker to Government
 - (d) Funding NABARD
6. Highest Price the buyer is willing to pay is called?
 - (a) Bid
 - (b) Ask
 - (c) Badla
 - (d) Beta
7. The structure in which there is a separation of ownership and management is called
 - (a) Sole proprietorship
 - (b) Partnership

- (c) Company
 - (d) All business organisations
8. Which of the following is not an example of socio-cultural environment?
- (a) Role of women in society
 - (b) Rising income
 - (c) Family structure
 - (d) Educational levels
9. Which of the following is founded by two Danish Engineers taking refuge in India?
- (a) Cipla Ltd
 - (b) L&T Ltd
 - (c) Flipkart
 - (d) NTPC Ltd
10. Policy Formulation process is?
- (a) Uni-Directional
 - (b) Bi-Directional
 - (c) Multi-Directional
 - (d) Single Point of Contact Oriented
11. Free and fair competition ensures all, except?
- (a) Punishing the laggards
 - (b) Boosts fixed choice preferences of customers
 - (c) Increases Efficiency
 - (d) Encourages Innovation
12. Security whose price is derived from another underlying asset is called?
- (a) Derivative
 - (b) Options
 - (c) Forwards
 - (d) Futures
13. Maximum number of members in a Private limited company are:
- (a) 50
 - (b) 200
 - (c) 20
 - (d) 500
14. Environmental analysis helps in:
- (a) Providing input for strategic decision making
 - (b) Turning threats to firm's advantage
 - (c) Anticipate opportunities and to take optimal responses
 - (d) All of the above

15. Which one of the following is not a foreign company?
- (a) Dr. Reddy's Laboratories Ltd.
 - (b) Walmart
 - (c) Nestle
 - (d) HP
16. Privatization may not be conceptualized in form of:
- (a) Divestment
 - (b) Disinvestment
 - (c) Dedication
 - (d) Displacement
17. Which one of the following is not a SEBI function as one body?
- (a) Quasi-legislative
 - (b) Quasi-judicial
 - (c) Quasi-fiscal
 - (d) Quasi-executive
18. ADR stands for:
- (a) American Deficit Record
 - (b) American Depository Receipt
 - (c) Asset Depreciation Record
 - (d) Asset Depository Receipt
19. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
 - (b) Jain family
 - (c) Buddhist family
 - (d) Muslim family
20. The term PESTLE analysis is used to describe a framework for analyzing:
- (a) Macro Environment
 - (b) Micro Environment
 - (c) Both Macro and Micro Environment
 - (d) None of above
21. Indane LPG is the product of which corporation in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
22. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
 - (b) Privatization

- (c) Disinvestment
 - (d) Aggregation
23. The RBI has been vested with extensive power to control and supervise commercial banking system under the-
- (a) Reserve Bank of India Act, 1934
 - (b) The Banking Regulation Act, 1949
 - (c) Both (a) and (b)
 - (d) The Companies Act, 2013
24. _____ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
- (a) Cap
 - (b) Encryption
 - (c) Hedge
 - (d) Term insurance
25. Which of the following is not an economic objective of the firm?
- (a) Sales growth
 - (b) Improvement in market share
 - (c) Profits and return on investment
 - (d) Conservation of natural resources
26. Mark incorrect: Partnership implies
- (a) Contractual ownership of business
 - (b) Liability of partner is limited to the extent of one's share capital
 - (c) The contract is an agreement enforceable at law is called deed
 - (d) Deed may be registered in India under the Partnership Act, 1932
27. Who is the present CEO and MD of Larsen & Toubro Ltd.?
- (a) Keshab Pandey
 - (b) K R Krishanmurthy
 - (c) S N Subrahmanyam
 - (d) None of these
28. Which of the following statements about RBI is incorrect?
- (a) It deals largely with Governments, Central and State Banks.
 - (b) Its role is to ensure monetary stability, including stability of domestic price levels.
 - (c) One of its missions is to protect the interest of policyholders.
 - (d) The RBI is the sole authority for the issue of currency in India.
29. Economic Reforms introduced in India in 1992 are called LPG that refers to
- (a) Liquidation of loss making units
 - (b) Popularise Public private partnership
 - (c) Good governance
 - (d) None of the above

