

MOCK TEST PAPER 2
FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS (60 Marks)

QUESTIONS

Time Allowed – 3 Hours

Maximum Marks – 100

1. Which of the following is not a characteristics of capitalist economy:
 - (a) Right to Private Property
 - (b) Freedom of Enterprise
 - (c) Consumer Sovereignty
 - (d) Combined Sector
2. Which are the areas that come under Macro economics ____
 - (a) External Value of currency
 - (b) The general price level and interest rate
 - (c) Location of the industry
 - (d) National Income and National Output
3. Business Economics is a :
 - (a) Normative Science
 - (b) Interdisciplinary
 - (c) Pragmatic
 - (d) All of these
4. Scarcity of resource has to be dealt in:
 - (a) Capitalist Economy
 - (b) Socialist Economy
 - (c) Mixed Economy
 - (d) All of these
5. Large number of _____ goods would lead to higher production in future:
 - (a) Capital Goods
 - (b) Public Goods
 - (c) Consumer Goods
 - (d) None of these

6. In case of Interior goods:
 - (a) Income effect and substitution effect work in same direction.
 - (b) Income effect are substitution effect work in opposite direction
 - (c) Either (a) or (b)
 - (d) None of these
7. Rationale of the law of demand is:
 - (a) Price effect of a fall in price
 - (b) Different uses
 - (c) Arrival of new consumers
 - (d) All of these
8. The cross elasticity between two goods will be:
 - (a) Positive
 - (b) Negative
 - (c) Either (a) or (b)
 - (d) None of these
9. Demand for complementary goods are:
 - (a) Derived Demand
 - (b) Autonomous demand
 - (c) Aggregate Demand
 - (d) None of these
10. Methods of demand forecasting are:
 - (a) Survey of Buyer's intension
 - (b) Collective opinion Method
 - (c) Both (a) and (b)
 - (d) None of these
11. A Vertical supply curve parallel to Y axis implies that the elasticity of supply is:
 - (a) Infinity
 - (b) Equal to One
 - (c) Zero
 - (d) Greater than one but less than Infinity
12. When total demand for a commodity whose price has fallen increases it is due to:
 - (a) Price effect
 - (b) Income effect

- (c) Substitution effect
 - (d) Complementary effect
13. In the quantity supplied is exactly equal to the relative change in price then the elasticity of supply is:
- (a) Greater than one
 - (b) Less than one
 - (c) One
 - (d) None of these
14. Production is the organized activity of transforming resource into finished products in the form of goods and services and the objective of production is to satisfy the demand of such transformed resources:
- (a) James Bates and J.R Parteinson
 - (b) Malthus
 - (c) Walras
 - (d) Lipsey
15. What are the assumptions 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 the production technology.
 - (c) Both (a) and (b)
 - (d) None of these
16. Envelope curve is also called:
- (a) Long Run Average Cost curve
 - (b) Short Run Average Cost curve
 - (c) Average Fixed Cost
 - (d) None of these
17. Diminishing marginal returns inputs:
- (a) Increasing Marginal Costs
 - (b) Decreasing Marginal Costs
 - (c) Decreasing Average Variable Costs
 - (d) None of these
18. Entrepreneur has its most important function as _____
- (a) Bear the sense of responsibility
 - (b) Earn profit
 - (c) Innovate
 - (d) None of these

19. Elasticity of substitution in Cobb-Douglas Function is:
- (a) Less than 1
 - (b) Equal to 1
 - (c) More than 1
 - (d) Infinity
20. Perfect Competition is closely represented by:
- (a) Stock Market
 - (b) Wheat Market
 - (c) Soft Drinks Market
 - (d) None of these
21. The budget line is also known as:
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
22. When will a firm decide to exit the industry:
- (a) Total cost curve starts rising
 - (b) Marginal cost starts rising
 - (c) Average cost starts rising
 - (d) Price is less than LAC
23. The Average Product of labour is maximized when marginal product of labour:
- (a) Equals Zero
 - (b) Is maximized
 - (c) Equal the average product of labour
 - (d) None of those
24. If $e < 1$ the marginal revenue will be:
- (a) Positive
 - (b) Negative
 - (c) Zero
 - (d) None of these
25. If $ATC > AR$ the monopolist will be incurring _____
- (a) Losses
 - (b) Profit

