

MOCK TEST PAPER 1
FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. The Book "The Wealth of Nations" is written by:
 - (a) Adam Smith
 - (b) Arthur Pigou
 - (c) Robinson
 - (d) Ragnar Nurske
2. The Nature of Business Economics:
 - (a) Business Economics is a Science
 - (b) Incorporate elements of Macro Analysis
 - (c) Interdisciplinary in Nature
 - (d) All the above
3. Which of these country is a purely socialist economy?
 - (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
4. Rational decision making requires that:
 - (a) one's choice be arrived at logically and without error.
 - (b) one's choice be consistent with one's goal.
 - (c) one's choice never vary.
 - (d) the consumer plan's to attain the highest possible level of satisfaction.
5. The substitution effect will be stronger when:
 - (a) the goods are closer substitute
 - (b) there is lower cost of switching to the substitute good.
 - (c) there is lower inconvenience while switching to the substitute good.
 - (d) all the above
6. What are the internal causes of business cycle?
 - (a) fluctuations in effective demand.
 - (b) macroeconomic policies
 - (c) money Supply

- (d) All the above
7. According to Hawtrey trade cycle is a _
- (a) monetary Phenomenon
 - (b) unplanned Phenomenon
 - (c) fiscal Phenomenon
 - (d) all the above
8. Which of the following describe a typical business cycle?
- (a) economic expansions are followed by contractions.
 - (b) inflation is followed by rising income and unemployment.
 - (c) economic expansion are followed by economic growth and development.
 - (d) stagflation is followed by Inflationary growth.
- (9) A relative price is:
- (a) price expressed in terms of money.
 - (b) the ratio of one money price to another
 - (c) equal to money price.
 - (d) none of these.
10. In case of substitute product:
- (a) demand curve slope upwards.
 - (b) demand curve slope downwards
 - (c) demand curve is perfectly elastic
 - (d) none of these.
11. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?
- (a) + 1.5
 - (b) -1.5
 - (c) 2.5
 - (d) none of these
12. When $e = 0$, elasticity of demand is :
- (a) perfectly elastic
 - (b) unitary elastic
 - (c) inelastic
 - (d) perfectly inelastic demand
13. A rise in price will –
- (a) increase in consumer surplus
 - (b) decrease in consumer surplus
 - (c) no change in consumer surplus

- (d) none of these
14. Marginal Product is the slope of –
- (a) marginal product curve
 - (b) average product curve
 - (c) total product curve
 - (d) implicit product curve
15. Law of Production does not include _
- (a) least cost combination of factors
 - (b) law of variable proportion
 - (c) law of diminishing returns to a factor
 - (d) return to scale
16. Which of the following statement is correct concerning the relationship among the firm's cost function:
- (a) $TC = TVC - TFC$
 - (b) $TFC = TC - TVC$
 - (c) $TC = TFC - TVC$
 - (d) $TVC = TFC - TC$
17. In the Cobb Douglas function the change in output due to increase in one additional unit of an input is called?
- (a) elasticity
 - (b) return to scale
 - (c) total product
 - (d) marginal revenue
18. The condition for pure competition to be fulfilled are –
- (a) large numbers of buyers and sellers
 - (b) products are homogeneous
 - (c) firms are free from entry and exit from the market
 - (d) all the above
19. When the firm is in the long run equilibrium in perfect competition which of the following is true –
- (a) $AC = MR$
 - (b) $TR = TC$
 - (c) the firm are earning supernormal profit
 - (d) None of these
20. The opportunity cost of a good is :
- (a) loss of interest in using savings
 - (b) time lost in finding it.
 - (c) quality of other goods sacrificed to get another unit of that good.
 - (d) none of these

21. Which is not the characteristics of monopolistic competition:
- (a) large number of sellers
 - (b) homogeneous Product
 - (c) freedom of entry and exit
 - (d) non price discrimination
22. Demand Curve in the monopolistic competition is –
- (a) infinitely elastic
 - (b) downward sloping and highly inelastic
 - (c) downward sloping and more elastic demand curve.
 - (d) none of these.
23. The concept of price rigidity in Sweezy's model is related to which market form:
- (a) oligopoly market
 - (b) perfect competition market
 - (c) monopoly market
 - (d) monopolistic market
24. Which of the following statement is incorrect ?
- (a) there is no difference between a firm and an Industry
 - (b) monopolist may raise the price and restrict the output
 - (c) heterogeneous product are offered for sale in perfect competition
 - (d) in monopolistic competition product differentiation is peculiar.
25. Foreign Exchange market is an example of –
- (a) perfect competition
 - (b) oligopoly
 - (c) monopoly
 - (d) monopolistic competition
26. Under which market form price discrimination cannot persist –
- (a) oligopoly
 - (b) monopolistic competition
 - (c) monopoly
 - (d) perfect competition.
27. The Relationship between AR, MR and Price Elasticity –
- (a) $MR = AR \times e^{-1} \div e$
 - (b) $AR = MR \times e^{-1} \div e$
 - (c) $AR - MR = e^{-1} \div e$
 - (d) None of these
28. The Price elasticity for Monopolistic Firm is :
- (a) $e > 1$

