

MOCK TEST PAPER 2
FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. Most of the economic problems are of _____ nature and are affected by _____.
 - (a) Complex, Several forces
 - (b) Simple, Several forces
 - (c) Simple, single factor
 - (d) Complex, Single factor
2. The survival and success of any business depends on sound _____.
 - (a) Mind
 - (b) Environment
 - (c) Decisions
 - (d) None of these
3. Management of the firm _____ control over macro-economic factors.
 - (a) has
 - (b) has no
 - (c) has partial
 - (d) None of these
4. In a planned or command economy all the economic decisions are taken by the _____.
 - (a) Workers
 - (b) Consumers
 - (c) Voters
 - (d) Government
5. The regulatory mechanism of the market system is-
 - (a) Self interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
6. Which of the following statements is/are correct about mixed economic system?
 - (a) Mixed economic system depends on both markets and governments for allocation of resources
 - (b) Mixed economy is not always a golden path between capitalism and socialism.
 - (c) It is very difficult to maintain a proper balance between private and public sectors.
 - (d) All of the above

7. 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 and marginal utility both to increase.
 - (c) Total utility to fall and marginal utility to become negative.
 - (d) Marginal utility to fall and total utility to become negative.
8. The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because-
 - (a) The consumer's real income has increased.
 - (b) The consumer's real income has decreased.
 - (c) The product is now relatively less expensive than before.
 - (d) Other products are now less expensive than before.
9. Which of the following statements is correct?
 - (a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.
 - (b) When the slope of the demand curve is zero, the elasticity is also zero and when the slope is infinite, elasticity is also infinite.
 - (c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope is infinite, elasticity is unity.
 - (d) None of these
10. Diminishing marginal utility implies that the
 - (a) marginal utility of a good diminishes over time.
 - (b) total utility is negative.
 - (c) last unit of a good consumed will contribute most to the consumer's satisfaction.
 - (d) first unit of a good consumed will contribute most to the consumer's satisfaction.
11. The law of diminishing marginal utility states that
 - (a) total utility is maximized when a consumer obtain the same amount of utility per unit of each product consumed
 - (b) beyond some point additional units of a product will yield less and less extra satisfaction to a consumer.
 - (c) price must be lowered to induce firms to supply more of a product.
 - (d) it will take larger and larger amounts of resources beyond some point to produce successive units of a product.
12. Marshallian theory of consumer's behavior is based on
 - (a) Hypothesis of additive utilities.
 - (b) Hypothesis of independent utilities.
 - (c) Both (A) and (B)
 - (d) Weak ordering
13. Demand and _____ are the forces that make market economies work.
 - (a) Elasticity of demand
 - (b) Quantity demanded

- (c) Supply
 - (d) Quantity supplied
14. Computers and computer software are_____
- (a) Substitute goods
 - (b) Complementary goods
 - (c) Independent goods
 - (d) Normal goods
15. Let slope of supply curve is 0.6, calculate elasticity of demand when initial price is \$ 30 per unit and initial quantity is 100 units of the commodity.
- (a) 0.5
 - (b) 5.55
 - (c) (-) 0.5
 - (d) (-) 0.18
16. Demonstration effect, a term coined by _____
- (a) Adam Smith
 - (b) James Duesenberry
 - (c) Alfred Marshall
 - (d) None of these
17. Consider the following statements and select the correct answer from the given options.
- Assertion (A):** Demand curve is vertical when elasticity of demand is zero.
- Reason (R):** Marginal utility of a product is increasing
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 - (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (c) (A) is true but (R) is false
 - (d) (A) is false but (R) is true
18. A rise in price of a good _____ consumer surplus.
- (a) Reduces
 - (b) Increases
 - (c) Either (A) and (B)
 - (d) Doesn't effect
19. A consumer is in equilibrium when s/he is deriving _____ satisfaction from the goods.
- (a) maximum
 - (b) possible
 - (c) maximum possible
 - (d) None of these
20. Which one of the following statements is true regarding Indifference Curve?
- (a) Two ICs can never be parallel to each other
 - (b) Two ICs are always parallel to each other

