

MOCK TEST PAPER 1
FOUNDATION COURSE
PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE
PART- I: BUSINESS ECONOMICS
QUESTIONS

Max. Marks: 60 Marks

1. In mixed economy the feature include existence of
 - (a) Private Sector
 - (b) Public Sector
 - (c) Combined Sector
 - (d) All of these
2. Which of the following is demerit of Capitalism:
 - (a) There is precedence of property rights over human right
 - (b) It functions in a domestic framework
 - (c) High degree of operative efficiency
 - (d) None of these
3. Which of the following is included in study of Micro economics:
 - (a) Product Pricing
 - (b) Factor Pricing
 - (c) Both (a) and (b)
 - (d) None of these
4. Scarcity definition is economics is given by
 - (a) Lipsey
 - (b) Adam Smith
 - (c) J B Say
 - (d) Robinson
5. 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

6. Which of the following are the determinant of price elasticity of demand:
- (a) Availability of substitutes
 - (b) Time period
 - (c) Tied demand
 - (d) All of these
7. If the cross elasticity is only- slightly below zero which of the following is correct?
- (a) They are weak complements
 - (b) Negative and very high they are strong complements
 - (c) Both (a) and (b)
 - (d) None of these
8. Indifference Curve Analysis was proposed by _____
- (a) J. R Hicks and R.G.D Allen
 - (b) Alfred Marshall
 - (c) Jeremy Bentham
 - (d) None of these
9. 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
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. Business Economics in its approach is
- (a) Pragmatic
 - (b) Idealistic
 - (c) Normative
 - (d) None of these
12. After identifying the markets the enterprise has to make decision regarding 4Ps which one of the following is not one of those 4Ps :
- (a) Promotion

- (b) Population
 - (c) Place
 - (d) Produce
13. The kinked demand curve of Oligopoly is useful in explaining
- (a) The process by which oligopolistic merge
 - (b) How the collusion work
 - (c) Price and output are sensitive to change in marginal cost.
 - (d) Why oligopolistic price might change only infrequently
14. Cost of living increase when business cycle is operating at its
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
15. Which is more prone to the adverse effects of the business cycle _____
- (a) Services
 - (b) Industries
 - (c) Agriculture
 - (d) None of these
16. To influence spending the monetary policy is directed at directly influencing in the short run :
- (a) Interest Rate
 - (b) Unemployment
 - (c) Inflation Rate
 - (d) Growth Rate
17. Long Run Period normal price for a competitive firm will be :
- (a) Equal MC of Production only
 - (b) Equal TC of Production only
 - (c) Equal AC and MC of Production
 - (d) None of these
18. Monopolistic Competition has features of
- (a) Monopoly and competition with features of monopoly predominating
 - (b) Monopoly and competition with feature of Competition predominating
 - (c) Monopoly but not competition

- (d) None of these
19. Increasing return of scale is applied in
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
20. If regardless of change in the price the quantity demanded of a good remains unchanged then the demand curve for the good will be –
- (a) Vertical
 - (b) Horizontal
 - (c) Negatively sloped
 - (d) None of these
21. The industrialization and economic development of the USA Great Britain and other Western European Countries here taken place under the condition of _____
- (a) Capitalism and Laissez Faire
 - (b) Mixed Economic Structure
 - (c) Socialism and Planned Structure
 - (d) None of these
22. In the beginning economics was named as
- (a) Political Economy
 - (b) Welfare Economics
 - (c) Economies of Wealth
 - (d) None of these
23. If the price of a commodity raised by 12% and Ed is (-) 0.63 the expenditure made on the commodity by the consumer will _____
- (a) Remain the same
 - (b) Decrease
 - (c) Increase
 - (d) Can't say
24. During lockdown due to Covid19 a consumer finds the vegetable vendors selling vegetables in the streets have raised the prices of vegetable than usual prices. She will buy _____ vegetable than/as her usual demand showing the demand of vegetable is _____
- (a) Same; Elastic Demand
 - (b) Same; Inelastic Demand

