

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:
 - (a) uniform
 - (b) different
 - (c) less
 - (d) zero
2. An example of positive economic analysis would be:
 - (a) an analysis of the relationship between the price of food and quantity purchased
 - (b) determining how much income each person should be granted
 - (c) determining the fair price for food
 - (d) deciding how to distribute the output of the economy
3. The kinked demand curve model of oligopoly assumes that:
 - (a) Response to a price increase is less than the response to a price decrease
 - (b) Response to a price increase is more than the response to a price decrease
 - (c) Elasticity of demand is constant regardless of whether price increases or decreases
 - (d) Elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases
4. The Cobb-Douglas homogeneous production function given as: $Q = L^{1/2} K^{1/2}$ exhibits:
 - (a) Constant returns to scale
 - (b) Decreasing returns to scale
 - (c) Increasing returns to scale
 - (d) All of the above at various level of output
5. Business cycle emerge in _____.
 - (a) Socialist economy
 - (b) Free market economy
 - (c) Mixed economic system
 - (d) None of the above
6. With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as:
 - (a) Substitution Effect

- (b) Income Effect
 - (c) Law of Demand
 - (d) Law of diminishing Returns
7. Normal Profits earned by a firm are included in:
- (a) Implicit cost
 - (b) Explicit cost
 - (c) Fixed cost
 - (d) Variable cost
8. In the short run, total cost curve starts from:
- (a) Origin
 - (b) Positive vertical intercept
 - (c) Positive horizontal intercept
 - (d) None of these
9. If a resource can be put only to a particular use, then opportunity cost is:
- (a) Applicable and quantifiable
 - (b) Applicable but not quantifiable
 - (c) Not applicable at all
 - (d) None of these
10. Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:
- (a) Huge Selling Costs
 - (b) Freedom of Entry and Exit
 - (c) Presence of Close Substitutes
 - (d) Large Number of Firms
11. Scarcity definition of Economics is given by:
- (a) Adam Smith
 - (b) Robinson
 - (c) Samuelson
 - (d) Alfred Marshall
12. Demonstration effect a term coined by:
- (a) James Dusenbery
 - (b) Milton
 - (c) Kuznets
 - (d) Hicks

13. The Substitution effect will be stronger when –
- (a) The goods are closer Substitutes
 - (b) There is lower cost of switching to the Substitute goods
 - (c) There is lower inconvenience while switching to the Substitute goods
 - (d) All the above
14. The objective of advertisement and all other sales promotion activities by any firm is to :
- (a) Shift the demand curve to the right.
 - (b) Shift the demand curve to the left
 - (c) will not influence the demand curve
 - (d) None of these
15. A rise in price of a good _____ consumer Surplus.
- (a) Increases
 - (b) Decreases
 - (c) Remain constant.
 - (d) None of these
16. If the firms are not working to full capacity the supply will be:
- (a) inelastic
 - (b) elastic
 - (c) constant
 - (d) None of these
17. At higher prices people demand more of certain goods not for their worth but for their prestige value, this is called:
- (a) Veblen effect
 - (b) Giffen Paradox
 - (c) Speculative effect
 - (d) None of these
18. Which is not a characteristic of land:
- (a) land is a passive factor
 - (b) It is immobile
 - (c) It is heterogenous
 - (d) All the above
19. The negatively sloped part of the long run average total cost is due to which of the following:
- (a) Diminishing return
 - (b) Diseconomies of scale

- (c) the difficulties encountered in coordinating the many activities of a large firm.
 - (d) The increase in productivity that results from Specialization
20. Law of Production does not include:
- (a) least cost combination of factors
 - (b) return to Scale
 - (c) law of diminishing returns to a factor
 - (d) Law of variable proportion
21. Example of Third-Degree Price Discrimination:
- (a) Dumping
 - (b) charging different prices for domestic and commercial uses
 - (c) lower prices in railways for senior citizen
 - (d) All of the above
22. The market structure in which many firms sell products that are similar but not identical is known as:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
23. Lagging Indicators are:
- (a) unemployment
 - (b) Corporate Profits
 - (c) Interest rate
 - (d) All of the above
24. Internal causes of business cycle:
- (a) Money Supply
 - (b) Psychological factors
 - (c) Macroeconomic Policies
 - (d) All of the above
25. Factors affecting demand for Non-Durable Consumer goods:
- (a) Disposable Income
 - (b) Price
 - (c) Demography
 - (d) All of the above
26. Which is the statistical method of demand forecasting:
- (a) Trend Projection Method

