

MOCK TEST PAPER 2
FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

1. Microeconomic theory studies how a free-enterprise economy determines
 - (a) the price of goods
 - (b) the price of services
 - (c) the price of economic resources
 - (d) all of the above.
2. Which aspect of taxation involves normative economics?
 - (a) the incidence of (i.e., who actually pays for) the tax
 - (b) the effect of the tax on incentives to work
 - (c) the "fairness" of the tax
 - (d) all of the above.
3. 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.
4. An increase in the price of a commodity when demand is inelastic causes the total expenditures of consumers of the commodity to
 - (a) increase
 - (b) decrease
 - (c) remain unchanged
 - (d) any of the above.
5. If the amounts of two commodities purchased both increase or decrease when the price of one change, the cross elasticity of demand between them is
 - (a) negative
 - (b) positive
 - (c) zero
 - (d) 1.
6. A consumer who is below the personal budget line (rather than on it)
 - (a) is not spending all personal income
 - (b) is spending all personal income
 - (c) may or may not be spending all personal income
 - (d) is in equilibrium.

7. The substitution effect for a fall in the price of a commodity (*ceteris paribus*) is given by
 - (a) a movement up a given indifference curve
 - (b) a movement from a higher to a lower indifference curve
 - (c) a movement down a given indifference curve
 - (d) any of the above.
8. When real income rather than money income is kept constant in drawing a consumer's demand curve for a commodity, the demand curve is negatively sloped,
 - (a) Always
 - (b) never
 - (c) sometimes
 - (d) often.
9. Traditional economic theory could not explain choices involving risk because it assumed that
 - (a) MU always declines
 - (b) MU first declines and then rises
 - (c) MU first rises and then declines
 - (d) MU always increases.
10. Empirical demand curves refer to demand curves estimated from
 - (a) utility theory
 - (b) the new approach to consumer theory
 - (c) information provided by individual consumers
 - (d) actual market price-quantities observations.
11. Within the relevant range, isoquants
 - (a) are negatively sloped
 - (b) are convex to the origin
 - (c) cannot cross
 - (d) are all of the above.
12. At the point where a straight line from the origin is tangent to the TC curve, AC
 - (a) is minimum
 - (b) equals MC
 - (c) equals AVC plus AFC
 - (d) is all of the above.
13. At the best, or optimum, short-run level of output, the firm will be
 - (a) maximizing total profits
 - (b) minimizing total losses
 - (c) either maximizing total profits or minimizing total losses
 - (d) maximizing profits per unit.
14. In the short run, the monopolist
 - (a) breaks even,

- (b) incurs a loss,
 - (c) makes a profit
 - (d) any of the above.
15. In long-run equilibrium, the pure monopolist (as opposed to the perfectly competitive firm) can make pure profits because of
- (a) blocked entry
 - (b) high selling prices
 - (c) low LAC costs
 - (d) advertising.
16. When the industry is in long-run equilibrium, the monopolistic competitor will produce at the lowest point on its LAC curve,
- (a) always
 - (b) never
 - (c) sometimes
 - (d) cannot say.
17. In 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
18. "If Americans today, for example were to content to live at the level of the Indian middle-class people, all their wants would be fully satisfied with their available resources and capacity to produce. "On the basis of the above statement, which of the following conclusion can be made?"
- (a) The possession of goods and services by USA has enormously increased to exceed their wants.
 - (b) The affluent and developed countries of USA and Western Europe face the problem of scarcity even today as their present wants to remain a head of their increased resources and capacity to produce.
 - (c) The affluent and developed countries are not facing the problem of scarcity.
 - (d) None of these
19. Economics is a branch of _____ focused on the production, distribution and consumption of goods and services.
- (a) Natural science
 - (b) Physical science
 - (c) Social science
 - (d) None of these
20. A socialist economy is a system of production where goods and services are produced_____.
- (a) to generate profit
 - (b) directly for use
 - (c) Both (a) and (b)
 - (d) None of these

