

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

- 1 Business Economics is a :
 - (a) Normative Science
 - (b) Interdisciplinary
 - (c) Pragmatic
 - (d) All of these
- 2 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
3. Methods of demand forecasting are:
 - (a) Survey of Buyer's intension
 - (b) Collective opinion Method
 - (c) Both (a) and (b)
 - (d) None of these
4. Entrepreneur has its most important function as _____
 - (a) Bear the sense of responsibility
 - (b) Earn profit
 - (c) Innovate
 - (d) None of these
5. Pears, Liril & Dove are example of
 - (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
6. 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
7. Variables that change before the real output changes are called:
 - (a) Lagging indicator

- (b) Leading Indicator
 - (c) Concurrent Indicator
 - (d) None of these
8. Supply is the -
- (a) Limited resources-that are available within the seller
 - (b) Cost of Producing a good
 - (c) Entire-relationship between the quantity supplied and the price of good.
 - (d) Willingness to produce a good if the technology to produce it becomes available
9. Economy's historical performance was reflected by:
- (a) Lagging indicating
 - (b) Leading indicating
 - (c) Either (a) or (b)
 - (d) None of these
10. Contraction of demand is the result of
- (a) Decrease in the number of Consumers
 - (b) Increase in the price of the good concerned
 - (c) Price of related products
 - (d) None of these
11. Cost of living increase when business cycle is operating at its
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
12. In the beginning economics was named as:
- (a) Political Economy
 - (b) Welfare Economics
 - (c) Economies of Wealth
 - (d) None of these
13. The market price cannot be influenced by a seller under:
- (a) Monopolistic Competition
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) All the above
14. Time elements was conceived by :
- (a) Paul Sweezy
 - (b) Hicks
 - (c) Marshall
 - (d) Simon Kuznets

15. The Pure monopolist in the long run can make pure profit due to :
- High Selling Price
 - Advertising
 - Low LAC Cost
 - Blocked entry
16. Law of variable proportion is related to :
- Long Run
 - Short Run
 - Both (a) and (b)
 - None of these
17. What are the Central Problem of an economy:
- What to Produce
 - What provisions are to be made for economic growth?
 - How to Produce
 - All the above
18. Which of the following is not the demerit of Capitalism:
- There is usually high degree of operative efficiency under the capitalist system
 - Under Capitalism there is precedence of property right over human rights
 - Due to income inequality the pattern of demand does not represent the real needs of the society.
 - Capitalism leads to the formation of monopolies
19. Macroeconomics is also called_____economics.
- experimental
 - aggregate
 - applied.
 - none of these
20. The Substitution effect will be stronger when:
- there is lower inconvenience while switching to the Substitute good
 - the goods are closer substitute.
 - there is lower cost of switching to the substitute good
 - All of the above
21. Which of the following is the exception to the law of demand:
- Speculative goods
 - Conspicuous necessities
 - Future expectation about prices
 - Income effect
22. If the price of A rises by 10% and the demand for B increases by 15% then the Cross elasticity will be:
- 1.5
 - 1.5
 - 2

- (d) None of these
23. What are the limitation of Consumer Surplus:
- (a) Consumer surplus cannot be measured precisely
 - (b) The Consumer surplus derived from a commodity is affected by availability of substitute
 - (c) Both (a) & (b)
 - (d) None of these
24. Which of the following is not the characteristic of land:
- (a) It is a passive factor
 - (b) It has multiple uses
 - (c) It's supply is fixed
 - (d) It is a active factor
25. Accounting costs are also called:
- (a) Explicit cost
 - (b) Implicit Cost
 - (c) Either a or b
 - (d) None of these
26. 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.
27. The classification of market is made on the basis of :
- (a) Geographical Area
 - (b) Time
 - (c) Volume of business
 - (d) All the above
28. How do monopoly arises:
- (a) Strategic Control over scarce resources
 - (b) Governments granting exclusive rights to produce and sell a good or a service
 - (c) Stringent legal and regulatory requirements effectively discourages entry of new firms without being specifically prohibited
 - (d) All of the above
29. Which of the following involve a trade-off ?
- (a) Taking a nap
 - (b) Going to University
 - (c) Watching a football game on Saturday afternoon
 - (d) All of these
30. The indifference curve of two substitute will be:
- (a) Straight line