30. Setting low prices in order to discourage or deter potential new entrants to the suppliers market:
- (a) Pre-Emptive Pricing
 - (b) Price Sensitivity
 - (c) Price Discrimination
 - (d) Price Elasticity
31. Mark the Correct:
- (a) Hindu Succession Act, 1956 is applicable in HUF.
 - (b) LLP firm may be constituted on basis of LLP Act 2009.
 - (c) A dormant company registered under Companies Act, 2013.
 - (d) All are correct.
32. PESTLE refers to:
- (a) Political, Economic, Social, Technological, Legal & Environmental factors affecting business.
 - (b) All these are external factors.
 - (c) All these constitute macro environment.
 - (d) All of the above.
33. Which company ranked 2nd on Forbes World's Best Employer's List 2020?
- (a) Amazon
 - (b) Walmart
 - (c) Microsoft
 - (d) Apple
34. Identify the one which may be considered as a public policy:
- (a) A decision by a central government to purchase a fleet of cars.
 - (b) An old building to be demolished by a municipal corporation.
 - (c) All citizens are to be provided with biometric Aadhar card.
 - (d) Government passes a special resolution to change the name of a park.
35. Who was the regulatory body for controlling financial affairs in India before SEBI?
- (a) Controller of Capital Issues
 - (b) Reserve Bank of India
 - (c) Insurance Regulatory and Development Authority of India
 - (d) Government of India
36. What is consolidation?
- (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.
 - (b) Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity created for that purpose.
 - (c) Potential liability arising from a past transaction or a subsequent event.
 - (d) Costs that can be attributed clearly to the activity you are considering.
37. Who is the present chairman of Wipro Limited?
- (a) Azim Premji

- (b) Rishad Premji
 - (c) Thierry Delaporte
 - (d) (a) and (b)
38. Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent
 - (d) None of the above
39. Self Help Groups are catered specifically by?
- (a) All development banks
 - (b) SIDBI
 - (c) RBI
 - (d) NABARD
40. Government decides to spend 400 crores in the next 5 years for the benefit of women entrepreneurs in India. This is an example of?
- (a) Fiscal Policy
 - (b) Monetary Policy
 - (c) FDI Policy
 - (d) Industrial Policy

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

1	(a)	11	(d)	21	(a)	31	(b)	41	(c)	51	(d)
2	(b)	12	(a)	22	(a)	32	(c)	42	(b)	52	(a)
3	(d)	13	(a)	23	(c)	33	(b)	43	(a)	53	(a)
4	(c)	14	(a)	24	(d)	34	(b)	44	(b)	54	(a)
5	(a)	15	(d)	25	(d)	35	(b)	45	(a)	55	(a)
6	(b)	16	(a)	26	(a)	36	(b)	46	(c)	56	(a)
7	(a)	17	(b)	27	(a)	37	(d)	47	(d)	57	(d)
8	(b)	18	(c)	28	(a)	38	(b)	48	(d)	58	(c)
9	(d)	19	(a)	29	(c)	39	(a)	49	(a)	59	(b)
10	(b)	20	(c)	30	(d)	40	(b)	50	(a)	60	(a)

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

1	2	3	4	5	6	7	8	9	10
(c)	(c)	(a)	(c)	(b)	(a)	(c)	(b)	(b)	(b)
11	12	13	14	15	16	17	18	19	20
(b)	(a)	(b)	(d)	(a)	(c)	(c)	(b)	(d)	(a)
21	22	23	24	25	26	27	28	29	30
(a)	(a)	(c)	(c)	(d)	(b)	(c)	(c)	(d)	(a)
31	32	33	34	35	36	37	38	39	40
(d)	(d)	(a)	(c)	(a)	(b)	(b)	(c)	(d)	(a)