- (b) $e < 1$
 - (c) $e = 1$
 - (d) none of these
29. Dynamic fare charged by Indian railways is an example of :
- (a) pure monopoly
 - (b) discriminating monopoly
 - (c) perfect competition
 - (d) none of these
30. Price discrimination is possible when
- (a) seller should have some control over the supply of the Product
 - (b) price elasticity of the product should be different in different submarket
 - (c) seller should be able to divide his market into two or more submarket
 - (d) none of these
31. When a small change in price leads to a large change in demand the demand is
- (a) inelastic
 - (b) elastic
 - (c) stagnant
 - (d) fixed
32. The relationship between price and quantity supplied in law of supply is:
- (a) proportionate
 - (b) homogenous
 - (c) inverse
 - (d) direct
33. The stages in law of variable proportion is :
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
34. Certain benefit an Industry gets when it expands its scale of production is known as:
- (a) Internal economies
 - (b) diseconomies
 - (c) external economies
 - (d) profit
35. The Interest on own capital is:
- (a) implicit cost
 - (b) future cost
 - (c) explicit cost

- (d) past cost
36. The shape of TR curve of the monopolist is :
- (a) u shaped
 - (b) inverted u shaped
 - (c) downward sloping
 - (d) none of these.
37. The distinction between selling cost and production cost was made by:
- (a) Chamberlin
 - (b) Sweezy
 - (c) Mrs Joan Robinson
 - (d) None of these
38. The firm and industry are same in :
- (a) duopoly
 - (b) monopoly
 - (c) perfect competition
 - (d) none of these
39. For luxuries goods the income elasticity is :
- (a) $e > 1$
 - (b) $e < 1$
 - (c) $e = 0$
 - (d) none of these
40. Long run average cost (LAC) is :
- (a) u shaped
 - (b) is also called envelope curve
 - (c) both a and b
 - (d) none of these
41. Under perfect competition the supply curve is derived from :
- (a) MC curve
 - (b) AC curve
 - (c) TC Curve
 - (d) none of these.
42. When goods are complementary the indifference curve is :
- (a) is a straight line
 - (b) is convex to the origin
 - (c) consist of two straight line with a right angle bent.
 - (d) none of these

43. The Consumer is in equilibrium when:
- (a) the budget line is tangent to the indifference curve
 - (b) marginal rate of substitution of one good for another must be equal to the price ratio of the two goods
 - (c) either a or b
 - (d) none of these
44. When average cost is equal to average revenue of a firm, it gets _____.
- (a) sub normal profit
 - (b) normal profit
 - (c) abnormal profit
 - (d) super profit
45. Demand for factor of production is
- (a) supplementary demand
 - (b) intermediate goods
 - (c) derived demand
 - (d) complementary demand
46. The producer's demand for a factor of production is governed by the ____ of that factor.
- (a) price
 - (b) marginal productivity
 - (c) availability
 - (d) profitability
47. A rise in supply and demand in equal proportion will result in
- (a) increase in equilibrium price and decrease in equilibrium quantity
 - (b) decrease in equilibrium price and increase in equilibrium quantity
 - (c) no change in equilibrium price and increase in equilibrium quantity
 - (d) increase in equilibrium price and no change in equilibrium quantity
48. The slope of isoquant is :
- (a) upward to the left
 - (b) downward to the right
 - (c) downward to the left
 - (d) upward to the right
49. The cross elasticity between tea and coffee is :
- (a) infinite
 - (b) positive
 - (c) zero
 - (d) negative

50. When the output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is
- (a) 20
 - (b) 10
 - (c) 15
 - (d) none of these
51. In case of diminishing return to a factor:
- (a) marginal product diminishes
 - (b) total product increase at increasing rate
 - (c) total product increases at diminishing rate
 - (d) both a and b
52. Break even point indicate which of the following ?
- (a) $TR = TC$
 - (b) $TR > TC$
 - (c) $TR = TVC$
 - (d) none of these
53. Negative return sets in at the stage when:
- (a) MP is negative
 - (b) MP is diminishing
 - (c) MP is rising
 - (d) none of these
54. The problem what to produce relates to:
- (a) choice of goods and services
 - (b) distribution of Income
 - (c) choice of technique
 - (d) market value of goods and services
55. When violation of law of demand occurs:
- (a) substitution effect is negative
 - (b) income effect is negative
 - (c) negative income effect is less than substitution effect
 - (d) negative income effect is greater than substitution effect
56. Average revenue curve is more elastic under monopolistic competition than monopoly due to
- (a) low degree of governmental control
 - (b) lack of close substitute
 - (c) availability of close substitute
 - (d) none of these