- (b) U- Shaped
 - (c) C Shaped
 - (d) L shaped
31. Sweezy's Model is related to which market form :
- (a) Oligopoly market
 - (b) Perfect Competition market
 - (c) Monopoly market
 - (d) None of these
32. Price discrimination cannot persist Under which market form –
- (a) Perfect competition
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) None of these
33. In law of variable proportion how many stages are there:
- (a) 1
 - (b) 3
 - (c) 5
 - (d) None of these
34. At the stage when Negative Return sets in :
- (a) MP is negative
 - (b) MP is diminishing
 - (c) Either a or b
 - (d) none of these
35. Minimum assured price to the farmers to purchase their output by the government is called:
- (a) Market Price
 - (b) Equilibrium Price
 - (c) Support Price
 - (d) Ceiling Price
36. The income elasticity For Luxuries goods is:
- (a) $E > 1$
 - (b) $E < 1$
 - (c) $E = 0$
 - (d) None of these
37. Unique supply curve is monopoly is not due to _____
- (a) $P > MC$
 - (b) $P < MC$
 - (c) $P = MC$
 - (d) None of these

38. AR is different from MR under which form of market :
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect Competition
 - (d) Both a and b
39. In Monopoly Cross elasticity of Product is :
- (a) Zero
 - (b) High
 - (c) Infinity
 - (d) None of these
40. Innovation theory is propounded by :
- (a) Schumpeter
 - (b) Nicholas Kaldor
 - (c) Keynes
 - (d) None of these
41. Information Technology bubble burst of 2000 is an example of :
- (a) Business Cycle
 - (b) Consumer Sovereignty
 - (c) Freedom of choice
 - (d) None of these
42. In which form of market Cartels can be formed:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
43. Monopolistic Competition theory architect was
- (a) Roden
 - (b) Marx
 - (c) J R Hicks
 - (d) Chamberlin
44. Snob effect is explained as _____
- (a) It is a function of consumption of others
 - (b) It is a function of price
 - (c) Both (a) and (b)
 - (d) None of these
45. The rate at which the consumer is prepared to exchange-good x and y is :
- (a) Marginal rate of substitution
 - (b) Elasticity of Substitution
 - (c) Diminishing Marginal Utility

- (d) None of these
46. Cost of living increase when business cycle is operating at :
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
47. Supply and Stock are _____
- (a) Same thing
 - (b) Different
 - (c) Having no comparison
 - (d) Both (a) and (c)
48. Economic indicator required to predict the turning point of business cycle is :
- (a) Leading indicator
 - (b) Lagging indicator
 - (c) Coincident
 - (d) All of the above
49. Normative economics can be best explained through:
- (a) Fairness to tax
 - (b) Incidence to tax
 - (c) Effect of tax on incentives to work
 - (d) None of these
50. For Giffen good the Engel curve is:
- (a) Positive sloped
 - (b) Vertical
 - (c) horizontal
 - (d) Negative sloped
51. If the monopolist incurs 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
52. Globalization indicate rapid ____ between Countries :
- (a) Competition
 - (b) Investment
 - (c) Integration
 - (d) None of these
53. 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
54. Monopsony market and monopoly market when combined is called:
- (a) Oligopoly market
 - (b) Monopolistic market
 - (c) Duopoly market
 - (d) Bilateral Money Market
55. Consumer under Income effect:
- (a) Always purchase higher quantities of both the commodities
 - (b) moves to higher or lower indifference curve
 - (c) moves along the original indifference Curve.
 - (d) None of these
56. Which is not the External Causes of business cycle:
- (a) Technology shock
 - (b) Population Growth
 - (c) Money Supply
 - (d) Technology Shock
57. Which is the feature of monopolistic Competition:
- (a) Large number of sellers
 - (b) Product differentiation
 - (c) Freedom of entry and exit
 - (d) All of the above
58. Total Utility is maximum when:
- (a) Marginal Utility is negative
 - (b) Marginal Utility is zero
 - (c) Marginal Utility is at its highest point.
 - (d) None of these
59. Stock Exchange is an example of ___
- (a) Forward market
 - (b) Regulated market
 - (c) Spot market
 - (d) None of these
60. Which of the following is not a characteristic of monopolistic competition?
- (a) Ease of entry into the industry
 - (b) Product differentiation
 - (c) A homogeneous Product
 - (d) A relatively large number of sellers