21. Capital intensive technique of production is used in _____.
- (a) Developed Economy
 - (b) Underdeveloped Economy
 - (c) Labour surplus economy
 - (d) Capital surplus economy
22. 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
23. At saturation point of TU curve, the slope of TU curve is _____
- (a) 1
 - (b) Infinity
 - (c) Zero
 - (d) Positive
24. The most crucial determinant of demand for an item is _____.
- (a) Income of consumer
 - (b) Prices of other related goods
 - (c) Taste and preference of consumer
 - (d) It's own price
25. With reference to Arc elasticity measures the responsiveness of demand _____ on the demand curve.
- (a) at one given point
 - (b) at intercepts on X-axis & Y-axis
 - (c) between two points
 - (d) Any of the above
26. Cost incurred which has 'no relevance' to future planning is called _____
- (a) Marginal Cost
 - (b) Sunk Cost
 - (c) Book Cost
 - (d) Average Cost
27. After identifying the market, the enterprise has to make decision regarding 4 Ps. Which one of the following is not one of these 4 Ps.
- (a) Promotion
 - (b) Place
 - (c) People
 - (d) Product

28. Which of the following is incorrect formula?
- (a) $TC = AC \times Q$
 - (b) $\sum MC = TC$
 - (c) $\sum MC = TVC$
 - (d) $\sum MC + TFC = TC$
29. Which of the following is true at equilibrium in monopolistic competition?
- (a) Price is greater than marginal cost
 - (b) Price is greater than marginal revenue
 - (c) Both (A) and (B)
 - (d) Price is equal to marginal revenue
30. A purely competitive seller's average revenue curve coincides with
- (a) its marginal revenue curve only
 - (b) its demand curve only
 - (c) both its demand & marginal revenue curves
 - (d) Neither demand nor marginal revenue curve.
31. According to British economist J. M. Keynes _____ was the main cause of massive decline in income and employment during Great Depression of 1930.
- (a) Lower aggregate expenditure in the economy.
 - (b) Banking crises and low money supply.
 - (c) Overdebttness.
 - (d) Lower profits & pessimism
32. Post war reconstruction
- (a) will push the economy to slow down because of excess external debts.
 - (b) will cause pickup in economic activities as the reconstruction pushes up effective demand & in turn employment and income.
 - (c) can cause boom or recession depending upon the policies for reconstruction adopted by govt.
 - (d) None of these
33. The price which a consumer would be willing to pay for a commodity equals to his-.
- (a) Total utility
 - (b) Marginal utility
 - (c) Average utility
 - (d) Does not have any relation to any of these
34. Computers and computer software are _____
- (a) Substitute goods
 - (b) Complementary goods
 - (c) Independent goods
 - (d) Normal goods

35. Fluctuations in Economic Activities according to Keynes due to
- (a) Innovation
 - (b) Changes in Money supply
 - (c) Fluctuation in aggregate effective demand
 - (d) None of these
36. The turning point of business cycle is produced by when economic indicators
- (a) Coincident
 - (b) Lagging indicator
 - (c) leading indicator
 - (d) All of the above
37. U Shaped average cost curve is based on
- (a) Law of variance proportions
 - (b) Law of increasing cost
 - (c) Law of decreasing cost
 - (d) None of these
38. The reason behind the upward sloping portion of the long run cost curve is
- (a) economy of scale
 - (b) diseconomy of scale
 - (c) diminishing marginal rate of substitution
 - (d) None of these
39. Short run marginal cost of the firm will be increasing when
- (a) average cost is decreasing
 - (b) total fixed cost is increasing
 - (c) Average fixed cost is decreasing
 - (d) None of these
40. Consumer is sovereign under
- (a) Free Economy
 - (b) Mixed Economy
 - (c) Controlled Economy
 - (d) Both (a) and (b)
41. The problem of "what to produce" relates to
- (a) The choice of goods and services
 - (b) Distribution of income
 - (c) The choice of technique
 - (d) None of these
42. Shift in the budget line when prices are constant are due to
- (a) Change in income
 - (b) Change in demand

- (c) Change in utility
 - (d) None of these
43. Law of demand is violated when
- (a) Income effect is negative
 - (b) Substitution effect is negative
 - (c) Negative income effect is greater than the substitution effect
 - (d) None of these
44. Elasticity is greater than utility for
- (a) Luxuries
 - (b) Necessaries
 - (c) Complementary good
 - (d) None of these
45. Which of the following is not studied in micro economics?
- (a) Factor pricing
 - (b) Location of Industry
 - (c) Consumer Behaviour
 - (d) External value of currency
46. The Characteristics of capitalist economics does not include?
- (a) Right to Private property
 - (b) Freedom of economic choice
 - (c) Absence of Consumer choice
 - (d) Completion
47. Which of the following are within the scope of business economies?
- (a) Capital Budgeting
 - (b) Risk Analysis
 - (c) Business cycles
 - (d) All of the Above
48. The Substitution effect will be stronger when
- (a) The goods are closer substitution
 - (b) There is lower cost of switching to the substitute goods
 - (c) There is lower Inconvenience while switching to the substitute good
 - (d) All the above
49. In Spite of the fact that the price of the television sets refrigerators, air conditions etc. have been continuously rising their demand does not stand any tendency to fall because they are
- (a) Conspicuous goods
 - (b) Giffen goods
 - (c) Speculative goods
 - (d) Conspicuous necessities.

