

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

1. Which of the following statements is true?
 - (a) The study of economics ensures that all problems will be appropriately tackled.
 - (b) The study of economics cannot ensure that all problems will be appropriately tackled.
 - (c) The study of economics does not enable a student to examine a problem in its right perspective.
 - (d) None of these
2. Business economics is____
 - (a) A science
 - (b) An art
 - (c) Both science and art
 - (d) None of these
3. A rational person does not act unless____
 - (a) The action is ethical.
 - (b) The action produces marginal cost that exceeds marginal revenue.
 - (c) The action produces marginal benefits that exceed marginal costs.
 - (d) The action makes money for the person.
4. Opportunity cost is _____.
 - (a) A cost that cannot be avoided.
 - (b) The cost incurred in the past before we make a decision about what to do in the future.
 - (c) That which we forgo or give up when we make a choice or a decision.
 - (d) The additional benefit of buying an additional unit of a product.
5. The regulatory mechanism of the market system is-
 - (a) Self-interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
6. Which one of the following countries does not follow Capitalist economic system?
 - (a) USA
 - (b) UK
 - (c) Germany
 - (d) India
7. The price which a consumer would be willing to pay for a commodity equals to his-
 - (a) Total utility

- (b) Marginal utility
 - (c) Average utility
 - (d) Does not have any relation to any of these
8. 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.
9. The buyers in the market include
- (a) Consumers
 - (b) Businesses
 - (c) Government
 - (d) All of the above
10. "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as _____
- (a) Veblen effect
 - (b) Bandwagon effect
 - (c) Snob effect
 - (d) Demonstration effect
11. A rise in price of a good _____ consumer surplus.
- (a) Reduces
 - (b) Increases
 - (c) Either (a) and (b)
 - (d) Doesn't affect
12. All desires, tastes and motives of human beings are called _____ in economics.
- (a) Willingness
 - (b) Demand
 - (c) Wants
 - (d) None of these

13. Match the following

LIST-I

- (a) Two perfect substitute goods
- (b) Two perfect complementary goods
- (c) Indifference curve is always
- (d) Higher IC gives higher level of satisfaction

LIST - II

- 1. Linear Indifference Curve
- 2. Monotonic Preference
- 3. L-Shape Indifference Curve
- 4. Convex to the origin

Codes:	a	b	c	d
(a)	1	2	3	4
(b)	3	1	4	2

- | | | | | |
|-----|---|---|---|---|
| (c) | 1 | 3 | 4 | 2 |
| (d) | 1 | 3 | 2 | 4 |

14. In the Cobb-Douglas production function given as: $Q = AL^a K^{1-a}$ the share of labour in total production is

- (a) a
- (b) 1 - a
- (c) A
- (d) a L

15. Match the following

LIST-I

LIST- II

- | | |
|---------------------|------------------|
| (a) Tea and Coffee | 1. Veblen goods |
| (b) Car and Petrol | 2. Substitutes |
| (c) Gold & Diamond | 3. Giffen goods |
| (d) Ragi and Bajara | 4. Complementary |

- | | | | | |
|--------|---|---|---|---|
| Codes: | a | b | c | d |
| (a) | 1 | 2 | 3 | 4 |
| (b) | 2 | 4 | 1 | 3 |
| (c) | 1 | 3 | 4 | 2 |
| (d) | 1 | 3 | 2 | 4 |

16. "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

17. Which one of the following cost curve is not in U-shape?

- (a) AC
- (b) MC
- (c) AFC
- (d) AVC

18. Given $TC = 2000 + 15Q - 6Q^2 + Q^3$, How much is TFC at $Q = 2000$?

- (a) 2000
- (b) 975
- (c) 30,000
- (d) Can't be determined

19. A point of 'Kink' in the kinked demand curve indicates

- I. Price rigidity
- II. Quantity rigidity
- III. Price flexibility
- IV. Quantity flexibility

- (a) I & II are correct
 - (b) II & III are correct
 - (c) III & IV are correct
 - (d) I & IV are correct
20. When total revenue is increasing :
- (a) Marginal revenue may be either positive or negative.
 - (b) The demand curve is relatively inelastic.
 - (c) Marginal revenue is positive.
 - (d) Marginal revenue is negative.
21. Value in exchange is also known as
- (a) Value in use
 - (b) Economic value
 - (c) Both (a) and (b)
 - (d) None of these
22. Which one of the following features of the term market is incorrect?
- (a) Market is the collection of buyers and sellers with the potential to trade.
 - (b) A market need not be a formal.
 - (c) A market need not to be held in a particular place.
 - (d) A market must be formal or to be held in a particular place.
23. 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
24. 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
25. A monopolized market is in long run equilibrium when
- (a) Zero economic profit is earned by the monopolist
 - (b) Production takes place where price is equal to long run MC and AC
 - (c) Production takes place where long run MC is equal to MR and price is not below the long run average cost.
 - (d) All of the above are correct
26. If a firm sells its output on a market that is characterized by few sellers and many buyers and limited long run resource mobility, then the firm is
- (a) A monopolist