- (c) Less; Elastic Demand
 - (d) More; Inelastic Demand
25. Supply and Stock are _____
- (a) Different
 - (b) Same thing
 - (c) Having no comparison
 - (d) Both (a) and (c)
26. Marginal Cost can be directly derived from
- (a) Total Variable Cost
 - (b) Total Fixed Cost
 - (c) Average Cost
 - (d) Average Fixed Cost
27. A firm normal profit earned are included in ____
- (a) Explicit Cost
 - (b) Implicit Cost
 - (c) Variable Cost
 - (d) Fixed Cost
28. Curve which are intersected by marginal cost curve at their minimum points is
- (a) AVC and AFC
 - (b) AC and AVC
 - (c) AC and AFC
 - (d) AC and TVC
29. In case of Perfect Competition how much selling cost are incurred:
- (a) Negligible
 - (b) Zero
 - (c) Very high
 - (d) Very less
30. Marginal revenue is equal to price in which form of market:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) Monopolistic Competition

31. In Oligopoly the demand curve is :
- (a) Indeterminate
 - (b) Highly Elastic
 - (c) Less Elastic
 - (d) Perfectly Elastic
32. Price elasticity of demand under monopoly is _____
- (a) Infinity
 - (b) Equal to one
 - (c) Less than one
 - (d) None of these
33. There is an inverse relation between price and demand for the products of a firm under:
- (a) Monopoly only
 - (b) Monopolistic Competition only
 - (c) Both Monopoly and Monopolistic Competition
 - (d) Perfect competition
34. The market price cannot be influenced by a seller under :
- (a) Monopolistic Competition
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) All the above
35. Entry of new firm in monopoly is :
- (a) Possible only in the long run
 - (b) Possible only in the Short run
 - (c) Restricted at all times
 - (d) Both (a) and (b)
36. The law of demand is :
- (a) Irreversible in nature
 - (b) Reversible in nature
 - (c) Both (a) and (b)
 - (d) None of these
37. During recession what will be the market demand for new cars?
- (a) Demand Curve will shift to the right

- (b) Demand curve will shift to the left
 - (c) Demand will not shift but the quantity of cars sold per month will decrease
 - (d) Demand will not shift but the quantity of cars sold per month will increase
38. 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
39. Nuclear Power represents which type of market structure :
- (a) Government Monopoly
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) Oligopoly
40. Monopoly Market and Monopsony market combination is called :
- (a) Duopoly Market
 - (b) Oligopoly Market
 - (c) Bilateral Monopoly Market
 - (d) Monopolistic Market
41. Price discrimination cannot persist under which of the market form :
- (a) Monopolistic
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Oligopoly
42. Time elements was conceived by :
- (a) Paul Sweezy
 - (b) Hicks
 - (c) Marshall
 - (d) Simon Kuznets
43. A decrease in the demand for mobile phone other things remaining the same will _____
- (a) Increase purchase the number of mobile phone bought
 - (b) Decrease the price but increase the number of mobile phone
 - (c) Decrease in quantity of mobile phone demanded

- (d) Decrease the price and decrease in the number of Mobile Phone bought
44. Will there be any change in price charged by the monopolistic if elasticity of demand – 2 :
- (a) Yes
 - (b) No
 - (c) Neutral
 - (d) None of these
45. Price discrimination is desirable as :
- (a) It promotes equity
 - (b) It makes production feasible
 - (c) Both (a) and (b)
 - (d) None of these
46. Reason for operating the law of diminishing returns is _____
- (a) Imperfect Substitution between factors
 - (b) Scarcity of factors
 - (c) Both (a) and (b)
 - (d) None of these
47. A Rational Producer operates in short run production in which stage?
- (a) First Stage
 - (b) Second Stage
 - (c) Third Stage
 - (d) None of these
48. Law of variable proportion is related to :
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
49. Which of the following can be classified as Oligopoly Market :
- (a) Wheat Farming
 - (b) Clothing Industry
 - (c) Restaurant Industry
 - (d) Long distance Telephone Service

