

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. "The wealth of Nation" Considered as the first modern work of Economics was written by :
 - (a) Marx
 - (b) Adam-Smith
 - (c) Lipsey
 - (d) Allen
2. Business Economics is:
 - (a) Normative Science
 - (b) Interdisciplinary
 - (c) Pragmatic in approach
 - (d) All the above
3. The Central Economic Problem is:
 - (a) What to Produce?
 - (b) What Provision (if any) are to be made for economic growth?
 - (c) How to Produce?
 - (d) All the above
4. The 'communist Manifesto' was published in:
 - (a) 1848
 - (b) 1905
 - (c) 1952
 - (d) None of these.
5. Which of the following is not within the scope of Business Economies?
 - (a) Risk Analysis
 - (b) Accounting Standards
 - (c) Capital Budgeting
 - (d) All the Above
6. The allocation of resources in a free-market economy is determined by :
 - (a) Level of Profits of firms
 - (b) Consumer Preferences

- (c) Central Planning Authority
 - (d) None of these
7. Which of the following exhibit direct price demand relationship:
- (a) Substitute goods
 - (b) Complementary goods
 - (c) Giffen goods
 - (d) None of these.
8. Which of the following is a variable case for a firm?
- (a) Interest on Loan
 - (b) Monthly rent
 - (c) Insurance Premium
 - (d) Wages to Employees
9. A firm's average fixed cost (AFC) is Rs. 20 at Six Units of output. What will be AFC at four Units of Output?
- (a) Rs. 20
 - (b) Rs. 30
 - (c) Rs. 40
 - (d) Rs. 50
10. X,Y and Z are confused with the formula for defining TC
- (a) X Says : $TC = TVC + TFC$
 - (b) Y Says: $TC = AC \times \text{output}$
 - (c) Z Says: $TC = ZMC + TFC$
- Identify who amongst them is correct
- (a) X
 - (b) Y
 - (c) Z
 - (d) All of them
11. Which two curves are intersected by MC Curve at their minimum points:
- (a) AC and AVC
 - (b) AC and AFC
 - (c) AC and TVE
 - (d) AVC and AFC
12. There will be ----- in the demand Curve of cars with an incase in the Price of Petrol
- (a) Leftward shift

- (b) Rightward Shift
 - (c) Upward Movement
 - (d) Downward Movement
13. The Consumer surplus is derived from:
- (a) Law of diminishing marginal utility
 - (b) Marginal rate of substitution.
 - (c) Budget line
 - (d) None of these
14. Income elasticity in the case of Inferior good will be :
- (a) Zero
 - (b) Positive
 - (c) Negative
 - (d) Infinite
15. What are the determinant of Price elasticity of demand?
- (a) Availability of Substitute
 - (b) Tied demand.
 - (c) Time period
 - (d) All of these
16. When the two goods are complementary to each other the cross elasticity between them is:
- (a) Negative
 - (b) Positive
 - (c) Either of these
 - (d) None of these
17. According to Hicks and Allen the demand curve slopes downwards due to :
- (a) Income and substitution effect
 - (b) Diminishing marginal utility
 - (c) Price elasticity
 - (d) None of these
18. The heavy advance order for Capital goods is an example of
- (a) Lagging Indicator
 - (b) Leading Indicator
 - (c) Coincidental Indicator
 - (d) None of these

19. The commonly available technique of demand forecasting are:
- (a) Survey of buyer's intention
 - (b) Expert opinion method
 - (c) Least Square method
 - (d) All of these
20. If the price of both goods fall how would that budget line, be affected?
- (a) The budget line will be shifting to the left.
 - (b) The budget line would not shift.
 - (c) So long as the prices of both goods change in the same proportion the new budget line will have same slope.
 - (d) None of these.
21. Two Suppliers and many buyers are in ----- market.
- (a) Duopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Oligopoly
22. Interest on own capital is a ----
- (a) Explicit Cost
 - (b) Implicit Cost
 - (c) Future Cost
 - (d) None of these
23. The transformation of physical inputs into output is known as ----
- (a) Supply
 - (b) Demand
 - (c) Cost
 - (d) Production
24. When $e = 0$ elasticity of demand is
- (a) Unitary
 - (b) Inelastic
 - (c) Perfectly inelastic demand
 - (d) None of these.
25. Which curve is not affected by fixed cost?
- (a) MC Curve
 - (b) TC Curve
 - (c) AC Curve

