

FOUNDATION COURSE
MOCK TEST PAPER 1
PAPER – 4: PART I : BUSINESS ECONOMICS

Max. Marks : 60

1. The implication that resource scarcity have for the satisfaction of wants are-
 - (a) Not all wants can be satisfied
 - (b) We will never be faced with the need to make choices
 - (c) We must develop ways to decrease our individual wants
 - (d) The discovery of new natural resources is necessary to increase our ability to satisfy wants
2. A normative economic statement is-
 - (a) Unemployment rate decreases with industrialization
 - (b) Economics is a social science that studies human behaviour
 - (c) The minimum wage should be raised to ` 200/- per day
 - (d) India spends a huge amount of money on national defence
3. Administered prices refer to-
 - (a) Price determined by forces of demand and supply
 - (b) Price determined by sellers in the market
 - (c) Prices determined by an external authority which is usually the government
 - (d) None of the above
4. A downward movement along a demand curve indicate-
 - (a) Increase in demand
 - (b) Decrease in demand
 - (c) Contraction of demand
 - (d) Expansion of Demand
5. If price of automobiles increases by 10% and supply increases by 25%. The elasticity of supply is-
 - (a) 2.5
 - (b) 0.4
 - (c) -2.5
 - (d) -0.4
6. The consumer is in equilibrium at a point where the budget line-
 - (a) Is above an indifference curve
 - (b) Is below an indifference curve

- (c) Is tangent to an indifference curve
 - (d) Cuts an indifference curve
7. The second glass of water gives lesser satisfaction to a thirsty boy. This is a clear case of-
- (a) Law of demand.
 - (b) Law of diminishing returns.
 - (c) Law of diminishing utility.
 - (d) Law of supply.
8. When the price of commodity increases by 40% and its quantity demanded falls from 150 to 120 units , then the price elasticity of demand for a commodity is-
- (a) -0.8%
 - (b) 0.8%
 - (c) 0.5%
 - (d) -0.5%
9. If the consumer consumes only one commodity X , he will be in equilibrium when-
- (a) $MU_x > P_x$
 - (b) $MU_x < P_x$
 - (c) $MU_x = P_x$
 - (d) None of these
10. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price-
- (a) Equal to one
 - (b) Greater than one
 - (c) Smaller than one
 - (d) Zero
11. If a good is a luxury, its income elasticity of demand is-
- (a) positive and less than 1
 - (b) negative but greater than -1
 - (c) positive and greater than 1
 - (d) Zero
12. A consumer demands 5 units of a commodity at the price of Rs. 4 per unit. He demands 10 units when the price falls to Rs 3 per unit. Price elasticity of demand is equal to-
- (a) 3
 - (b) 2
 - (c) 1.5

- (d) 4
13. Availability of close substitutes makes the demand-
- (a) Less elastic
 - (b) More elastic
 - (c) Parallel to X axis
 - (d) Parallel to Y axis
14. The supply curve for perishable commodities is-
- (a) elastic
 - (b) inelastic
 - (c) perfectly elastic
 - (d) perfectly inelastic
15. The slope of consumer's budget line is –
- (a) Positive and constant
 - (b) Negative and decreasing
 - (c) Negative and constant
 - (d) Positive and increasing
16. Demand for water is –
- (a) Elastic
 - (b) Inelastic
 - (c) Perfectly elastic
 - (d) Relatively elastic
17. Inferior goods are those goods whose income effect is-
- (a) Negative
 - (b) Positive
 - (c) Zero
 - (d) None of these
18. Suppose income elasticity of bread is 0.25, it means that bread is-
- (a) Inferior goods
 - (b) Luxury goods
 - (c) Normal goods
 - (d) Can't say
19. The supply curve shifts to the right because of-
- (a) Improved technology

- (b) Increased price of factors of production
 - (c) Increased excise duty
 - (d) All of the above
20. If the demand is more than supply, then the pressure on price will be-
- (a) Upward
 - (b) Downward
 - (c) Constant
 - (d) None of the above
21. Which of the following goods has inelastic demand-
- (a) Salt
 - (b) Food grains
 - (c) Medicines
 - (d) All of the above
22. Demand for pepsi is elastic because-
- (a) Its falls under luxuries
 - (b) Its consumption can be postponed
 - (c) Its substitutes are available in the market
 - (d) It is a multiple use product
23. A good which cannot be consumed more than once is known as-
- (a) durable good
 - (b) non-durable good
 - (c) producer good
 - (d) none of the above
24. A consumer of two goods X and Y is in equilibrium. The price of good X is Rs. 10 and price of the good Y is Rs. 20 respectively. If the MU_x is 60 utils , then the MU_y is-
- (a) 30 utils
 - (b) 20 utils
 - (c) 60 utils
 - (d) 6 utils
25. The slope of indifference curve is given by-
- (a) Budget line
 - (b) Marginal rate of transformation
 - (c) Marginal rate of substitution
 - (d) None of these