- (b) An oligopolist
 - (c) A perfect competitor
 - (d) A monopolistic competitor
27. Which of the following is a differentiated product?
- (a) A hamburger
 - (b) A shirt
 - (c) An automobile
 - (d) All of the above
28. 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)
29. Different business cycles _____ in duration and intensity.
- (a) differ
 - (b) similar
 - (c) consistent
 - (d) Can't say
30. In order to influence spending on the goods and services in the short run, _____ is directed at directly influencing interest rate.
- (a) fiscal policy
 - (b) budgetary policy
 - (c) monetary policy
 - (d) economic policy
31. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
32. The greater the inequalities in the distribution of money incomes, the _____ the inequalities in the distribution of national output.
- (a) greater
 - (b) lesser
 - (c) (a) or (b)
 - (d) None of these
33. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____
- (a) more of one of the goods
 - (b) less of at least one of the goods

- (c) more of at least one of the goods and less of the other good.
(d) more of at least one of the goods and no less of the other good.
34. Law of diminishing marginal rate of substitution is associated with
(a) Marshall
(b) Hicks
(c) Slutsky
(d) Keynes
35. Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.
(a) (A) is true and (R) is false
(b) Both (A) and (R) are true & (R) is the correct explanation of (A)
(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
(d) (A) is false and (R) is true
36. Consider the following statements about the relationship between cost and production-
1. When AP rises, AVC falls
 2. When AP reaches at maximum, AVC is minimum
 3. When AP falls, AVC rises
- Which of the above statements is correct?
(a) 1 & 2
(b) 3 only
(c) 1, 2 & 3
(d) 2 & 3
37. An industry comprised of a very large number of sellers producing a standardized product is known as
(a) Monopolistic competition
(b) Oligopoly
(c) Pure monopoly
(d) Pure competition
38. The monopolistically competitive seller's demand curve will become more elastic, the
(a) more significant the barriers to entering the industry.
(b) greater the degree of product differentiation.
(c) larger the number of competitors.
(d) smaller the number of competitors.
39. Excess capacity is not found under _____
(a) Monopoly
(b) Monopolistic competition
(c) Perfect competition.
(d) Oligopoly

40. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
- (a) Zero
 - (b) Greater than zero but less than one
 - (c) One
 - (d) Greater than one
41. 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.
42. Monopolies are allocatively inefficient because:
- (a) They restrict the output to keep the price higher than under perfect competition.
 - (b) They charge a price higher than the marginal cost.
 - (c) Both (a) and (b) are correct.
 - (d) Both (a) and (b) are incorrect.
43. 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.
44. The producer is in equilibrium at a point where the cost line is:
- (a) above the isoquant
 - (b) below the isoquant
 - (c) cutting the isoquant
 - (d) Tangent to isoquant
45. 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
46. 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

47. An economy achieves “productive efficiency” when:
- (a) The best quality goods are produced
 - (b) The highly skillful resources in the country are fully employed
 - (c) All resources are utilized, and goods and services are produced at least cost
 - (d) None of the above
48. Contraction of demand is the result of:
- (a) Decrease in the number of consumers
 - (b) Increase in the price of the goods concerned
 - (c) Increase in the price of other goods
 - (d) Decrease in the income of purchases.
49. All the following are the features of monopoly except
- (a) There is a single seller
 - (b) The firm is a price taker
 - (c) The firm produces a unique product
 - (d) The existence of some advertising
50. The other name of the Budget line is:
- (a) Demand line
 - (b) Price line
 - (c) Supply line
 - (d) None of the above
51. _____ expressed the view the “Economics is neutral between end”
- (a) Robbins
 - (b) Marshall
 - (c) Pigou
 - (d) Adam Smith
52. The law of consumer surplus is based on:
- (a) Indifference curve analysis
 - (b) Revealed preference theory
 - (c) Law of substitution
 - (d) The law of diminishing marginal utility
53. Cardinal Measurability of utility means:
- (a) Utility can be measured
 - (b) Utility cannot be measured
 - (c) Utility can be ranked
 - (d) Utility can be measured in some case
54. If two goods are totally unrelated, then cross elasticity between them is:
- (a) Zero
 - (b) One