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. A company which may be created for a future project or to hold an asset or intellectual property and has no significant accounting transaction called--
- (a) One Person Company (OPC)
 - (b) Small company
 - (c) Dormant company
 - (d) Banking company
62. Which of the following is NOT a correct statement?
- (a) 'Make in India' campaign is an example of political- legal environment.
 - (b) Changes in corporate tax is an example of political — legal environment.
 - (c) Increase in GDP is an example of economic environment.
 - (d) Reliance Jio as a competitor of BSNL is an example of internal environment.
63. Which one of the following is NOT related to funds transfer in banks?
- (a) RTGS
 - (b) NEFT
 - (c) IFSC
 - (d) CRR and SLR
64. Which of the following is NOT meant by liberalization?
- (a) Decontrol
 - (b) Disinvestment of PSU
 - (c) Freedom to do business
 - (d) Deregulation
65. High beta value stocks are-
- (a) Less volatile
 - (b) Defensive
 - (c) Less defensive
 - (d) More volatile
66. The vision "Be a model corporate entity with social responsibility committed to energizing lives through sustainable development" belongs to-
- (a) ONGC
 - (b) IOC
 - (c) BPCL
 - (d) HPCL
67. Which of the following is NOT correct?
- (a) In Bullish market prices of security increase
 - (b) In Bearish market prices of security fall
 - (c) In Bearish market the investors are optimist

- (d) In Bullish market the investors are optimist.
68. Which one the following is NOT the strategic response to the environment?
- (a) Administrative response
 - (b) Competitive response
 - (c) Collective response
 - (d) Political response
69. Which of the following is NOT a regulatory institution?
- (a) ARC
 - (b) RBI
 - (c) IRDA
 - (d) SEBI
70. Which of the following sectors prohibited under FDI?
- (a) Textiles
 - (b) Atomic energy
 - (c) Automobiles
 - (d) Insurance
71. Maximum number of members in a Private limited company are:
- (a) 50
 - (b) 200
 - (c) 20
 - (d) 500
72. Which bank provides the digital service Payzapp?
- (a) Axis Bank Limited
 - (b) HDFC Bank Limited
 - (c) ICICI Bank Limited
 - (d) SBI
73. ----- implies contractual co-ownership of a business.
- (a) HUF
 - (b) Sole proprietorship
 - (c) Partnership
 - (d) Private Limited Company
74. Emergence of a strong new competitors in the industry is an example of-
- (a) Strength
 - (b) Weakness
 - (c) Opportunity
 - (d) Threat
75. Regulation of forex transactions is done by the_____
- (a) RBI

- (b) Ministry of Finance
 - (c) SEBI
 - (d) World Bank
76. Monetary policy does NOT concentrate upon-
- (a) Interest rate
 - (b) Credit control
 - (c) Liquidity adjustment
 - (d) Disposable income
77. Which of the following is the correct statement?
- (a) FDI has strong speculative effect in stock market.
 - (b) FII have strong speculative effect in stock market.
 - (c) FDI is also called portfolio investment.
 - (d) FDI is short term investment.
78. What is consolidation?
- (a) It is an expense that is supposed to reflect the loss in value of a fixed asset.
 - (b) Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity create for that purpose.
 - (c) Potential liability arising from a past transaction or a subsequent event.
 - (d) Cost that can be attributed clearly to the activity you are considering.
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. To be the leading provider of financial services in India and a major global bank is in the vision of which Indian Commercial Bank?
- (a) ICICI Bank
 - (b) HDFC Bank
 - (c) State Bank of India
 - (d) Axis Bank Limited
82. Economic Activities are based on the concept of?
- (a) Altruism
 - (b) Rationality

- (c) Sentimental value creation
 - (d) Emotional Reasons
83. Amazon in India has its registered office at?
- (a) Bengaluru
 - (b) Hyderabad
 - (c) Singapore
 - (d) Mauritius
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. Indian LPG is the product of which enterprises in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
88. 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
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. The exchange rate of a country is-
- (a) No. of units of a given currency that can be purchased for one unit of another currency.
 - (b) Equity shares exchanged for number of bonus shares.
 - (c) Dividend paid out of profits.
 - (d) Current ratio
91. 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.
92. 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
93. Where is the India's only port-led multi-product SEZ?
- (a) Kochi
 - (b) Mumbai
 - (c) Surat
 - (d) Mundra
94. 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
95. 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
96. 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

97. Which of the following is NOT an economic activity?
- (a) Eating food at a restaurant
 - (b) Selling food at subsidised prices
 - (c) Making cloth material for retail
 - (d) Cleaning the road in front of your house yourself
98. External factors affecting a business environment is also referred to as factors?
- (a) Controllable
 - (b) Relevant
 - (c) Global
 - (d) Uncontrollable
99. Spreading fixed costs over large number of units to reduce the per unit cost is called?
- (a) Diversification
 - (b) Forecasting
 - (c) Budgeting
 - (d) Economies of Scale
100. SEBI is the apex authority for setting rules for-
- (a) Money market
 - (b) Capital market
 - (c) Non-Financial markets
 - (d) Market for insurance products

PAPER – 4A PART I: BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE
ANSWERS

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