26. In the third phase of Law of variable proportions, MP becomes-
- (a) Zero
 - (b) Negative
 - (c) Positive
 - (d) None of these
27. Law of variable proportion is related to-
- (a) Short-run
 - (b) Long-run
 - (c) Both a and b
 - (d) Very short run
28. When Marginal product is zero, then Total product is –
- (a) Zero
 - (b) Falling
 - (c) Rising
 - (d) Maximum
29. Long run production function related to-
- (a) Returns to a factor
 - (b) Returns to scale
 - (c) Both a and b
 - (d) None of these
30. Diminishing returns occur-
- (a) When units of a variable input are added to a fixed input and total product falls
 - (b) When units of a variable input are added to a fixed input and marginal product falls
 - (c) When the size of the plant is increased in the long run.
 - (d) When the quantity of the fixed input is increased and returns to the variable input falls.
31. In the production of wheat, all of the following are variable factors that are used by the farmer except-
- (a) The seed and fertilizer used when the crop is planted
 - (b) The field that has been cleared of trees and in which the crop is planted
 - (c) The tractor used by the farmer in planting and cultivating not only wheat but also corn and barley
 - (d) The number of hours that the farmer spends in cultivating the wheat fields
32. When total product is 200 units and units of variable factor are 8, average product will be –
- (a) 25
 - (b) 1600

- (c) 96
 - (d) 60
33. Economic costs includes-
- (a) Accounting costs
 - (b) Implicit costs
 - (c) Both a and b
 - (d) None of above
34. Which of the following cost curve is termed as a rectangular hyperbola-
- (a) TVC curve
 - (b) AVC Curve
 - (c) TFC curve
 - (d) AFC curve
35. The total cost of producing 30 units of output is Rs. 300. If average fixed cost at this level of output is Rs. 7, then the total variable cost will be –
- (a) Rs. 160
 - (b) Rs. 140
 - (c) Rs. 90
 - (d) Rs. 120
36. Total costs is the vertical summation of –
- (a) TFC and TVC
 - (b) AFC and AVC
 - (c) TVC and AVC
 - (d) None of these
37. Example of Fixed cost is-
- (a) Electricity bill
 - (b) Interest on loans
 - (c) Expenses on raw material
 - (d) Wages of daily workers
38. TVC can be calculate as-
- (a) AVC/Q
 - (b) $TC-TFC$
 - (c) $AC-AFC$
 - (d) None of these

39. The long run average cost curve is also called –
- (a) Envelope curve
 - (b) Plant curve
 - (c) Both a and b
 - (d) None of these
40. Economies of scale exist because as a firm increases its size in the long run-
- (a) Labour and management can specialize in their activities more
 - (b) As a larger input buyer, the firm can get finance at lower cost and purchase inputs at a lower per unit cost.
 - (c) The firm can afford to employ more sophisticated technology in production
 - (d) All of these
41. Example of variable cost is –
- (a) Salary of permanent staff
 - (b) Rent of premises
 - (c) License fees
 - (d) Wages
42. When average revenue is Rs.30 and output is equal to 50 units total revenue will be –
- (a) 2500
 - (b) 1500
 - (c) 1800
 - (d) 2000
43. The Average revenue and price are always equal under-
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect competition
 - (d) All market forms
44. If total revenue of a firm increases by Rs 65025 due to an increase in sale of good X from 60 units to 75 units, then marginal revenue will be –
- (a) 3000
 - (b) 4335
 - (c) 4000
 - (d) 3335
45. Which of the following is not an essential condition of pure competition?
- (a) Large number of buyers and sellers

- (b) Homogeneous product
 - (c) Freedom of entry
 - (d) Absence of transport cost
46. Product differentiation is a key feature of-
- (a) Perfect competition
 - (b) Oligopoly
 - (c) Monopoly
 - (d) Monopolistic competition
47. A market induces cartel is –
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
48. In the context of oligopoly, the kinked demand hypothesis is designed to explain -
- (a) Price and output determination
 - (b) Price rigidity
 - (c) Price leadership
 - (d) Collusion among rivals
49. A combination of monopoly market and a monopsony market is known as-
- (a) Duopoly
 - (b) Monopsony
 - (c) Oligopsony
 - (d) Bilateral monopoly
50. A firm encounters its “shutdown point” when-
- (a) Average total cost equals price at the profit-maximising level of output
 - (b) Average variable cost equals price at the profit-maximising level of output
 - (c) Average fixed cost equals price at the profit-maximising level of output
 - (d) Marginal cost equals price at the profit-maximising level of output
51. Homogeneous product are sold under-
- (a) Collusive oligopoly
 - (b) Non-collusive oligopoly
 - (c) Perfect oligopoly
 - (d) Imperfect oligopoly