57. The producer reduces supply from 100 units to 50 units. When the price falls from Rs 20 to Rs 10, the price elasticity of supply will be :
- (a) 1
 - (b) 2
 - (c) 4
 - (d) none of these
58. The Government offer minimum assured price to the farmers to purchase their output is called:
- (a) market Price
 - (b) support Price
 - (c) equilibrium Price
 - (d) ceiling Price
59. The price in collusive oligopoly is decided by:
- (a) firm
 - (b) price leader
 - (c) industry
 - (d) none of these
60. The marginal utility from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y—
- (a) 5
 - (b) 10
 - (c) 40
 - (d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. Which of the following concern is related to business and commercial knowledge?
 - (a) Sustainability
 - (b) Sociology
 - (c) Traditional
 - (d) Social at large
2. Which of the following is least appropriate for business environment?
 - (a) It is Dynamic
 - (b) It is Multi-faceted
 - (c) It is rigid
 - (d) It is complex
3. Where is India's largest SEZ?
 - (a) Hazira
 - (b) Dhamra
 - (c) Tehri
 - (d) Mundra
4. Indigo, Spice Jet and Vistara, operating in Indian aviation, are a result of?
 - (a) Privatisation
 - (b) Liberalisation
 - (c) Globalisation
 - (d) Foreign Direct Investment
5. 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
6. People occupy different job positions and deliver their respective responsibilities to meet the organization's administrative role. Which facet of business is concerned with above statement?
 - (a) Administrative Facet
 - (b) HR Facet
 - (c) Technical Facet

- (d) Financial Facet
7. 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
8. Business environment is important to understand for the following reasons, except?
- (a) Gives direction for growth
 - (b) Determines opportunities and threats
 - (c) Continuous learning
 - (d) Overlooking Competition
9. Who is Axis Bank's Chief Financial Officer?
- (a) Jairam Sridharan
 - (b) Nikhil Asopa
 - (c) Narayan Swaminathan
 - (d) Rakesh Makhija
10. Foreign Exchange Management Act (FEMA), would fall under which of the following type of Public Policy?
- (a) Restrictive
 - (b) Regulatory
 - (c) Facilitating
 - (d) Advisory
11. Which of the following is not a Funding Institution?
- (a) World Bank
 - (b) NABARD
 - (c) Reserve Bank of India
 - (d) International Monetary Fund
12. 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

13. The Indian Companies Act, 2013 provides for the registration of:
- (a) Private Limited
 - (b) Public Company
 - (c) One Person Company
 - (d) All of the above
14. The businesses should continuously _____ and _____ to the environment if it is to service and prosper.
- (a) Identify, appraise
 - (b) Monitor, adapt
 - (c) Identify, monitor
 - (d) Monitor, appraise
15. Who founded Wipro Limited?
- (a) Azim Premji
 - (b) Mohamed Premji
 - (c) Ratan Tata
 - (d) Narayan Murthy
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. 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
18. 'Personal selling' is done through:
- (a) Written communication
 - (b) Oral communication
 - (c) TV and media
 - (d) Sign language
19. 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
20. 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
21. 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.
22. 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
23. 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
24. 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
25. The maximum number of members of a private company is limited to
- (a) 50

- (b) 20
 - (c) 100
 - (d) 200
26. The performance of business in the private sector is measured by:
- (a) Profitability
 - (b) Customer Satisfaction
 - (c) No of employees
 - (d) The salary of Managing Director
27. Who was the founder of Walmart?
- (a) Sam Walton
 - (b) Bret Biggs
 - (c) Greg Penner
 - (d) Luca Maestri
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. _____ is the measure of return on investments in terms of percentage.
- (a) Yield
 - (b) Index
 - (c) Equity
 - (d) Bonus
31. Members of a Hindu Undivided Family are called?
- (a) Father
 - (b) Karta
 - (c) Coparcener
 - (d) Mitakshara

32. 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
33. "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
34. Goods and Service Tax (GST), is a form of?
- (a) International Trade Policy
 - (b) Inclusive Policy
 - (c) Policy Reform
 - (d) Public Welfare Scheme
35. Which of the following does SEBI not cater to?
- (a) Government Organizations
 - (b) Investors
 - (c) Intermediaries
 - (d) Security Issuing Companies
36. 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
37. 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%

38. People in the stock market who anticipate lower returns are called?
- (a) Sharks
 - (b) Bears
 - (c) Bulls
 - (d) Elephants
39. Intermediaries exert a considerable influence on the business organisation. This statement is true for?
- (a) Micro Environment
 - (b) Macro Environment
 - (c) Internal Environment
 - (d) Economic Environment
40. 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

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

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