

**MOCK TEST PAPER 1**

**FOUNDATION COURSE**

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

**PART- I: BUSINESS ECONOMICS**

**QUESTIONS**

1. Which of the following are the characteristics of Business Economics:
  - (a) It is a normative Science
  - (b) It is inter disciplinary
  - (c) Pragmatic in Nature
  - (d) All of the above
2. Which branch of economic theory deals with allocation of resources:
  - (a) Macro economic
  - (b) Micro economic
  - (c) Economic Growth
  - (d) None of these
3. Under which system Freedom of choice is an advantage:-
  - (a) Capitalism
  - (b) Mixed economy
  - (c) Socialism
  - (d) None of these
4. Taxation involves which aspects of normative economics:
  - (a) Incidence
  - (b) Fairness
  - (c) Incentive to work
  - (d) All of the above
5. Suppose we are drawing a supply curve of a farmer which of the following will be held constant. :
  - (a) Price of Inputs
  - (b) Weather Conditions
  - (c) Technology
  - (d) The price of the Commodity under consideration
6. A fall in the price of a commodity where everything else is held constant is referred to as:
  - (a) An increase in quantity demand
  - (b) A decrease in demand
  - (c) An increase in demand
  - (d) None of these

7. For Giffen good the Engel curve is:
  - (a) Positive sloped
  - (b) Vertical
  - (c) horizontal
  - (d) Negative sloped
8. A theory is :
  - (a) An assumption
  - (b) A hypothesis
  - (c) A validated hypothesis
  - (d) None of these
9. The Coefficient of Price elasticity of demand between two points on a demand curve is \_\_\_\_\_
  - (a) Arc elasticity
  - (b) Point elasticity
  - (c) Price elasticity
  - (d) None of these
10. When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to:
  - (a) Remain unchanged
  - (b) Increase
  - (c) Decrease
  - (d) Any of the above
11. A movement along a curve rather than a shift in the curve can be measured by:-
  - (a) Cross elasticity of demand
  - (b) Income elasticity of demand
  - (c) Price elasticity of demand & Price elasticity of Supply
  - (d) None of these
12. The most important function of an entrepreneur is to \_\_\_\_\_
  - (a) Bear the sense of responsibility
  - (b) Finance
  - (c) Innovate
  - (d) None of these
13. How do the TVC curve behaves when the law of diminishing return begins to operate-
  - (a) Rise at a decreasing rate
  - (b) Fall at an increasing rate
  - (c) Fall at a decreasing rate
  - (d) Rise at an increasing rate
14. In the Short run level of output the firm at the optimum will be:
  - (a) Minimizing total losses

- (b) Maximizing total profit
  - (c) Either maximizing total profit or minimizing total losses
  - (d) None of these
15. If both factor prices and quantity moves in the same direction then it is called \_\_\_\_\_
- (a) Decreasing Cost Industry
  - (b) Increasing Cost Industry
  - (c) Constant Cost Industry
  - (d) None of these
16. If the monopolist incur losses in the short run then in the long run:
- (a) It will stay in the business
  - (b) Go out of business
  - (c) Will break even
  - (d) Any of the above is possible
17. A cartel which is market sharing will reach the monopoly situation :
- (a) Always when the product is homogenous
  - (b) Always when the product is differentiated
  - (c) Sometime
  - (d) None of these
18. The Substitution effect will be stronger when-
- (a) The goods are closer substitutes
  - (b) There is lower cost of switching to the substitute good
  - (c) There is lower inconvenience while switching to the substitute good.
  - (d) All of these
19. Increasing return to scale applies to:
- (a) Long run
  - (b) Short run
  - (c) Either (a) or (b)
  - (d) None of these
20. Isoquant are also called:
- (a) Equal product curves
  - (b) Production Indifference curves
  - (c) ISO product curves
  - (d) All of the above
21. Who describes production function as the relationship between the maximum amount of output can be produced and the input required to make that output :
- (a) Samuelson
  - (b) Malthas
  - (c) Hicks

