

**MOCK TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE**  
**PART- I: BUSINESS ECONOMICS**  
**QUESTIONS**

**Max. Marks: 60 Marks**

1. In mixed economy the feature include existence of
  - (a) Private Sector
  - (b) Public Sector
  - (c) Combined Sector
  - (d) All of these
2. Which of the following is demerit of Capitalism:
  - (a) There is precedence of property rights over human right
  - (b) It functions in a domestic framework
  - (c) High degree of operative efficiency
  - (d) None of these
3. Which of the following is included in study of Micro economics:
  - (a) Product Pricing
  - (b) Factor Pricing
  - (c) Both (a) and (b)
  - (d) None of these
4. Scarcity definition in economics is given by
  - (a) Lipsey
  - (b) Adam Smith
  - (c) J B Say
  - (d) Robinson
5. Snob effect is explained as \_\_\_\_\_
  - (a) It is a function of consumption of others
  - (b) It is a function of price
  - (c) Both (a) and (b)
  - (d) None of these

6. Which of the following are the determinant of price elasticity of demand:
- (a) Availability of substitutes
  - (b) Time period
  - (c) Tied demand
  - (d) All of these
7. If the cross elasticity is only- slightly below zero which of the following is correct?
- (a) They are weak complements
  - (b) Negative and very high they are strong complements
  - (c) Both (a) and (b)
  - (d) None of these
8. Indifference Curve Analysis was proposed by \_\_\_\_\_
- (a) J. R Hicks and R.G.D Allen
  - (b) Alfred Marshall
  - (c) Jeremy Bentham
  - (d) None of these
9. The rate at which the consumer is prepared to exchange-good x and y is :
- (a) Marginal rate of substitution
  - (b) Elasticity of Substitution
  - (c) Diminishing Marginal Utility
  - (d) None of these
10. Contraction of demand is the result of
- (a) Decrease in the number of Consumers
  - (b) Increase in the price of the good concerned
  - (c) Price of related products
  - (d) None of these
11. Business Economics in its approach is
- (a) Pragmatic
  - (b) Idealistic
  - (c) Normative
  - (d) None of these
12. After identifying the markets the enterprise has to make decision regarding 4Ps which one of the following is not one of those 4Ps :
- (a) Promotion

- (b) Population
  - (c) Place
  - (d) Produce
13. The kinked demand curve of Oligopoly is useful in explaining
- (a) The process by which oligopolistic merge
  - (b) How the collusion work
  - (c) Price and output are sensitive to change in marginal cost.
  - (d) Why oligopolistic price might change only infrequently
14. Cost of living increase when business cycle is operating at its
- (a) Lowest point
  - (b) Peak
  - (c) Contracting
  - (d) Expanding
15. Which is more prone to the adverse effects of the business cycle \_\_\_\_\_
- (a) Services
  - (b) Industries
  - (c) Agriculture
  - (d) None of these
16. To influence spending the monetary policy is directed at directly influencing in the short run :
- (a) Interest Rate
  - (b) Unemployment
  - (c) Inflation Rate
  - (d) Growth Rate
17. Long Run Period normal price for a competitive firm will be :
- (a) Equal MC of Production only
  - (b) Equal TC of Production only
  - (c) Equal AC and MC of Production
  - (d) None of these
18. Monopolistic Competition has features of
- (a) Monopoly and competition with features of monopoly predominating
  - (b) Monopoly and competition with feature of Competition predominating
  - (c) Monopoly but not competition