- (b) Expert Opinion Method
 - (c) Collective opinion method
 - (d) None of these
27. In Monopoly entry of new firms:
- (a) is restricted at all the times
 - (b) is possible only in the long run
 - (c) is possible in the short run
 - (d) Both (b) and (c)
28. Theory of Group Behavior is related to:
- (a) Monopoly
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) Perfect Competition
29. Allocation of resources is dealt in:
- (a) Macro Economic
 - (b) Microeconomics
 - (c) Public Finance
 - (d) None of these
30. U Shaped Cost Curve is never represented as :
- (a) Average Fixed Cost Curve
 - (b) Marginal Cost Curve
 - (c) Average Cost Curve
 - (d) Average Variable Cost Curve
31. The budget line is also known as :
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
32. All Giffen goods are:
- (a) Inferior goods
 - (b) Non Inferior goods
 - (c) Normal Goods
 - (d) None of these

33. The study of demand and supply model is useful in explaining
- (a) How government works
 - (b) How markets work
 - (c) How consumers behave
 - (d) None of these
34. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
35. Excess capacity is not found under _____
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect competition.
 - (d) Oligopoly
36. The regulatory mechanism of the market system is-
- (a) Self interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
37. Nicholas Kaldor propounded _____
- (a) Nocholas theory
 - (b) Kaldor Theory
 - (c) Cobweb theory
 - (d) Cobb-douglas theory
38. During business cycles the opposite of a peak is _____.
- (a) an inflation
 - (b) a hyperinflation
 - (c) a trend
 - (d) a trough
39. If the market demand curve for a commodity has a negative slope, then the market structure must be:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Imperfect competition

- (d) The market structure cannot be determined as the information is insufficient
40. What is 'price ceiling
- (a) Minimum price that can be charged for a good
 - (b) Maximum price that can be charged for a good
 - (c) Minimum support price
 - (d) Both (a) and (b)
41. Utility is a____
- (a) Qualitative
 - (b) Quantitative
 - (c) Both (a) and (b)
 - (d) None of these
42. Huge selling costs are incurred in which form of market?
- (a) Monopolistic competition
 - (b) Perfect competition
 - (c) Monopoly
 - (d) None of these
43. Which one of the following is not an internal economies of scale?
- (a) Technical economies
 - (b) Financial economies
 - (c) Economies due to localization of industries
 - (d) Marketing economies
44. In Monopoly Cross elasticity of Product is:
- (a) Zero
 - (b) High
 - (c) Infinity
 - (d) None of these
45. The vertical difference between TVC and TC is equal to:
- (a) Marginal Cost
 - (b) Average variable cost
 - (c) Total fixed Cost
 - (d) None of these.
46. A necessity is defined as a good having:
- (a) A positive income elasticity of demand
 - (b) A negative income elasticity of demand

- (c) An income elasticity of demand between zero and 1
 - (d) An income elasticity of more than 1.
47. In the long run, some firms will exit the market if the price of the good offered for sale is less than:
- (a) marginal revenue.
 - (b) marginal cost.
 - (c) average total cost.
 - (d) average revenue
48. Coincident indicator is not indicated as:
- (a) Inflation
 - (b) Industrial Production
 - (c) Retail Sales
 - (d) New order for Plant and equipment
49. An economic profit is earned by a perfectly competitive firm when:
- (a) $MR < MC$
 - (b) $P < ATC$
 - (c) $P > AVC$
 - (d) $P > ATC$
50. With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper **in** comparison to other commodities. This effect is known as:
- (a) Substitution Effect
 - (b) Income Effect
 - (c) Law of Demand
 - (d) Law of diminishing Returns
51. Normal Profits earned by a firm are included in:
- (a) Implicit cost
 - (b) Explicit cost
 - (c) Fixed cost
 - (d) Variable cost
52. Goods are Perfect Complements when:
- (a) A consumer is interested in consuming only in fixed proportion
 - (b) The Indifference Curve will consist of two straight lines
 - (c) Both a and b are correct
 - (d) None of these