- (d) None of these
22. The concept of marginal cost is closely related with-
- (a) Variable Cost
  - (b) Fixed Cost
  - (c) Opportunity Cost
  - (d) Economic Cost
23. When the average product of labour is maximized the marginal product of labour:
- (a) Equal zero
  - (b) is maximized
  - (c) Equal  $AP_L$
  - (d) None of these
24. 'Time' element in market was conceived by :
- (a) Alfred Marshall
  - (b) Pigou
  - (c) Allen
  - (d) None of these
25. Cross elasticity of demand for the monopolist's product or any other product is \_\_\_\_\_
- (a) Zero
  - (b) Very small
  - (c) High
  - (d) Either (a) or (b)
26. In a monopolistically competitive market:
- (a) Firm face a perfectly elastic demand for its product
  - (b) Does not face a perfectly elastic demand for its product
  - (c) Cannot be determined
  - (d) None of these
27. Price discrimination to be profitable elasticity of demand in different sub market will be \_\_\_\_\_
- (a) Different
  - (b) Uniform
  - (c) Zero
  - (d) None of these
28. Supply Schedule in a purely competitive firm in the short run is determined by :
- (a) Marginal revenue
  - (b) Average revenue
  - (c) Marginal cost curve
  - (d) None of these
29. The Turning point of business cycle is predicted by :
- (a) Lagging Indicator

- (b) Leading Indicator
  - (c) Coincident
  - (d) All of the above
30. Fluctuation in Economic activities are due to :
- (a) Change in money supply
  - (b) Profitability
  - (c) Fluctuation in aggregate demand
  - (d) None of these
31. Between two perfect substitute the elasticity of Substitution is \_\_\_\_\_
- (a) < Zero
  - (b) >Zero
  - (c) < Infinity
  - (d) Infinity
32. Variable that change after real output change are:
- (a) Leading Indicator
  - (b) Lagging Indicator
  - (c) Concurrent Indicator
  - (d) None of these
33. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism is opined by\_\_\_\_
- (a) Pigou
  - (b) Keynes
  - (c) Hawtrey
  - (d) None of these
34. Businesses whose fortunes are closely linked to the rate of economic growth is referred to as :
- (a) Cyclical
  - (b) Counter Cyclical
  - (c) Fiscal Policy
  - (d) None of these
35. The Concept of Price rigidity in market is explained in which form of market:
- (a) Monopolistic Market
  - (b) Perfect Competition
  - (c) Oligopoly
  - (d) Monopoly
36. Globalization indicate rapid \_\_\_\_ between Countries :
- (a) Competition
  - (b) Investment
  - (c) Integration

- (d) None of these
37. "Supply creates its own demand" statement is given by \_\_\_\_\_
- (a) Marshall
  - (b) J B Say
  - (c) Ricardo
  - (d) Kuznets
38. According to Hicks and Allen the demand curve slope downwards due to \_\_\_\_\_
- (a) Law of diminishing marginal utility
  - (b) Income effect and substitution effect
  - (c) Either (a) or (b)
  - (d) None of these
39. A rise in price of a good:
- (a) Reduce Consumer Surplus
  - (b) Increase in Consumer Surplus
  - (c) It will not change
  - (d) None of these
40. When two goods are perfect substitute for each other:
- (a) Indifference curve for these two goods are straight parallel line with a constant slope along the curve
  - (b) Indifference curve has a constant MRS
  - (c) Concave to the Origin
  - (d) Both (a) and (b)
41. Behavior of Supply depends upon:
- (a) Phenomenon Considered
  - (b) Degree of possible adjustment in supply
  - (c) Time Period under Consideration
  - (d) All the above
42. What are the main assumption of Production Function:
- (a) Relationship between inputs and output exists for a specific period of time
  - (b) There is a given state of the art in production Technology.
  - (c) Input consideration Included in a particular function output resulting from their utilization is at the maximum level.
  - (d) All the above
43. A rational producer will always produce in which stage of law of variable proportion:
- (a) Stage I
  - (b) Stage II
  - (c) Stage III
  - (d) None of these

44. The rising part of the long run average cost curve is due to:
- (a) Increasing return
  - (b) Diseconomies of scale
  - (c) Increase in productivity due to Specialization
  - (d) None of these
45. The vertical difference between TVC and TC is \_\_\_\_\_
- (a) Total Fixed Cost
  - (b) Marginal Cost
  - (c) Average Variable Cost
  - (d) None of these
46. The price elasticity for demand for monopolist's product is :
- (a)  $<1$
  - (b)  $>1$
  - (c)  $=0$
  - (d) None of these
47. What are the determinant of Price elasticity of demand:
- (a) Time Period
  - (b) Tied Demand
  - (c) Price range
  - (d) All the above
48. Contraction of demand is the result of \_\_\_\_\_
- (a) Increase in the price of other goods
  - (b) Increase in the price of the good.
  - (c) Decrease in the income of purchases
  - (d) None of these
49. Full Capacity is utilized in the which market condition\_\_\_\_\_
- (a) Perfect Competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) None of these
50. If increasing railway fare increases revenue and decreasing then decrease revenue then the demand for railway travel has a price elasticity of \_\_\_\_\_
- (a) Greater than 1
  - (b) 1
  - (c) Greater than 0 but less than 1
  - (d) None of these