52. A market structure in which many firms sell products that are similar but not identical is known as-
- (a) Monopolistic competition
 - (b) Monopoly
 - (c) Perfect competition
 - (d) Oligopoly
53. In a very short period market-
- (a) The supply is fixed
 - (b) The demand is fixed
 - (c) Demand and supply are fixed
 - (d) None of the above
54. A monopolist is a-
- (a) Price maker
 - (b) Price –taker
 - (c) Price adjuster
 - (d) None of the above
55. The term business cycle refers to-
- (a) The ups and downs in production of commodities
 - (b) The fluctuation levels of economic activity over a period of time
 - (c) Decline in economic activities over prolonged period of time
 - (d) Increasing unemployment rate and diminishing rate of savings
56. The lowest point in the business cycle is referred as the –
- (a) Expansion
 - (b) Boom
 - (c) Peak
 - (d) Trough
57. A indicator which occur simultaneously with the business cycle movements is-
- (a) Lagging indicator
 - (b) Coincident indicator
 - (c) Leading indicator
 - (d) None of these
58. Example of Lagging indicator is-
- (a) Corporate profits
 - (b) Interest rates

- (c) Consumer price index
 - (d) All of these
59. "Trade cycle is a purely monetary phenomenon", according to-
- (a) Pigou
 - (b) Hawtrey
 - (c) Keynes
 - (d) Schumpeter
60. When aggregate economic activity is declining, the economy is said to be in-
- (a) Contraction
 - (b) An Expansion
 - (c) Trough
 - (d) Turning point

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. There is a requirement of registration of the following as per Indian Companies Act 2013:
 - (a) Private Company
 - (b) Public Company
 - (c) One Person Company
 - (d) All of the above
2. Opportunity is:
 - (a) Inherent capacity
 - (b) Strategic disadvantage
 - (c) Favourable condition
 - (d) None of the above
3. Which gas company owns India's largest pipeline network?
 - (a) GAIL (India) Ltd.
 - (b) Bharat Petroleum Corporation Ltd.
 - (c) Reliance Industries Ltd.
 - (d) ONGC
4. Public policies are of three types:
 - (a) Restrictive, Regulatory, Participative
 - (b) Restrictive, Regulatory, Facilitating
 - (c) Voluntarily, Participative, Facilitating
 - (d) Regulatory, Voluntarily, Continuous
5. Which of the following is not a function of RBI?
 - (a) Monetary Policy
 - (b) Fiscal Policy
 - (c) Custodian of Foreign Exchange Reserves
 - (d) Controller of Credit
6. _____ is a technology where the banking organizations resort to the use of electronics, computers and other networks to execute transactions and transfer funds.
 - (a) E-cash
 - (b) Digi-cash
 - (c) Hedge
 - (d) Cap
7. The attribute of a profession does not include:
 - (a) Rendering of specialized nature of services

- (b) Certificate of service from government
 - (c) Self-imposed code of conduct
 - (d) All of the above
8. Which of the following is not a part of the economic environment?
- (a) Market and trade cycles
 - (b) Consumer buying patterns
 - (c) Strength of consumer spending
 - (d) Interest and exchange rates
9. Walmart ranked 1st on:
- (a) Forbes World's Best Employers List 2018
 - (b) Fortune 500 Companies List 2018
 - (c) Forbes World's Largest Public Corporations List 2018
 - (d) None of the above
10. OCBs mean:
- (a) Overseas Corporate Bodies
 - (b) Ordnance Commission Bilateral secretariat
 - (c) Oversees Civic Boards
 - (d) Oversees Commercial Bilateral Treaties
11. Which one of the following is not the role of the Competition Commission of India?
- (a) To promote practices having adverse effect on competition.
 - (b) To promote and sustain competition in markets.
 - (c) To protect the interests of consumers and,
 - (d) To ensure freedom of trade carried on by other participants in markets in India.
12. The number of units of given currency that can be purchased for one unit of another currency is called _____.
- (a) Current ratio
 - (b) Exchange rate
 - (c) Equity
 - (d) Dividend
13. Which of the following is organic objective of business?
- (a) Economic Value added
 - (b) Fitness of Human resource
 - (c) Community Service
 - (d) Effective waste handling and disposal