53. If the Price of both goods fell how the budget will be affected:
- (a) The Budget line would not shift.
 - (b) The Budget line must be shifting to the left.
 - (c) The new budget line must be parallel to the old budget line.
 - (d) The new budget line will have the same slope as the original so long as the price of both goods changes in the same proportion.
54. Agricultural goods market depict characteristic close to:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Monopolistic Competition
55. Time element was conceived by:
- (a) Pigou
 - (b) Adam Smith
 - (c) Alfred Marshall
 - (d) Robinson
56. The efficient scale of production is the quantity of output that minimizes:
- (a) Average variable cost
 - (b) Average fixed cost
 - (c) Average total cost
 - (d) None of these
57. The Indian Government imposed heavy taxes on commodity to reduce its consumption by the public. Such heavy taxes will decrease the demand of the commodity only when:
- (a) $ed = 0$
 - (b) $ed > 1$
 - (c) $Ed < 1$
 - (d) $ed = 1$
58. The income elasticity of demand for inferior good is :
- (a) Infinite
 - (b) Positive
 - (c) Zero
 - (d) Negative
59. Marginal Cost is closely related to:
- (a) Opportunity Cost
 - (b) Variable Cost

(c) Economic Cost

(d) None of these

60. Average Revenue Curve is also known as:

(a) Average Cost Curve

(b) Indifference Curve

(c) Demand Curve

(d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. Which of the following is not an economic objective of business?
- (a) Responsibility towards suppliers
 - (b) Efficiency
 - (c) Sales
 - (d) Return on investment
62. PESTLE analysis is a component of which of the following environment?
- (a) Internal Environment
 - (b) Competitive Environment
 - (c) Micro Environment
 - (d) Macro Environment
63. Life blood of business is _____
- (a) Deposit
 - (b) Deal
 - (c) Finance
 - (d) Invest
64. Which is the first development bank?
- (a) ICICI
 - (b) IDBI
 - (c) IFCI
 - (d) NABARD
65. Selling portion of government ownership to private individuals -
- (a) Delegation
 - (b) Deregulation
 - (c) Disinvestment
 - (d) Displacement
66. MRTP Act comes under -
- (a) Protective
 - (b) Regulatory
 - (c) Restrictive
 - (d) Development
67. Business to consumer market is a _____
- (a) Wholesale market
 - (b) Retail market

- (c) Regulator market
 - (d) Unregulated market
68. Bridge financing is also known as:
- (a) Base-finance
 - (b) E-finance
 - (c) Gap financing
 - (d) Mortgage financing
69. Save money, live better is the slogan of -
- (a) Nestle
 - (b) Amazon
 - (c) Walmart
 - (d) Reliance
70. Which one of the following is usually not included in a company overview?
- (a) Vision
 - (b) Competitive scenario
 - (c) Market position
 - (d) Paid up capital
71. Find out the incorrect statement:
- (a) Economic activities are income generating activities
 - (b) Economic activities are productive activities
 - (c) Consumption is not an economic activity
 - (d) Non-banking financial companies' operations are economic activities
72. Code of Conduct is an aspect of which form of occupation?
- (a) Employment
 - (b) Entrepreneurship
 - (c) Business
 - (d) Profession
73. RBI's role does not include-
- (a) Friend, Philosopher and Guide to Government
 - (b) Maintain financial books of accounts of the Government
 - (c) Regulate inflation
 - (d) Guide all commercial banks
74. 'Limit order' is
- (a) An order to buy or sell a share at a higher price
 - (b) An order to buy or sell a share at a lower price
 - (c) An order to buy or sell a share at a specified price
 - (d) An order to buy or sell a share at prevailing price