- (c) Neutral
 - (d) None of these
26. Electricity Companies sells electricity at a cheaper rate in rural areas than for industrial use due to :
- (a) Price Discrimination
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) None of these
27. Pears, Liril & Dove are example of
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
28. Which of the following is not the characteristic of Oligopoly market:
- (a) Strategic Independence
 - (b) Importance of advertising and selling cost
 - (c) Group behaviour
 - (d) Regional Market
29. The element of market are:
- (a) Buyers and Sellers
 - (b) A Product or Service
 - (c) Geographical Area
 - (d) Bargaining for a price
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. For a Price taking firm:
- (a) Marginal revenue is less than Price
 - (b) Marginal revenue is equal to Price
 - (c) The relationship between behavior marginal revenue and Price is indeterminate
 - (d) Marginal revenue is greater than price
32. Monopolist Charges different price for his commodity in discriminating monopoly implies:
- (a) At different places

- (b) For different uses
 - (c) From different group of consumers
 - (d) Any of the above
33. Full capacity is utilized only when there is:
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) Price discrimination
34. Coincident indicator is not indicated as:
- (a) Inflation
 - (b) Industrial Production
 - (c) Retail Sales
 - (d) New order for Plant and equipment
35. Which of the following is not an external causes of Business Cycle:
- (a) Technology Shock
 - (b) Fluctuations in Investment
 - (c) Natural Factors
 - (d) Population Growth
36. According to whom fluctuations in economic activities are due to fluctuations in aggregate effective demand:
- (a) Scumpeter
 - (b) Pigou
 - (c) Keynes
 - (d) Hawtrey
37. Collectively peaks and troughs together is known as:
- (a) Turning Points
 - (b) Contraction
 - (c) Expansion
 - (d) A trough
38. Variables that change before the real output changes are called:
- (a) Lagging indicator
 - (b) Leading Indicator
 - (c) Concurrent Indicator
 - (d) None of these

39. 'Competition among the few' is also referred as:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
40. The slope of budget line is:
- (a) P_x/P_y
 - (b) P_y/P_x
 - (c) $P_x.P_y$
 - (d) None of these
41. Indifference Curve analysis is superior to utility analysis:
- (a) It dispenses with the assumption of measurability
 - (b) It segregates income effect and substitution effect
 - (c) It does not assume constancy of marginal utility of money
 - (d) All of the above
42. The shape of the Cost curve depends upon:
- (a) Cost function
 - (b) Factor of Production
 - (c) Outlay
 - (d) None of these
43. Allocation of resources is dealt in:
- (a) Macro Economic
 - (b) Micro Economics
 - (c) Public Finance
 - (d) None of these
44. All Giffen goods are:
- (a) Inferior goods
 - (b) Non Inferior goods
 - (c) Normal Goods
 - (d) None of these
45. For Substitute products the demand is:
- (a) Downward sloping
 - (b) Horizontal

- (c) Upward Sloping
 - (d) None of these
46. Delphi technique was developed by:
- (a) Robinson
 - (b) Olaf Helmer
 - (c) Amartya Sen
 - (d) None of these
47. Indifference Curve analysis of demand is based on:
- (a) Cardinal Utility approach
 - (b) Marginal Utility approach
 - (c) Ordinal Utility approach
 - (d) None of these
48. The Product under Pure Monopoly Is:
- (a) Homogenous
 - (b) Differentiated
 - (c) Unrelated
 - (d) None of these
49. Perfectly Competitive firm and industry are both in long run equilibrium when:
- (a) $P = MR = SMC = LMC$
 - (b) $P = MR =$ Lowest point on the LAC
 - (c) $P = MR = SAC = LAC$
 - (d) All of the above
50. When $\alpha = 3/5$ and $\beta = 2/5$ the return to scale for Cobb Douglas Production function are:
- (a) Increasing
 - (b) Decreasing
 - (c) Constant
 - (d) First decreasing and then increasing
51. A market refers to _____
- (a) Meeting place of buyer and seller
 - (b) Does not necessarily refer to meeting place between buyer and seller
 - (c) Extends over a city
 - (d) Extends over the entire nation.
52. An economic profit is earned by a perfectly competitive firm when:
- (a) $MR < MC$