- (d) AFC Curve
26. Which two curves are intersected by MC curve at their minimum points:
- (a) AC and AVC
 - (b) AVC and AFC
 - (c) AC and AFC
 - (d) AC and TVC
27. Which of the following is an example of "Implicit cost"?
- (a) Interest that could have been earned on retained earnings used by the firm to finance expansion
 - (b) Payment of Rent by the Firm
 - (c) Interest Payment made by the Firm for funds borrowed from a Bank
 - (d) Payment of Wages by the Firm
28. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-axis. It happens because:
- (a) Selling costs are zero
 - (b) There is freedom of entry and exit
 - (c) Firm is a price-taker
 - (d) None of these
29. Under which market form, the demand curve is steeper as compared to monopolistic competition?
- (a) Monopoly
 - (b) Oligopoly
 - (c) Perfect Competition
 - (d) None of these
30. Firms cooperate with each other in determining price or output or both. It is a feature of:
- (a) Pure Oligopoly
 - (b) Non-Collusive Oligopoly
 - (c) Imperfect Oligopoly
 - (d) Collusive Oligopoly
31. Consumers get maximum variety of goods under:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) Pure Competition
32. 'A few big sellers' is a characteristics of:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) None of the above

33. Ceteris paribus means:
- Holding supply constant
 - Holding demand constant
 - Price being constant
 - other factors being constant.
34. Who defined Business economics in terms of the use of economic analysis in the formulation of business policies?
- Adam Smith
 - Robbins
 - Joel Dean
 - Alfred Marshall
35. A rational person does not act unless____
- The action is ethical.
 - The action produces marginal cost that exceeds marginal revenue.
 - The action produces marginal benefits that exceed marginal costs.
 - The action makes money for the person.
36. Which one of the following countries does not follow Capitalist economic system?
- USA
 - UK
 - Germany
 - India
37. "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as_____
- Veblen effect
 - Bandwagon effect
 - Snob effect
 - Demonstration effect
38. In the Cobb-Douglas production function given as: $Q = A L^a K^{1-a}$ the share of labour in total production is
- a
 - 1 - a
 - A
 - a .L
39. Assertion (A): Investment has also a supply effect.
Reason (R): Because it raises capacity to produce.
- (A) is true and (R) is false
 - Both (A) and (R) are true & (R) is the correct explanation of (A)
 - Both (A) and (R) are true & (R) is not the correct explanation of (A) (
 - (A) is false and (R) is true

40. Which of the following statement is incorrect?
- (a) Kinked Demand Curve is related to Oligopolistic market
 - (b) Even a monopolistic firm can incur losses
 - (c) Firms are price takers in perfectly competitive market
 - (d) It is always beneficial for a firm in a perfectly competitive market to discriminate prices
41. 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
42. Peak is the _____ stage of expansion.
- (a) Later
 - (b) Earlier
 - (c) Either (A) or (B)
 - (d) None of the above
43. Coincident economic indicators are also called _____.
- (a) Concurrent indicators
 - (b) Compound indicators
 - (c) Coexist indicators
 - (d) Random indicators
44. Demand for complementary goods are:
- (a) Derived Demand
 - (b) Autonomous demand
 - (c) Aggregate Demand
 - (d) None of these
45. The budget line is also known as:
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
46. Allocation of resources is dealt in:
- (a) Macro Economic
 - (b) Microeconomics
 - (c) Public Finance
 - (d) None of these
47. The Product under Pure Monopoly is:
- (a) Homogenous
 - (b) Differentiated

- (c) Unrelated
 - (d) None of these
48. Demand for Electricity is elastic because
- (a) it is very expensive
 - (b) it has alternative uses
 - (c) it has a number of close Substitute.
 - (d) None of these
49. Fluctuation in economic activities according to Keynes are due to :
- (a) Innovations
 - (b) changes in money supply
 - (c) Fluctuation in aggregate effective demand
 - (d) Fluctuation in government spending
50. In business cycle peaks and troughs are collectively known as:
- (a) Turning Points
 - (b) Equilibrium Points'
 - (c) Real business cycle events'
 - (d) None of these
51. Price Rigidity explained by Sweezy's model is related to which market form:
- (a) Monopoly
 - (b) Oligopoly
 - (c) Monopolistic competition
 - (d) None of these
52. Secular Period is also known as :
- (a) Short Period
 - (b) Very Long Period
 - (c) long Period
 - (d) Very short Period
53. Which of the following is correct about Cartel?
- (a) There are few firms
 - (b) All of which are similar in size
 - (c) Most Cartels have only a Subset of producers
 - (d) All of the above
54. Which of the following is not a determinant of the firm's cost function?
- (a) Taxes
 - (b) The Production Function
 - (c) The Price of the firm's output
 - (d) None of these