51. Which of the following statements is correct?
- (a) In a two-good economy, the production possibilities frontier reflects the maximum amount of one good that can be produced when a given amount of the other good is produced.
  - (b) Microeconomics is the study of the behavior of the economy as a whole.
  - (c) Positive economics focuses on welfare of the people of a society
  - (d) None of the above
52. Which of the following is not part of the opportunity cost of going on holiday?
- (a) The money you spent on a theatre show
  - (b) The money you could have made if you had stayed at home and worked
  - (c) The money you spent on airline tickets
  - (d) The money you spent on food
53. Net domestic expenditure is consumption expenditure plus \_\_\_\_\_
- (a) Net foreign investment
  - (b) Net foreign investment plus net domestic investment
  - (c) Net domestic investment
  - (d) Replacement expenditure
54. 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.' The statement implies that;
- (a) Ram is very fond coffee and therefore he has an inelastic demand for coffee
  - (b) Ram has elastic demand for coffee
  - (c) Ram's demand for coffee is relatively less elastic
  - (d) Ram's demand for coffee is unit elastic
55. After reaching the saturation point, consumption of additional units of the commodity cause:
- (a) Total utility to fall and marginal utility to increase
  - (b) Total utility and marginal utility both to increase
  - (c) Total utility to full and marginal utility to become negative
  - (d) Total utility to become negative and marginal utility to fall
56. The law of variable proportions come into being when \_\_\_\_\_
- (a) There are only two variable factors
  - (b) There is a fixed factor and a variable factor
  - (c) All factors are variable
  - (d) Variable factors yield less.
57. Demand for electricity is elastic because \_\_\_\_\_
- (a) It is very expensive
  - (b) It has a number of close substitutes
  - (c) It has alternative uses
  - (d) None of the above

58. Elasticity of supply to the degree of responsiveness of supply of a good to changes in its;
- (a) Demand
  - (b) Price
  - (c) Cost of production
  - (d) State of technology
59. Which of the following statements is false in respect of fixed cost of a firm?
- (a) As the fixed inputs for a firm cannot be changed in the short run, the TFC are constant, except when the prices of the fixed inputs change.
  - (b) TFC continue to exist even when production is stopped in the short run, but they exist in the long run even when production is not stopped.
  - (c) Total Fixed Costs (TFC) can be defined as the total sum of the cost of all the fixed inputs associated with production in the short run.
  - (d) In the short run, a firm's fixed cost cannot be escaped even when production is stopped.
60. For a price taking firm:
- (a) Marginal revenue is less than price
  - (b) Marginal revenue is equal to price
  - (c) Marginal revenue is greater than price.
  - (d) The relationship between marginal revenue and price is indeterminate.

**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE**

**QUESTIONS**

**Max. Marks: 40**

61. Which among the following is an attribute of economic activity?
- (a) They are driven by Altruism
  - (b) They are driven by Rationality
  - (c) They are driven by Sentimental Value Creation
  - (d) They are driven by Emotional Reasons
62. X-Mart stocks goods from various sellers in its huge store and charges money to advertise/sell specific products. What can X-Mart be termed as?
- (a) Market Share
  - (b) Aids to Trade
  - (c) Suppliers
  - (d) Intermediary
63. Which limited company has businesses in Hotels, FMCG and Information Technology?
- (a) Wipro Ltd.
  - (b) ITC Ltd.
  - (c) Bajaj Ltd.
  - (d) Infosys Ltd.
64. For a business, Inflation as an indicator of policy shall be most detrimental if?
- (a) It is Extremely Low
  - (b) It is Extremely high
  - (c) It is Moderate
  - (d) It is Rising
65. MRTP Act, 1969 was replaced by?
- (a) Companies Act, 2013
  - (b) SEBI Act, 1992
  - (c) Competition Act, 2002
  - (d) IRDA Act, 1999
66. Responsiveness in demand with changes its price is called?
- (a) Price Skimming
  - (b) Price Sensitivity
  - (c) Price Elasticity of Demand
  - (d) Price Discrimination
67. Perpetual succession benefit is enjoyed by?
- (a) HUF
  - (b) Company
  - (c) LLP
  - (d) Both Company and LLP