50. What are the determinants of price elasticity
- (a) Availability of substitutes
 - (b) Price range
 - (c) Position of a Commodity in the Consumer's budget.
 - (d) All the above
51. Income elasticities _____ in the short run and long run
- (a) differ
 - (b) Same
 - (c) Can't say
 - (d) Both (a) and (b)
52. Accounting costs are
- (a) Implicit cost
 - (b) Explicit Costs
 - (c) Economics Costs
 - (d) None of these
53. Telecom Industry is an example of
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Oligopoly
 - (d) Monopolistic competition
54. On the basis of nature of transaction the market is classified into
- (a) Regulated and Unregulated market
 - (b) Wholesale and Retail market
 - (c) Spot and future Market
 - (d) None of these
55. Total Revenue is maximise when total revenue is ____
- (a) 1
 - (b) 0
 - (c) High
 - (d) None of these
56. Third degree Price discrimination can be explained through example of
- (a) dumping
 - (b) Charging different Prices for domestic and commercial use
 - (c) Lower Price in rationing for senior citizen
 - (d) All of the above.
57. Management of the firm _____ control over macro-economic factors.
- (a) has
 - (b) has no

- (c) has partial
 - (d) None of these
58. Related goods are of _____ types.
- (a) two
 - (b) three
 - (c) four
 - (d) five
59. The elasticity of supply at any point on a given supply curve passing through the origin point making angle of 35 degree with X-axis is _____
- (a) Greater than one
 - (b) Less than one
 - (c) Equal to one
 - (d) Any of the above
60. Traditional approach of law of demand was propounded by _____
- (a) Giffen
 - (b) Paul A Samuelson
 - (c) Alfred Marshall
 - (d) Pique

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. Which of the following is not an economic activity?
- (a) Eating food at a restaurant
 - (b) Selling food at subsidised prices
 - (c) Making cloth material for retail
 - (d) Cleaning the road in front of your house yourself
62. External factors affecting a business environment is also referred to as factors?
- (a) Controllable
 - (b) Relevant
 - (c) Global
 - (d) Uncontrollable
63. Who owns the India's only port-led multi-product SEZ?
- (a) Reliance Group
 - (b) Adani Group
 - (c) ONGC Ltd
 - (d) Indian Oil Ltd
64. Blackrock invested 30 million USDs as a portfolio investor in Indian stock market. This may be a case of :
- (a) FDI
 - (b) FII investment
 - (c) Indirect investment
 - (d) NRI investment
65. Self Help Groups are majorly helped by small banks and many other financial supporting institutions. Which of the following is the major contributor to their success in India?
- (a) State Bank of India
 - (b) RBI
 - (c) NABARD
 - (d) Non Banking Financial Institutions (NBFCs)
66. The statistical measure of change in price on a stock exchange is?
- (a) Dividend
 - (b) Index
 - (c) Beta
 - (d) Bid
67. Trading implies buying for the purposes of selling. Applying this criterion, tell which of the following activities would not qualify as trading?
- (a) Purchase of goods in bulk quantity from the manufacturer and sale in smaller quantities to the retailers
 - (b) Buying from the wholesaler and selling it to the consumers

- (c) Buying from the retailer for self – consumption
 - (d) Purchase of raw materials from the suppliers for further processing in the factory
68. In PESTLE Analysis, what does E stand for?
- (a) Environment and Ethics
 - (b) Economy and Environment
 - (c) Ethics and Egalitarian Economy
 - (d) Economy and Enlightenment
69. Power System Operation Corporation Limited (POSOCO) is a subsidiary of :
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
70. UK Government gave the businesses an option to either pay more taxes or to give up subsidies on export. What kind of public policy is this?
- (a) Protective
 - (b) Facilitating
 - (c) Regulatory
 - (d) Restrictive
71. 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
72. A stock market where number of transactions are 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
73. 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
74. Which of the following is not a characteristic of least resistance strategic response:
- (a) Dynamic