- (b) $P < ATC$
 - (c) $P > AVC$
 - (d) $P > ATC$
53. When the output increased by more than double if firm doubles its input is known as:
- (a) Constant return to scale
 - (b) Economies to scale
 - (c) Diseconomies of scale
 - (d) Violation of the law of diminishing return
54. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
 - (b) Prisoner dilemma for buyers
 - (c) To raise the price of the good they offer
 - (d) None of these
55. In which of the market firm price discrimination cannot persist:
- (a) Monopoly
 - (b) Oligopoly
 - (c) Monopolistic Competition
 - (d) Perfect Competition
56. Short run production function is explained by:
- (a) Returns to scale
 - (b) Law of variable proportion
 - (c) Law of demand
 - (d) None of these
57. In monopoly and monopolistic Competition:
- (a) Average Revenue $>$ Marginal Revenue
 - (b) Average Revenue $<$ Marginal Revenue
 - (c) Average Revenue = Marginal Revenue
 - (d) None of these
58. Factor of Production which is active:
- (a) Labour
 - (b) Land
 - (c) Capital
 - (d) None of these

59. How to Produce is related to:
- (a) Product's Choice
 - (b) Choice of technique
 - (c) Either (a) or (b)
 - (d) None of these
60. Economy's historical performance was reflected by:
- (a) Lagging indicating
 - (b) Leading indicating
 - (c) Either (a) or (b)
 - (d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. Which of the following is not a feature of Private company?
 - (a) There are no restrictions on transfer of shares
 - (b) Minimum number of directors are 2
 - (c) Private companies are exempted from deputing various committees of Board of Directors
 - (d) It can start business upon incorporation.
2. A strategic response where businesses are very passive in their behaviour is called as-
 - (a) Least resistance
 - (b) Proceed with caution
 - (c) Dynamic response
 - (d) Strategic action
3. Where is the India's only port-led multi-product SEZ?
 - (a) Kochi
 - (b) Mumbai
 - (c) Surat
 - (d) Mundra
4. Which of the following is one of the most significant macro policy indicators that impact business?
 - (a) Trade policy
 - (b) International trade
 - (c) Tax rates
 - (d) Rural policy
5. RBI's role does not include-
 - (a) Friend, Philosopher and Guide to Government
 - (b) Maintain legal stability
 - (c) Regulate inflation
 - (d) Guide all commercial banks
6. Dividing consumer into groups based on different consumer characteristics, to deliver specially designed advertisements that meet these characteristics as closely as possible, is known as-
 - (a) Mass marketing
 - (b) Market targeting
 - (c) Market segmentation
 - (d) Marketing plan
7. Which of the following is not a stakeholder for a business?
 - (a) Customer
 - (b) Promoter
 - (c) Competitor
 - (d) Government

8. Atmanirbhar Bharat is a competition for Global companies in India, this defines which characteristic of the business environment?
- (a) Far-reaching impact
 - (b) Complex
 - (c) Multi-faceted
 - (d) Dynamic
9. 'Hunger to win customers for life' is the mission of which of the following company?
- (a) Adani Ports and Special Economic Zones Limited
 - (b) Asian Paints
 - (c) Bharti Airtel Limited
 - (d) Cipla Limited
10. FDI is prohibited in which of the following sectors?
- (a) Retail
 - (b) E-Commerce
 - (c) Education
 - (d) Chit Fund
11. Who from the following helps a budding business to quickly launch a product and put it in the first lane of commercial success?
- (a) Business incubator
 - (b) Freight forward
 - (c) Business accelerator
 - (d) Merchandiser
12. Rates of interest that can be changed contractually by the lender are called-
- (a) Spot rates
 - (b) Administered rates
 - (c) Swap rates
 - (d) Repo rates
13. Human activities distinguishable by presence of the livelihood motives are known as:
- (a) Economic activities
 - (b) Non-economic activities
 - (c) Emotional activities
 - (d) Sentimental activities
14. Insufficient capital for Research and Development is?
- (a) Strength
 - (b) Threat
 - (c) Weakness
 - (d) Opportunity