- (d) None of these
19. Increasing return of scale is applied in
- (a) Long Run
  - (b) Short Run
  - (c) Both (a) and (b)
  - (d) None of these
20. If regardless of change in the price the quantity demanded of a good remains unchanged then the demand curve for the good will be –
- (a) Vertical
  - (b) Horizontal
  - (c) Negatively sloped
  - (d) None of these
21. The industrialization and economic development of the USA Great Britain and other Western European Countries here taken place under the condition of \_\_\_\_\_
- (a) Capitalism and Laissez Faire
  - (b) Mixed Economic Structure
  - (c) Socialism and Planned Structure
  - (d) None of these
22. In the beginning economics was named as
- (a) Political Economy
  - (b) Welfare Economics
  - (c) Economies of Wealth
  - (d) None of these
23. If the price of a commodity raised by 12% and Ed is (-) 0.63 the expenditure made on the commodity by the consumer will \_\_\_\_\_
- (a) Remain the same
  - (b) Decrease
  - (c) Increase
  - (d) Can't say
24. During lockdown due to Covid19 a consumer finds the vegetable vendors selling vegetables in the streets have raised the prices of vegetable than usual prices. She will buy \_\_\_\_\_ vegetable than/as her usual demand showing the demand of vegetable is \_\_\_\_\_
- (a) Same; Elastic Demand
  - (b) Same; Inelastic Demand

- (c) Less; Elastic Demand
  - (d) More; Inelastic Demand
25. Supply and Stock are \_\_\_\_\_
- (a) Different
  - (b) Same thing
  - (c) Having no comparison
  - (d) Both (a) and (c)
26. Marginal Cost can be directly derived from
- (a) Total Variable Cost
  - (b) Total Fixed Cost
  - (c) Average Cost
  - (d) Average Fixed Cost
27. A firm normal profit earned are included in \_\_\_\_
- (a) Explicit Cost
  - (b) Implicit Cost
  - (c) Variable Cost
  - (d) Fixed Cost
28. Curve which are intersected by marginal cost curve at their minimum points is
- (a) AVC and AFC
  - (b) AC and AVC
  - (c) AC and AFC
  - (d) AC and TVC
29. In case of Perfect Competition how much selling cost are incurred:
- (a) Negligible
  - (b) Zero
  - (c) Very high
  - (d) Very less
30. Marginal revenue is equal to price in which form of market:
- (a) Perfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Monopolistic Competition

31. In Oligopoly the demand curve is :
- (a) Indeterminate
  - (b) Highly Elastic
  - (c) Less Elastic
  - (d) Perfectly Elastic
32. Price elasticity of demand under monopoly is \_\_\_\_\_
- (a) Infinity
  - (b) Equal to one
  - (c) Less than one
  - (d) None of these
33. There is an inverse relation between price and demand for the products of a firm under:
- (a) Monopoly only
  - (b) Monopolistic Competition only
  - (c) Both Monopoly and Monopolistic Competition
  - (d) Perfect competition
34. The market price cannot be influenced by a seller under :
- (a) Monopolistic Competition
  - (b) Monopoly
  - (c) Perfect Competition
  - (d) All the above
35. Entry of new firm in monopoly is :
- (a) Possible only in the long run
  - (b) Possible only in the Short run
  - (c) Restricted at all times
  - (d) Both (a) and (b)
36. The law of demand is :
- (a) Irreversible in nature
  - (b) Reversible in nature
  - (c) Both (a) and (b)
  - (d) None of these
37. During recession what will be the market demand for new cars?
- (a) Demand Curve will shift to the right

- (b) Demand curve will shift to the left
  - (c) Demand will not shift but the quantity of cars sold per month will decrease
  - (d) Demand will not shift but the quantity of cars sold per month will increase
38. Economic indicator required to predict the turning point of business cycle is :
- (a) Leading indicator
  - (b) Lagging indicator
  - (c) Coincident
  - (d) All of the above
39. Nuclear Power represents which type of market structure :
- (a) Government Monopoly
  - (b) Perfect Competition
  - (c) Monopolistic Competition
  - (d) Oligopoly
40. Monopoly Market and Monopsony market combination is called :
- (a) Duopoly Market
  - (b) Oligopoly Market
  - (c) Bilateral Monopoly Market
  - (d) Monopolistic Market
41. Price discrimination cannot persist under which of the market form :
- (a) Monopolistic
  - (b) Monopoly
  - (c) Perfect Competition
  - (d) Oligopoly
42. Time elements was conceived by :
- (a) Paul Sweezy
  - (b) Hicks
  - (c) Marshall
  - (d) Simon Kuznets
43. A decrease in the demand for mobile phone other things remaining the same will \_\_\_\_\_
- (a) Increase purchase the number of mobile phone bought
  - (b) Decrease the price but increase the number of mobile phone
  - (c) Decrease in quantity of mobile phone demanded