55. Comfort lie between:
- (a) inferior goods and necessities
 - (b) luxuries and inferior goods
 - (c) necessities and luxury
 - (d) None of these
56. Inequality and Exploitation is minimal under:
- (a) Mixed economy
 - (b) Capitalism
 - (c) Socialism
 - (d) None of these
57. A vertical supply curve parallel to Y axis implies that the elasticity of supply is :
- (a) Infinity
 - (b) Zero
 - (c) Greater than zero but less than infinity
 - (d) Equal to one
58. When the Output of the firm increases in the Short run , its average fixed cost :
- (a) Decreases
 - (b) Increases
 - (c) First decline and then rise
 - (d) remains constant
59. Price discrimination will be profitable only if the elasticity of demand in different sub market is :
- (a) different
 - (b) uniform
 - (c) zero
 - (d) less
60. When $e > 1$ the MR is
- (a) One
 - (b) Negative
 - (c) Positive
 - (d) Zero

PAPER – 4: PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. Find out the incorrect:
- (a) Economic activities are drive by rationality.
 - (b) Economic activities are guided by self-interest.
 - (c) Non-Economic activities are driven by emotional or sentimental force.
 - (d) Non-Economic activities are not at all important in life.
62. National Water Mission is related to -
- (a) Environmental aspect
 - (b) Legal cause
 - (c) Social welfare
 - (d) Economic planning
63. One of the leading companies in Paint Industry, Asian Paints, was incorporate is in the year-
- (a) 1962
 - (b) 1942
 - (c) 1868
 - (d) 1980
64. Mark incorrect as Globalization refers to:
- (a) Encouraging regional economic cooperation.
 - (b) Integrating the world into one economic global village.
 - (c) It pares the way for higher factor mobility.
 - (d) Drawing countries out of their insulation.
65. Which of the following is NOT a function of RBI?
- (a) Monopoly of Note issue
 - (b) Banker to the Government
 - (c) Advancing loan to large business houses
 - (d) Controller of Credit
66. Which of the following is incorrect?
- (a) Arbitrage is simultaneous purchase and sale of a commodity.
 - (b) Current assets are those which can be turned into cash within a year.
 - (c) Intangible assets are those which do not have physical form. They are in the form of rights.
 - (d) Break-even point is also called an optimum point of a firm.
67. The Karta in Joint Hindu Family Business has
- (a) Limited liability

- (b) Unlimited liability
 - (c) No liability for debts
 - (d) Joint liability
68. Environmental Analysis helps in:
- (a) Providing input for strategic decision making
 - (b) Turning threats to firm's advantage
 - (c) Anticipate opportunities and to take optimal responses
 - (d) All of the above
69. Which one of the following is NOT a Foreign Company?
- (a) Dr. Reddy's Laboratories Ltd.
 - (b) Walmart
 - (c) Nestle
 - (d) HP
70. Privatization may NOT be conceptualized in form of:
- (a) Divestment
 - (b) Disinvestment
 - (c) Dedication
 - (d) Displacement
71. 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
72. ADR stands for:
- (a) American Deficit Record
 - (b) American Depository Receipt
 - (c) Asset Depreciation Record
 - (d) Asset Depository Receipt
73. Which of the following is NOT an economic objective of the firm?
- (a) Sales growth
 - (b) Improvement in market share
 - (c) Profits and return on investment
 - (d) Conservation of natural resources
74. In the PEST framework for environmental analysis, what does the letter 'E' stand for?
- (a) Ecological
 - (b) Economic