- (b) Passive approach
 - (c) Simple goal maintaining
 - (d) All of the above
75. Apple was founded by-
- (a) Steve Jobs
 - (b) Steve Wozniak
 - (c) Ronald Wayne
 - (d) All of the above
76. Public Policies are classified as .
- (a) Positive, Negative, Neutral
 - (b) Regulatory, Facilitative, Restrictive and Protective
 - (c) Government driven, business driven and people driven
 - (d) None of the above
77. 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
78. A water bottle sold in a Mall versus the same bottle sold for half the price on roadside is an example of?
- (a) Pre-Emptive Pricing
 - (b) Price Skimming
 - (c) Price Discrimination
 - (d) Price Elasticity of Demand
79. 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
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. Which gas company owns India's largest pipeline network?
- (a) GAIL(India) Ltd.
 - (b) Bharat Petroleum Corporation Ltd.
 - (c) Reliance Industries Ltd.

- (d) ONGC
82. Foreign brands were welcomed in India and were also allowed to use their foreign brand name. Which of the following does use of foreign brand name relate to?
- (a) Globalisation
 - (b) Privatisation
 - (c) Liberalisation
 - (d) Autonomy of Economy
83. NABARD refines the financial institutions which finances the-
- (a) Urban sector
 - (b) Rural sector
 - (c) Secondary sector
 - (d) Service sector
84. _____ is the measure of return on investments in terms of percentage
- (a) Yield
 - (b) Index
 - (c) Equity
 - (d) Bonus
85. Members of a Hindu Undivided Family are called?
- (a) Father
 - (b) Karta
 - (c) Coparcener
 - (d) Mitakshara
86. Which of the following statements is true?
- (a) Consumer and Customer are always the same person
 - (b) Customer may or may not be the consumer
 - (c) Environmental study is optional for any business
 - (d) Micro Environment is a part of Internal Environment
87. "To empower every person and every organization on the planet to achieve more" is the mission statement of?
- (a) Bharti Airtel
 - (b) Amazon
 - (c) Microsoft
 - (d) HDFC Bank
88. Goods and Service Tax (GST), is a form of?
- (a) International Trade Policy
 - (b) Inclusive Policy

- (c) Policy Reform
 - (d) Public Welfare Scheme
89. Which of the following does SEBI not cater to?
- (a) Government Organizations
 - (b) Investors
 - (c) Intermediaries
 - (d) Security Issuing Companies
90. 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
91. 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
92. 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
93. 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
94. Policy Formulation process is?
- (a) Uni-Directional
 - (b) Bi-Directional
 - (c) Multi-Directional
 - (d) Single Point of Contact Oriented
95. Free and fair competition ensures all, except?
- (a) Punishing the laggards
 - (b) Boosts fixed choice preferences of customers
 - (c) Increases Efficiency

- (d) Encourages Innovation
96. Security whose price is derived from another underlying asset is called?
- (a) Derivative
 - (b) Options
 - (c) Forwards
 - (d) Futures
97. Which of the following is not a stakeholder for a business?
- (a) Customer
 - (b) Promoter
 - (c) Competitor
 - (d) Government
98. Atmanirbhar Bharat is a competition for Global companies in India, this defines which characteristic of the business environment?
- (a) Far-reaching impact
 - (b) Complex
 - (c) Multi-faceted
 - (d) Dynamic
99. Who from the following helps a budding business to quickly launch a product and put it in the first lane of commercial success?
- (a) Business incubator
 - (b) Freight forward
 - (c) Business accelerator
 - (d) Merchandiser
100. Rates of interest that can be changed contractually by the lender are called-
- (a) Spot rates
 - (b) Administered rates
 - (c) Swap rates
 - (d) Repo rates

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PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

Answer Key

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE
ANSWERS

61	62	63	64	65	66	67	68	69	70
(d)	(d)	(b)	(b)	(c)	(b)	(c)	(b)	(d)	(c)
71	72	73	74	75	76	77	78	79	80
(b)	(a)	(b)	(a)	(d)	(b)	(c)	(c)	(b)	(c)
81	82	83	84	85	86	87	88	89	90
(a)	(c)	(b)	(a)	(c)	(b)	(c)	(c)	(a)	(d)
91	92	93	94	95	96	97	98	99	100
(c)	(b)	(b)	(b)	(b)	(a)	(c)	(c)	(c)	(b)