- (d) Decrease the price and decrease in the number of Mobile Phone bought
44. Will there be any change in price charged by the monopolistic if elasticity of demand – 2 :
- (a) Yes
  - (b) No
  - (c) Neutral
  - (d) None of these
45. Price discrimination is desirable as :
- (a) It promotes equity
  - (b) It makes production feasible
  - (c) Both (a) and (b)
  - (d) None of these
46. Reason for operating the law of diminishing returns is \_\_\_\_\_
- (a) Imperfect Substitution between factors
  - (b) Scarcity of factors
  - (c) Both (a) and (b)
  - (d) None of these
47. A Rational Producer operates in short run production in which stage?
- (a) First Stage
  - (b) Second Stage
  - (c) Third Stage
  - (d) None of these
48. Law of variable proportion is related to :
- (a) Long Run
  - (b) Short Run
  - (c) Both (a) and (b)
  - (d) None of these
49. Which of the following can be classified as Oligopoly Market :
- (a) Wheat Farming
  - (b) Clothing Industry
  - (c) Restaurant Industry
  - (d) Long distance Telephone Service

50. Marginal Revenue Curve lies \_\_\_\_\_ its demand curve in monopolistic competition due to \_\_\_\_\_
- (a) Below ; Product differentiation
  - (b) Above - ; Barriers to entry
  - (c) Above ; Product – differentiation
  - (d) None of these
51. A firm maximizes profit in the short run in Perfect Competition by deciding :
- (a) What Price to charge
  - (b) How much output to produce
  - (c) To enter a market or not
  - (d) None of these
52. Normative economics can be explained through :
- (a) Fairness to tax
  - (b) Incidence to tax
  - (c) Effect of tax on incentives to work
  - (d) None of these
53. Demand for a commodity with negative income elasticity indicate that as income falls the amount of the commodity purchased
- (a) falls
  - (b) rises
  - (c) remain unchanged
  - (d) None of these
54. For Giffen good the angle Curve is :
- (a) Vertical
  - (b) Horizontal
  - (c) Negatively Sloped
  - (d) Positively Sloped
55. Isoquant in the relevant range are:
- (a) Convex to the Origin
  - (b) Negatively Sloped
  - (c) Cannot cross
  - (d) All of the Above
56. If the Long Run Average Cost Curve falls as output expands is due to :
- (a) The law of diminishing return

- (b) Diseconomies of scale
  - (c) Economies of scale
  - (d) None of these
57. What will be the situation if factor prices and factor quantities move in the same direction
- (a) A decreasing Cost Industry
  - (b) Increasing Cost Industry
  - (c) Constants Cost Industry
  - (d) All of these
58. The Pure monopolist in the long run can make pure profit due to :
- (a) High Selling Price
  - (b) Advertising
  - (c) Low LAC Cost
  - (d) Blocked entry
59. In kinked demand curve model the Oligopolist :
- (a) Do not collude
  - (b) Recognise their independence
  - (c) Tend to keep price constant
  - (d) All the above
60. Comforts lies between
- (a) Luxuries and Inferior goods
  - (b) Interior goods and necessities
  - (c) Necessaries and Luxuries
  - (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 limited company has businesses in Hotels, FMCG and Information Technology?
- (a) Wipro Ltd.
  - (b) HUL Ltd.
  - (c) Infosys Ltd.
  - (d) ITC Ltd.
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 1**

**FOUNDATION COURSE**

**PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE**

**PART- I: BUSINESS ECONOMICS**

**ANSWER**

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

**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)	(d)	(c)	(a)	(b)	(b)	(c)	(d)	(a)