- (c) Two ICs may not intersect each other
 (d) Two ICs may be parallel to each other
21. Law of Equi-marginal Utility can be expressed as-
- (a) $MU_x/P_x = Q_x$
 (b) $P_x Q_x = MU_M$
 (c) $MU_x/P_x = MU_y/P_y = MU_M$
 (d) $MU_x = MU_M$
22. Consider the following statements and select the correct answer from the given options.
Assertion (A): Consumer surplus is the difference between the potential price and actual price.
Reason (R): There exists an inverse relationship between the price and consumer surplus.
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
 (c) (A) is true but (R) is false
 (d) (A) is false but (R) is true
23. For substitutes, cross elasticity of demand is-
- (a) Positive
 (b) Negative
 (c) Zero
 (d) Always less than one
24. The oldest approach to the theory of demand is _____.
- (a) the total utility approach
 (b) the cardinal utility approach
 (c) the ordinal utility approach
 (d) None of these
25. "Returns to a factor" refers to the effect on total output of changes in
- (a) One factor only
 (b) Various inputs separately
 (c) All the inputs simultaneously
 (d) None of the above
26. A factor of production is said to be superior if its expenditure elasticity
- (a) is negative
 (b) lies in unit interval
 (c) exceeds unity
 (d) is zero
27. Which of the following is correct regarding long run cost?
1. It is least cost of producing each level of output
 2. LAC curve is envelope of SAC curves.
 3. LAC is U-shaped

- (a) 1 & 2 only
 - (b) 2 & 3 only
 - (c) 1 & 3 only
 - (d) 1, 2 & 3
28. The law of diminishing returns only applies in cases where
- (a) There is increasing scarcity of factors of production
 - (b) The price of extra unit of a factor is increasing
 - (c) There is atleast one fixed factor of production
 - (d) Capital is a variable input
29. Economies and diseconomies of scale explain why the
- (a) short run average fixed cost curve declines so long as output increases.
 - (b) marginal cost curve must intersect the minimum point the firm's average variable cost curve.
 - (c) long run average cost curve is typically U-shaped.
 - (d) short run average total cost curve is U-shaped.
30. Production function: $Q = 4L^{1/2}K^{2/3}$ exhibits-
- (a) increasing returns to scale
 - (b) decreasing returns to scale
 - (c) constant returns to scale
 - (d) increasing returns to a factor
31. Which of the following is correct regarding the slope of iso-cost line?
- Slope of iso-cost line can change due to
1. Change in factor(s) price(s)
 2. Change in total outlay or total cost.
- (a) 1 only
 - (b) 2 only
 - (c) 1 & 2 both
 - (d) None of these
32. 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
33. Isoquant word is made up of two words i.e., Iso & Quant. Where Iso means equal then Quant means-
- (a) Quantity sold
 - (b) Output
 - (c) Quantity demanded
 - (d) Quantity supplied

34. Which one of the following cost curve is not in U-shape?
- AC
 - MC
 - AFC
 - AVC
35. Given $TC = 2000 + 15Q - 6Q^2 + Q^3$, How much is TFC at $Q = 2000$?
- 2000
 - 975
 - 30,000
 - Can't be determined
36. Marginal Revenue of a monopoly firm is less than the price because
- Demand curve has a positive slope.
 - Demand curve has a negative slope.
 - Monopolist incurs losses.
 - Monopolist is in equilibrium.
37. Consider the following statements and select the correct answer from the given options.
- Assertion (A):** Although a monopolist can charge any price he likes, but does not charge a higher price than his equilibrium price.
- Reason (R):** Higher price means fall in total revenue.
- Both (A) and (R) are true and (R) is the correct explanation of (A)
 - Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true
38. The share of the tax borne by seller will be larger
- If the demand for the product is less elastic.
 - If the demand for the product is inelastic.
 - If the demand for the product has greater elasticity.
 - If the elasticity of supply of the product is larger.
39. Oligopolistic industries
- are characterized by a relatively large number of small firms.
 - may produce either standardized or differentiated products.
 - always produce differentiated products.
 - always produce stan products.
40. When total revenue is increasing
- Marginal revenue may be either positive or negative.
 - The demand curve is relatively inelastic.
 - Marginal revenue is positive.
 - Marginal revenue is negative.