15. Financial analysts are also called among which of the following?
- (a) Management consultants
 - (b) Mutual fund analysts
 - (c) Financial guru
 - (d) Security analysts
16. Prohibition of crackers in Delhi by the state government is a type of?
- (a) Protective
 - (b) Regulatory
 - (c) Restrictive
 - (d) Facilitating
17. MRTP Act, 1969 stands repealed with the repealed with the enforcement of the following Act:
- (a) Foreign Exchange Regulation Act, 1973
 - (b) Foreign Exchange Management Act, 1999
 - (c) Competition Act, 2002
 - (d) IRDAI Act, 1999
18. Process of evaluating each market segment and selective the most attractive one to enter into is called?
- (a) Marketing
 - (b) Marketing mix
 - (c) Mass marketing
 - (d) Market targeting
19. 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
20. 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
21. Flipkart has its registered office at-
- (a) New Delhi
 - (b) Hyderabad
 - (c) Singapore
 - (d) Mauritius

22. Which of the following is an example of facilitating policy?
- (a) Companies act 2013
 - (b) Income tax policy
 - (c) Monetary policy
 - (d) Micro-small-medium enterprises
23. Monetary policy of the government is affected with support from?
- (a) RBI
 - (b) IRDAI
 - (c) SEBI
 - (d) NABARD
24. The price of security at the beginning of the trading days is called-
- (a) Basket trading
 - (b) Base price
 - (c) Bid
 - (d) Book value
25. Which of the following is a discipline of medicine and also of BCK?
- (a) Economics
 - (b) Laws
 - (c) Sociology
 - (d) Psychology
26. An effective organizational strategy includes which of the following activities?
- (a) Capitalizes on the opportunities through the use of threats
 - (b) Neutralizes the threats by minimizing the impact of weaknesses
 - (c) Neutralizes the opportunities by minimizing the impact of weaknesses
 - (d) Capitalizes on the weaknesses through the use of threats
27. Which of the company in India to have equity stake in 1st Greenfield Airport at Cochi, India?
- (a) Adani Ports SEZ Ltd.
 - (b) Bharat Petroleum Corporation Ltd.
 - (c) Tata Sons Pvt. Ltd.
 - (d) Larsen & Toubro Ltd.
28. 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

29. Tariff Advisory Committee is a part of?
- (a) RBI
 - (b) IRDAI
 - (c) SEBI
 - (d) CCI
30. 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.
31. A company created for a future project and has no significant accounting transaction is called-
- (a) Shell company
 - (b) Commercial company
 - (c) One Person company
 - (d) Dormant company
32. "Once a company knows what is happening around it, it can plan and strategies accordingly", this is part of which of the following importance's of business environment?
- (a) Giving direction for growth
 - (b) Determining opportunities and threat
 - (c) Image building
 - (d) Continuous learning
33. Which of the following is not a subsidiary of NTPC Limited?
- (a) Kanti Bijlee Utpadan Nigam Ltd
 - (b) Bharatiya Rail Bijlee Company Limited
 - (c) Patratu Vidyut Utpadan Nigam Limited
 - (d) Powerlink Transmission Limited
34. Singapore government gave the business option to either take cheap loans or to take subsidies on exporting. What kind of public policy is this?
- (a) Protective
 - (b) Facilitating
 - (c) Regulatory
 - (d) Restrictive
35. 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
36. 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
37. Which of the following is incorrect?
- (a) Events lead to trends
 - (b) Trends lead to events
 - (c) Issues raise expectations
 - (d) Expectations are opportunities
38. Which of the following elected by shareholders in organization?
- (a) Owners
 - (b) Board of Directors
 - (c) Employees
 - (d) Directors
39. Which of the following is not a source of infusion of foreign funds in India?
- (a) Listing of a company in NSE through IPO
 - (b) Non-Resident Indians
 - (c) Foreign Institutional Investors
 - (d) Overseas Citizens of India
40. Amount which are owned to a company that need not to be paid back is called-
- (a) Assets
 - (b) Bad debts
 - (c) Bears
 - (d) Current assets

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

Answer Key

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

1	2	3	4	5	6	7	8	9	10
(a)	(a)	(d)	(c)	(b)	(c)	(c)	(c)	(c)	(d)
11	12	13	14	15	16	17	18	19	20
(c)	(b)	(a)	(c)	(d)	(c)	(c)	(d)	(d)	(d)
21	22	23	24	25	26	27	28	29	30
(c)	(d)	(a)	(b)	(d)	(b)	(b)	(d)	(b)	(b)
31	32	33	34	35	36	37	38	39	40
(d)	(a)	(d)	(b)	(b)	(b)	(b)	(b)	(a)	(b)