- (c) Ethical
 - (d) Educational
75. The mission of Bharti Airtel Ltd. is:
- (a) Hunger to win customers for life
 - (b) Focus on value-based marketing
 - (c) Continual improvement
 - (d) Serving for better
76. Which policies are meant for specific segments of society, it can be in the area of public distribution to people below poverty line, justice for women etc.?
- (a) Financial
 - (b) Distributive
 - (c) Facilitating
 - (d) Economic
77. Which of these was originally privately owned?
- (a) SEBI
 - (b) IRDAI
 - (c) RBI
 - (d) NABARD
78. Risk is a probable chance that investments' actual returns will be _____ than as calculated.
- (a) Increased
 - (b) Reduced
 - (c) Equal
 - (d) None of the above
79. Find out the incorrect:
- (a) Sole proprietor is a business unit having unlimited liability
 - (b) LLP firm may be constituted
 - (c) HUF business may be formed by a group of people who do not belong to family
 - (d) Hindu includes Buddha, Jain, Sikh, Parsi families
80. Mark incorrect: Partnership implies
- (a) Contractual ownership of business
 - (b) Liability of partner is limited to the extent of one's share capital
 - (c) The contract is an agreement enforceable at law is called deed
 - (d) Deed may be registered in India under the Partnership Act, 1932
81. Mark the correct:
- (a) Tata Sons is a holding company
 - (b) Infosys, Wipro and TCS are IT companies

- (c) Flipkart, Amazon, Myntra are online trading companies
 - (d) All of the above are correct
82. Find out the correct:
- (a) For sustainable economic development, FII is more preferable to FDI.
 - (b) FDI has strong speculative effect in equity market.
 - (c) In India, permission for FDI is not uniform for all sectors.
 - (d) FDI is usually done to reap short term gains.
83. Which of the following Institution has a portfolio of Natural Resource Management Programmes involving diverse fields like Watershed Development, Tribal Development etc., though dedicated funds set up for the purpose?
- (a) SEBI
 - (b) RBI
 - (c) SBI
 - (d) NABARD
84. Which of the following is not covered under four P's of Marketing?
- (a) Product
 - (b) Price
 - (c) Place
 - (d) Procedure
85. A partnership may NOT be formed to carry on:
- (a) Any trade
 - (b) Occupation
 - (c) Profession
 - (d) Social enterprise
86. Relationship between organisation and environment can be described through:
- (a) Exchange of information
 - (b) Exchange of resources
 - (c) Exchange of influence and power
 - (d) All of the above
87. Luca Maestri is the CFO of which company?
- (a) Walmart
 - (b) Nestle
 - (c) Apple
 - (d) Microsoft
88. The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is known as:
- (a) Disinvestment

- (b) Deregulation
 - (c) Delegation
 - (d) Decentralization
89. Where is the head office of NABARD?
- (a) Mumbai
 - (b) Delhi
 - (c) Gurugram
 - (d) Bengaluru
90. What is a bull market?
- (a) A market in which the stock prices are increasing consistently.
 - (b) A market in which the stock prices are decreasing consistently.
 - (c) A market in which the stock prices are stable over a long time.
 - (d) None of the above
91. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
 - (b) Parsi family
 - (c) Buddhist family
 - (d) Muslim family
92. The term PESTLE analysis is used to describe a framework for analyzing:
- (a) Macro Environment
 - (b) Micro Environment
 - (c) Both Macro and Micro Environment
 - (d) None of above
93. Indane LPG is the product of which corporation in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
94. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
 - (b) Privatization
 - (c) Disinvestment
 - (d) Aggregation
95. The RBI has been vested with extensive power to control and supervise commercial banking system under the-
- (a) Reserve Bank of India Act, 1934

- (b) The Banking Regulation Act, 1949
 - (c) Both (a) and (b)
 - (d) The Companies Act, 2013
96. _____ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment.
- (a) Cap
 - (b) Encryption
 - (c) Hedge
 - (d) Term insurance
97. Which one is NOT a part of environmental scanning?
- (a) Identify opportunities & threats affecting business.
 - (b) It takes events, trends, issues and expectations in the consideration.
 - (c) It is done by government to know if the firm is engaged in any anti national activity.
 - (d) It helps in formulating future path of the firm.
98. Identify the sector where, FDI is NOT permitted:
- (a) Automobile
 - (b) Infrastructure
 - (c) Textile
 - (d) Atomic energy
99. How many members of SEBI should be from RBI?
- (a) 4
 - (b) 3
 - (c) 1
 - (d) 2
100. A portion of the after-tax profits paid out to the owners of a business as a return on their investment is:
- (a) Dividend
 - (b) Expense
 - (c) Expenditure
 - (d) Deferred income

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PAPER – 4A PART I: BUSINESS ECONOMICS

ANSWERS

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

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

ANSWERS

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