41. Total revenue along with Total cost helps to determine
- (a) Profit maximizing output
 - (b) Profit/unit
 - (c) Price/unit
 - (d) Total revenue
42. In economics, we are concerned with
- (a) Value in use only
 - (b) Exchange value only
 - (c) Both value in use and exchange value
 - (d) None of the above
43. Exchange value is determined in
- (a) the monopoly market
 - (b) the oligopoly market
 - (c) in the market where exchange of goods and services takes place
 - (d) None of these
44. In economics, generally the classification of the markets is made on the basis of
- (a) Time
 - (b) Geographic area
 - (c) Volume of business
 - (d) All of these
45. If a firm's total revenue is not enough to make good even the _____, it is better for firm to shut down.
- (a) Total fixed cost
 - (b) Marginal cost
 - (c) Average fixed cost
 - (d) Total variable cost
46. Price of goods express their
- (a) Value in use
 - (b) Exchange value
 - (c) Economic value
 - (d) Both (B) and (C)
47. When demand increases and supply decreases,
- (a) the equilibrium price and quantity both rise
 - (b) the equilibrium price and quantity both fall
 - (c) the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.
 - (d) the equilibrium quantity rises but nothing certain can be said about the change in equilibrium price.

48. Marginal revenue is equal to the price under
- (a) Monopoly market structure
 - (b) Oligopoly form of market
 - (c) Monopolistically competitive market
 - (d) Perfect competition
49. The short run supply curve of a perfectly competitive firm is equal to
- (a) That portion of the short run marginal cost curve that is above the average variable cost curve
 - (b) That portion of the short run marginal cost curve that is above the average total cost curve
 - (c) That portion of the short run average total cost curve that is above the average variable cost curve
 - (d) None of the above is correct.
50. The market demand curve for a perfectly competitive industry is: $Q_d = 12 - 2P$ and the market supply curve is: $Q_s = 3 + P$. The market will be in equilibrium if
- (a) $P = 6$ and $Q = 9$
 - (b) $P = 5$ and $Q = 2$
 - (c) $P = 4$ and $Q = 4$
 - (d) $P = 3$ and $Q = 6$
51. 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
52. Which of the following is a differentiated product?
- (a) A hamburger
 - (b) A shirt
 - (c) An automobile
 - (d) All of the above
53. Which one of the following is not an internal cause of business cycles?
- (a) Money supply
 - (b) Technology shocks
 - (c) Psychological factors
 - (d) Fluctuations in investment
54. Peak is the _____ stage of expansion.
- (a) Later
 - (b) Earlier
 - (c) Either (A) or (B)
 - (d) None of the above

55. Different business cycles _____ in duration and intensity.
- (a) differ
 - (b) similar
 - (c) consistent
 - (d) Can't say
56. Repercussions of business cycles get _____ felt on nearly all economic variables.
- (a) alternatively
 - (b) simultaneously
 - (c) one by one
 - (d) All of the above
57. Nicholas Kaldor propounded _____
- (a) Nocholas theory
 - (b) Kaldor Theory
 - (c) Cobweb theory
 - (d) Cobb-douglas theory
58. During business cycles the opposite of a peak is _____.
- (a) an inflation
 - (b) a hyperinflation
 - (c) a trend
 - (d) a trough
59. Decrease in input demand _____.
- (a) Doesn't affect inputs prices
 - (b) Pushes inputs prices up
 - (c) Pulls inputs prices down
 - (d) Either (B) or (C)
60. Which of the following statements is correct regarding business cycles?
- (a) Business cycles are contagious and international in character.
 - (b) Business cycles begin in one country and spread to other countries through trade relations.
 - (c) Business cycles have serious consequences on well being of the societies.
 - (d) All of the above