75. Financial analysts are also called among which of the following?
- (a) Management consultants
 - (b) Mutual fund analysts
 - (c) Financial guru
 - (d) Security analysts
76. Prohibition of crackers in Delhi by the state government is a type of?
- (a) Protective
 - (b) Regulatory
 - (c) Restrictive
 - (d) Facilitating
77. Which one of the following is requested to obtain certificate of commencement of business in addition to certificate of incorporation?
- (a) Private Limited Company
 - (b) Hindu Undivided Family
 - (c) Public Limited Company
 - (d) One Person Company
78. The rate at which bank borrow money from RBI (Reserve Bank of India) against pledging is known.
- (a) Repo rate
 - (b) Reverse repo rate
 - (c) Bankrate
 - (d) Discount rate
79. Nomadic humans bringing their hunt and getting rice in return can be called as?
- (a) Non-economic activity
 - (b) Sustainable practice of trade
 - (c) Social entrepreneurship
 - (d) Economic activity
80. The event of conducting commonwealth games in India is an example of the following element of macro environment:
- (a) Political-legal environment
 - (b) Socio-cultural environment
 - (c) Technological environment
 - (d) Global environment
81. Attitude that inclined a customer either to return to a shop or outlet to purchase there again or to repurchase a particular product.
- (a) Customers need
 - (b) Customer demand

- (c) Customer satisfaction
 - (d) Customer loyalty
82. Kumar & Sons has business presence in India, Bangladesh, Nepal and Bhutan. It can be termed as-
- (a) Binational
 - (b) Multinational
 - (c) Local
 - (d) Domestic
83. Environmental analysis helps in except-
- (a) Anticipate opportunities and to take optimum responses
 - (b) Turning threats to firm's advantages
 - (c) Providing input for strategic decision making
 - (d) Avoiding competition
84. Identify the Swiss transnational food and drink company?
- (a) Larsen & Toubro
 - (b) Walmart
 - (c) Nestle
 - (d) Unilever
85. Land reforms made by "Akbar the Great" were introduced under the leadership of-
- (a) Birbal
 - (b) Todarmal
 - (c) Hizabal
 - (d) Jaidev
86. 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
87. The idea of being concerned with People, Profits and Planet is a concept under?
- (a) PESTLE
 - (b) SWOT
 - (c) Sustainable Development
 - (d) Triple Bottom Line
88. Type of privatization, where Government keeps hold of responsibility and private enterprise handles fully or partly the delivery of product and services though contract franchise, grant, etc., is known as:
- (a) Investment
 - (b) Disinvestment
 - (c) Displacement
 - (d) Delegation

89. Tariff Advisory Committee is a part of?
- (a) RBI
 - (b) IRDAI
 - (c) SEBI
 - (d) CCI
90. What is Hedge?
- (a) It is a statistical measurement of change in the economy.
 - (b) It is strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
 - (c) It is trading platform.
 - (d) It is a security which has a solid record of dividend payments.
91. Coal India is incorporated in -
- (a) 1977
 - (b) 1976
 - (c) 1975
 - (d) 1974
92. Which one of the following is not a sectoral policy?
- (a) Agricultural Policy
 - (b) Industrial Policy
 - (c) Foreign Trade Policy
 - (d) Fiscal Policy
93. Which of the following is not a component of internal environment?
- (a) Intermediary
 - (b) Value system
 - (c) Quality of Human Resources
 - (d) Labour Unions
94. Who from the below helps a budding business to quickly launch a product and put it in the care connectively?
- (a) Freight forward
 - (b) Financial consultant
 - (c) Business incubator
 - (d) Business accelerator
95. Which authority regulates and develops the Indian capital market and protects the interest of investors in the capital market?
- (a) National stock exchange (NSE)
 - (b) SEBI
 - (c) RBI
 - (d) Bombay stock exchange

96. A token money given to establish an acceptance of buying especially in real estate deals is called-
- (a) E-Cash
 - (b) Earnest money deposit
 - (c) Fixed deposit
 - (d) Concurrent depository receipt
97. Which of the following is incorrect?
- (a) Events lead to trends
 - (b) Trends lead to events
 - (c) Issues raise expectations
 - (d) Expectations are opportunities
98. Which of the following elected by shareholders in organization?
- (a) Owners
 - (b) Board of Directors
 - (c) Employees
 - (d) Directors
99. Perpetual succession benefit is enjoyed by?
- (a) HUF
 - (b) Company
 - (c) LLP
 - (d) Both Company and LLP
100. 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