- (c) Infinite
 - (d) None of the above
55. Which is not the function of an entrepreneur?
- (a) Initiating a business enterprise and resource co-ordination
 - (b) Risk bearing or uncertainty bearing
 - (c) Innovation
 - (d) Mobilisation of savings
56. Which of the following is not one of the features of capitalist economy?
- (a) Right of private property
 - (b) Freedom of choice by the consumers
 - (c) No profit, No Loss motive
 - (d) Competition
57. Relationship between AR, MR and Price elasticity of demand is
- (a) $MR = AR + [e-1/e]$
 - (b) $MR = AR \times [e-1/e]$
 - (c) $AR = MR \times [e-1/e]$
 - (d) $MR = AR \times [e/e - 1]$
58. The four phases of the business cycle are
- (a) peak, recession, trough and boom
 - (b) peak, depression, trough and boom
 - (c) peak, recession, trough and recovery
 - (d) peak, depression, bust and boom.
59. _____ is an implicit cost of production
- (a) Wages of the labour
 - (b) Charges for electricity
 - (c) Interest on owned money capital
 - (d) Payment for raw material
60. Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for T.V. rises by 20%
- (a) +.5
 - (b) -.5
 - (c) +2
 - (d) -2

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. 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
62. Code of Conduct is an aspect of which form of occupation?
- (a) Employment
 - (b) Entrepreneurship
 - (c) Business
 - (d) Profession
63. "Hunger to win customers for life" is the mission of -
- (a) Bajaj Auto Limited
 - (b) Bharti Airtel Limited
 - (c) Bharat Petroleum Corporation Limited
 - (d) Flipkart
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. 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
66. '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
67. Kumar & Sons has business presence in India, Bangladesh, Nepal and Bhutan. It can be termed as?
- (a) Binational
 - (b) Multinational
 - (c) Local
 - (d) Domestic

68. 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
69. Identify the Swiss transnational food and drink company?
- (a) Larsen & Toubro
 - (b) Walmart
 - (c) Nestle
 - (d) Unilever
70. Land reforms made by "Akbar the Great" were introduced under the leadership of-
- (a) Birbal
 - (b) Todarmal
 - (c) Hizabal
 - (d) Jaidev
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 idea of being concerned with People, Profits and Planet is a concept under?
- (a) PESTLE
 - (b) SWOT
 - (c) Sustainable Development
 - (d) Triple Bottom Line
73. Maximum number of members in a Private limited company are:
- (a) 50
 - (b) 200
 - (c) 20
 - (d) 500
74. Physical resources and technological capabilities are one of the components of_
- (a) Macro enlightenment
 - (b) Micro environment
 - (c) Internal environment
 - (d) External environment
75. 'Aequa Panna' is a water brand product of_____
- (a) Cipla
 - (b) Nestle

- (c) ITC
 - (d) Walmart
76. The formation of National Skills Development Corporation (NSDC) is an example of
- (a) Regulatory policies
 - (b) Restrictive policies
 - (c) Facilitative policies
 - (d) Protective policies
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. The simultaneous purchase and sale of two identical commodities or instruments are called as _____
- (a) Amortize
 - (b) Annuity
 - (c) Arbitrage
 - (d) Asset
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. Satya Nadella is the CEO of-
- (a) Amazon
 - (b) Microsoft
 - (c) Apple
 - (d) Wipro
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. Which of the following is correct?
- (a) The bid is higher than the offer
 - (b) The bid is equal to the offer
 - (c) The offer is higher than the bid
 - (d) Both offer and bid are unrelated
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. The following factors are an outcome of environmental scanning except the
- (a) Strategic thinking
 - (b) Expectations
 - (c) Trends
 - (d) Issues
87. 'Wills Lifestyle' is a brand owned by?
- (a) Tata Sons
 - (b) ITC Ltd.
 - (c) Amazon
 - (d) Flipkart
88. Tariff Advisory Committee is a part of?
- (a) RBI
 - (b) IRDAI
 - (c) SEBI
 - (d) CCI
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. Tribal communities of Africa bringing their hunt and getting pulses in return can be called as what?
- (a) Non-Economic Activity
 - (b) Sustainable Practice of Trade
 - (c) Social Entrepreneurship
 - (d) Economic Activity
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. The competition commission of India was established on-
- (a) 14th August, 2003
 - (b) 14th September, 2003
 - (c) 14th October, 2003
 - (d) 14th November, 2003
96. A strategy which involves setting low prices in order to discourage or deter potential new entrants to the suppliers' market is termed as
- (a) Price sensitivity
 - (b) Price skimming
 - (c) Pre-emptive pricing
 - (d) Penetrative pricing

97. Which of the following is a hybrid form of business organization?
- (a) HUF
 - (b) Partnership
 - (c) Limited Liability Partnership (LLP)
 - (d) Public company
98. Promotion of women in tech by the state government is a type of which policy?
- (a) Protective
 - (b) Regulatory
 - (c) Restrictive
 - (d) Facilitating
99. Which of the following is not a form of privatization?
- (a) Delegation
 - (b) Divestment
 - (c) Departmentalization
 - (d) Disinvestment
100. Charging high prices initially to build a brand conscious customer base is called?
- (a) Price Sensitivity
 - (b) Price Skimming
 - (c) Price Discrimination
 - (d) Price Margin Analysis

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

Answer Key

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE
ANSWERS

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