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. Usually, economics activities are driven by which of the following motives?
- (a) Altruism
 - (b) Emotions
 - (c) Rationality
 - (d) Profitability
62. Understanding buying patterns are a part of study of which of the following elements of the business environment?
- (a) Customers
 - (b) Suppliers
 - (c) Intermediaries
 - (d) Competitors
63. Identify the global company which started its Indian operations in 1921 in Kolkata.
- (a) American Express
 - (b) Goldman Sachs
 - (c) IBM Inc.
 - (d) HP Inc.
64. Which of the options is an incentive for exporters?
- (a) Exchange Rate Moderate
 - (b) Exchange Range Stable
 - (c) Exchange Rate Increasing
 - (d) Exchange Rate Falling
65. Coexistence of large and small enterprises in harmony is a major objective of which of these institutions?
- (a) RBI
 - (b) SEBI
 - (c) CCI
 - (d) IRDAI
66. Keeping extremely low prices to not let anyone grow as a competition is called?
- (a) Price Skimming
 - (b) Pre-emptive Pricing
 - (c) Price Discrimination
 - (d) Price Sensitivity
67. Which of the following statements about Non-Economic Activities is True?
- (a) Even Non-Economic activities have an economic dimension
 - (b) Even Consumption is a Non-Economic activity
 - (c) Non-Economic activities are Productive
 - (d) Unspent income comprises of Non-Economic capital

68. 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
69. Where is India's largest SEZ?
- (a) Hazira
 - (b) Dhamra
 - (c) Tehri
 - (d) Mundra
70. Foreign Exchange Management Act (FEMA), would fall under which of the following type of Public Policy?
- (a) Restrictive
 - (b) Regulatory
 - (c) Facilitating
 - (d) Advisory
71. Which of the following is not a Funding Institution?
- (a) World Bank
 - (b) NABARD
 - (c) Reserve Bank of India
 - (d) International Monetary Fund
72. The marketing department of Go Now Pvt. Ltd. divided the consumers into different groups based on their characteristics, like buying frequency, actuals spend, age and preferences. Which of the following has the marketing department focused on?
- (a) Market Segmentation
 - (b) Market Division
 - (c) Market Analysis
 - (d) Market Grouping
73. The maximum number of members of a public company is:
- (a) 07
 - (b) 50
 - (c) No limit
 - (d) 200
74. What is the single word that can best describe today's business?
- (a) Technology
 - (b) Change
 - (c) Persistence
 - (d) Profit making

75. Who was the co-founder of Microsoft with Bill Gates?
- (a) Paul Allen
 - (b) Melinda Gates
 - (c) Satya Nadella
 - (d) Lucci Hood
76. BRICS stands for:
- (a) Belgium, Russia, Indonesia, China and Saudi Arabia
 - (b) Belgium, Russia, India, Cambodia and Saudi Arabia
 - (c) Brazil, Russia, India, China and South Africa
 - (d) Brazil, Romania, India, Cambodia and South Africa
77. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
 - (b) NABARD
 - (c) IRDA
 - (d) IFCI
78. When two or more companies come together to expand their business operations in a newly created entity.
- (a) Joint venture
 - (b) Acquisition
 - (c) Partnership
 - (d) Merger
79. With two shareholders and two directors which company will be incorporated
- (a) Public company
 - (b) One Person Company
 - (c) Private company
 - (d) Public traded company
80. A successful business has to identify, appraise and respond to the various ----- and -----in its environment.
- (a) Suppliers and customers
 - (b) Competitors and creditors
 - (c) Rules and regulations
 - (d) Opportunities and threats
81. Which of the following is the most recently incorporated company?
- (a) Axis Bank Ltd.
 - (b) Adani Ports and Special Economic Zone Ltd.
 - (c) Bharti Airtel Ltd.
 - (d) Flipkart