68. Environment scanning only helps to get a sense of market landscape. Basis this statement select the correct option.
- (a) False, as it helps in overall strategic decisions
  - (b) True, as it only identifies opportunities and threats
  - (c) False, as it is only for internal analysis of an organisation
  - (d) True, as it identifies competitors
69. Identify the Swiss transnational food and drink company?
- (a) Larsen & Toubro
  - (b) Walmart
  - (c) Nestle
  - (d) Unilever
70. RBI, SEBI, IRDAI are part of which type of government policy?
- (a) Restrictive Policy
  - (b) Regulatory Policy
  - (c) Protective Policy
  - (d) Facilitative Policy
71. NABARD's refinancing is available to all the below except which of the following?
- (a) State cooperative banks
  - (b) Regional rural banks
  - (c) Commercial banks
  - (d) Private sector banks
72. The Profit and Loss account of Ganpati Agarbattis showed that the revenue was exactly equal to the expenditures during the year. This position is termed as?
- (a) Equilibrium
  - (b) Breakeven Point
  - (c) Double Entry Accounting Balance
  - (d) Elastic Losses
73. Maximum number of members in a Private limited company are:
- (a) 50
  - (b) 200
  - (c) 20
  - (d) 500
74. 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

75. Which one of the following is not a foreign company?
- (a) Dr. Reddy's Laboratories Ltd.
  - (b) Walmart
  - (c) Nestle
  - (d) HP
76. Privatization may not be conceptualized in form of:
- (a) Divestment
  - (b) Disinvestment
  - (c) Dedication
  - (d) Displacement
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. ADR stands for:
- (a) American Deficit Record
  - (b) American Depository Receipt
  - (c) Asset Depreciation Record
  - (d) Asset Depository Receipt
79. 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
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. 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.
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. 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
84. 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
85. 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
86. 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
87. 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
88. Policy Context has a core motive behind it, which is?
- (a) Economic Welfare
  - (b) GDP Growth
  - (c) Holistic Development
  - (d) Social Welfare
89. 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
90. Highest Price the buyer is willing to pay is called?
- (a) Bid
  - (b) Ask
  - (c) Badla
  - (d) Beta
91. Stakeholders includes all of the below except which?
- (a) Policy makers
  - (b) Investors
  - (c) Competitors
  - (d) Promoters
92. The corporate pressure to increase and improve diversity in the country's workforce is an area of study for the consumer businesses affecting which element of the environment?
- (a) Demographic Environment
  - (b) Political-Legal Environment
  - (c) Socio-cultural Environment
  - (d) Cultural Environment
93. Specified areas where government supports business to enhance development and increase employment are called?
- (a) SEZ - Specified Economic Zone
  - (b) DTA - Domestic Tariff Area
  - (c) SEZ - Special Economic Zone
  - (d) FTWZ - Free Trade and Warehousing Zone
94. Goods and Service Tax (GST), is a form of?
- (a) International Trade Policy
  - (b) Inclusive Policy
  - (c) Policy Reform
  - (d) Public Welfare Scheme
95. Which of the following does SEBI not cater to?
- (a) Government Organizations
  - (b) Investors
  - (c) Intermediaries
  - (d) Security Issuing Companies
96. 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
97. Which of the following is not a part of BCK lexicon?
- (a) Y2Z
  - (b) B2B
  - (c) B2C
  - (d) 24\*7
98. Bears are the stock market players that have -----expectations.
- (a) Realistic
  - (b) Positive
  - (c) Optimistic
  - (d) Pessimistic
99. Which of the following is not a form of privatization?
- (a) Delegation
  - (b) Divestment
  - (c) Departmentalization
  - (d) Disinvestment
100. In the first four decades post independence, for fuelling of Industrial development, special purpose financial institutions were created. These institutions were called
- (a) Commercial Banks
  - (b) Development Banks
  - (c) Regional Rural Banks
  - (d) Small Finance Banks

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

**PART - I: BUSINESS ECONOMICS**

**ANSWERS**

**Answer Key**

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

**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE**  
**ANSWERS**

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