14. According to Peter Drucker aim of the business is to _____ and _____.
- (a) Create and retain customer
 - (b) Retain customer and create profits
 - (c) Create and retain consumer
 - (d) Retain consumer and maximise wealth
15. Which of the following is not related to ITC Limited?
- (a) Vishal Sikha
 - (b) 1910
 - (c) Kolkata
 - (d) Yogesh Chander Deveshwar
16. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
 - (b) Cultural Reforms
 - (c) Commercial Reforms
 - (d) Socio-cultural Reforms
17. Who is the custodian of the nation's foreign exchange reserves?
- (a) Central Government of India
 - (b) President of India
 - (c) Reserve Bank of India
 - (d) State Bank of India
18. Carry forward of a transaction from one settlement period to other is
- (a) Badla
 - (b) Repo
 - (c) Open Interest
 - (d) None of the above
19. A partnership may not be formed to carry on:
- (a) Any trade
 - (b) Occupation
 - (c) Profession
 - (d) Social enterprise
20. Relationship between organisation and environment can be described through:
- (a) Exchange of information
 - (b) Exchange of resources
 - (c) Exchange of influence and power
 - (d) All of the above

21. Which company ranked 3rd on Forbes World's Best Employer List 2018?
- (a) Walmart
 - (b) Microsoft
 - (c) Google
 - (d) Apple
22. The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is known as:
- (a) Disinvestment
 - (b) Deregulation
 - (c) Delegation
 - (d) Decentralization
23. Where is the head office of NABARD?
- (a) Mumbai
 - (b) Delhi
 - (c) Gurugram
 - (d) Bengaluru
24. The opposite of bid is_____
- (a) Ask/Offer
 - (b) Call
 - (c) Purchase
 - (d) None of the above
25. Which of the following statement is correct with respect to HUF?
- (a) HUF earns income from salary
 - (b) Four successive generations of an undivided
 - (c) HUF enjoys a separate entity status under Income tax act –1961
 - (d) All of the above
26. What is not a characteristic of business environment?
- (a) Complex
 - (b) Static
 - (c) Multi-faced
 - (d) Far reaching
27. NESTLE is a beverage partner with which of the following companies?
- (a) Coca-Cola India
 - (b) Pepsico India Holdings Pvt. Ltd.
 - (c) Red Bull India Pvt. Ltd

- (d) Dabur India Ltd
28. FIPB stands for:
- (a) Foreign Institutional Promotion Board
 - (b) Foreign Institutional Preparatory Board
 - (c) Foreign Investment Priority Board
 - (d) Foreign Investment Promotion Board
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
 - (b) NABARD
 - (c) IRDA
 - (d) IFCI
30. Which of the following is Return on investment?
- (a) Dividend
 - (b) Interest
 - (c) Yield
 - (d) None of the above
31. Business as institution is _____
- (a) Job Creator
 - (b) Job seeker
 - (c) Both
 - (d) None of the above
32. Internal Environment includes _____
- (a) Customer
 - (b) Economic
 - (c) Demography
 - (d) Mission & Objectives
33. What happened in Microsoft in the year 2014?
- (a) Satya Nadella succeeded on Steve Ballmer
 - (b) Acquired Hardware division of NOKIA
 - (c) Both (a) & (b)
 - (d) None of the above
34. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
 - (b) Privatization
 - (c) Disinvestment

- (d) Aggregation
35. 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
36. What is price sensitivity?
- (a) the effect a change in price will have on customers.
 - (b) charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.
 - (c) a strategy involves setting low prices in order to discourage or deter potential new entrants to the suppliers market.
 - (d) It measures the responsiveness of a change in demand for a product following a change in its own price.
37. Who is the present MD & CEO of ICICI Bank?
- (a) Chanda Kochar
 - (b) Shika Sharma
 - (c) M.K. Sharma
 - (d) Sandeep Bakshi
38. Where are the headquarters of L&T?
- (a) Bengaluru
 - (b) Delhi
 - (c) Mumbai
 - (d) Chennai
39. SEBI, RBI & IRDA are:
- (a) Regulatory Bodies
 - (b) Cluster Bodies
 - (c) Goal Sector bodies
 - (d) None of the above
40. Which of the following is not a subsidiary of Indian Oil Corporation Ltd.?
- (a) Chennai Petroleum Ltd.
 - (b) Brahamputra Cracker and Polymer Ltd.
 - (c) Indian Oil – CREDA Biofuels Ltd.
 - (d) Indian Catalyst Private Ltd.

**FOUNDATION COURSE
MOCK TEST PAPER 1
PAPER – 4: PART I : BUSINESS ECONOMICS
ANSWERS**

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

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