82. FDI in sectors which required prior approval is identified as
- Institutional Route
 - Automatic Route
 - Government Route
 - NRI Route
83. CCI consists of a chairman and -----members appointed by the Central Government.
- Five
 - Six
 - Seven
 - Four
84. -----put option means the stock price is above the strike price.
- In the money
 - At the money
 - Out of the money
 - Call money
85. OPC (One Person Company) is a corporate form of which of the following?
- LLP
 - Sole Proprietorship
 - Partnership
 - HUF
86. Labour Unions are part of?
- Micro Environment
 - Macro Environment
 - Internal Environment
 - Organisational Environment
87. Which is the company in India to have equity stake in 1st Greenfield Airport at Cochi, India?
- Adani Ports SEZ Ltd.
 - Bharat Petroleum Corporation Ltd.
 - Tata Sons Pvt. Ltd.
 - Larsen & Toubro Ltd.
88. Exchange Rate weakening is beneficial for _____ while a strengthening is beneficial for _____?
- Local Government and Foreign government
 - State Government and Central Government
 - RBI and SEBI
 - Exporter and Importer
89. SEBI conducts investigation and enforcement action falls under its which function?
- Quasi-Executive Function
 - Quasi-Legislative Function

- (c) Quasi-Judicial Function
 - (d) Quasi-constitutional Function
90. Unpaid media coverage is achieved through?
- (a) Popularity
 - (b) Publicity
 - (c) Social Media Marketing
 - (d) Promotion
91. We can get edible oils from the local shop in our locality, or through a big mall nearby, or from an online marketplace or a 10 minutes delivery app. All these options portray to which of the below domains of BCK?
- (a) BCK is eclectic
 - (b) BCK is Vast
 - (c) BCK is multi-faceted
 - (d) BCK is complex
92. The wants and needs of the consumers fall under which of the following?
- (a) Events
 - (b) Trends
 - (c) Expectations
 - (d) Issues
93. Find the largest exporter of three wheelers in India.
- (a) APSEZ
 - (b) Bajaj Auto
 - (c) TVS Motor Company
 - (d) Maruti Suzuki
94. Privatisation refers to:
- (a) Transferring Government ownership to private hands
 - (b) Disinvestment in public sector enterprise
 - (c) Opening those areas for private sector which are reserved for Government
 - (d) All of the above
95. Who is responsible for overall credit and monetary policy of Indian economy?
- (a) RBI
 - (b) NABARD
 - (c) SEBI
 - (d) IDBI
96. Buying silver in Mumbai to take advantage of the price difference in Assam is an example of?
- (a) Hedge
 - (b) Put Option
 - (c) Arbitrage

- (d) Call Option
97. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
 - (b) Jain family
 - (c) Buddhist family
 - (d) Muslim family
98. Who is the present chairman of Wipro Limited?
- (a) Azim Premji
 - (b) Rishad Premji
 - (c) Thierry Delaporte
 - (d) and (b)
99. What is the constitution of Competition Commission of India?
- (a) A chairperson and 6 members appointed by the Central Government.
 - (b) A chairperson and 5 members appointed by the Central Government.
 - (c) A chairperson and 5 members appointed by the RBI.
 - (d) A chairperson and 6 members appointed by the RBI.
100. A very large loan extended by a group of small banks to a single corporate borrower is called as which of the following?
- (a) Time Deposit
 - (b) Long term loan
 - (c) Annuities
 - (d) Syndicated loan

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

Answer Key

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE
ANSWERS

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