50. Marginal Revenue Curve lies _____ its demand curve in monopolistic competition due to _____
- (a) Below ; Product differentiation
 - (b) Above - ; Barriers to entry
 - (c) Above ; Product – differentiation
 - (d) None of these
51. A firm maximizes profit in the short run in Perfect Competition by deciding :
- (a) What Price to charge
 - (b) How much output to produce
 - (c) To enter a market or not
 - (d) None of these
52. Normative economics can be explained through :
- (a) Fairness to tax
 - (b) Incidence to tax
 - (c) Effect of tax on incentives to work
 - (d) None of these
53. Demand for a commodity with negative income elasticity indicate that as income falls the amount of the commodity purchased
- (a) falls
 - (b) rises
 - (c) remain unchanged
 - (d) None of these
54. For Giffen good the angle Curve is :
- (a) Vertical
 - (b) Horizontal
 - (c) Negatively Sloped
 - (d) Positively Sloped
55. Isoquant in the relevant range are:
- (a) Convex to the Origin
 - (b) Negatively Sloped
 - (c) Cannot cross
 - (d) All of the Above
56. If the Long Run Average Cost Curve falls as output expands is due to :
- (a) The law of diminishing return

- (b) Diseconomies of scale
 - (c) Economies of scale
 - (d) None of these
57. What will be the situation if factor prices and factor quantities move in the same direction
- (a) A decreasing Cost Industry
 - (b) Increasing Cost Industry
 - (c) Constants Cost Industry
 - (d) All of these
58. The Pure monopolist in the long run can make pure profit due to :
- (a) High Selling Price
 - (b) Advertising
 - (c) Low LAC Cost
 - (d) Blocked entry
59. In kinked demand curve model the Oligopolist :
- (a) Do not collude
 - (b) Recognise their independence
 - (c) Tend to keep price constant
 - (d) All the above
60. Comforts lies between
- (a) Luxuries and Inferior goods
 - (b) Interior goods and necessities
 - (c) Necessaries and Luxuries
 - (d) None of these

PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

1. 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
2. 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
3. Bank of Madura was acquired by which of these?
 - (a) ICICI Bank Ltd
 - (b) State Bank of India
 - (c) Life Insurance Corporation of India (LIC)
 - (d) HDFC Bank Ltd
4. Policy Context has a core motive behind it, which is?
 - (a) Economic Welfare
 - (b) GDP Growth
 - (c) Holistic Development
 - (d) Social Welfare
5. 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
6. Highest Price the buyer is willing to pay is called?
 - (a) Bid
 - (b) Ask
 - (c) Badla
 - (d) Beta
7. The structure in which there is a separation of ownership and management is called
 - (a) Sole proprietorship
 - (b) Partnership

- (c) Company
 - (d) All business organisations
8. Which of the following is not an example of socio-cultural environment?
- (a) Role of women in society
 - (b) Rising income
 - (c) Family structure
 - (d) Educational levels
9. Which of the following is founded by two Danish Engineers taking refuge in India?
- (a) Cipla Ltd
 - (b) L&T Ltd
 - (c) Flipkart
 - (d) NTPC Ltd
10. Policy Formulation process is?
- (a) Uni-Directional
 - (b) Bi-Directional
 - (c) Multi-Directional
 - (d) Single Point of Contact Oriented
11. Free and fair competition ensures all, except?
- (a) Punishing the laggards
 - (b) Boosts fixed choice preferences of customers
 - (c) Increases Efficiency
 - (d) Encourages Innovation
12. Security whose price is derived from another underlying asset is called?
- (a) Derivative
 - (b) Options
 - (c) Forwards
 - (d) Futures
13. Maximum number of members in a Private limited company are:
- (a) 50
 - (b) 200
 - (c) 20
 - (d) 500
14. 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

15. Which one of the following is not a foreign company?
- (a) Dr. Reddy's Laboratories Ltd.
 - (b) Walmart
 - (c) Nestle
 - (d) HP
16. Privatization may not be conceptualized in form of:
- (a) Divestment
 - (b) Disinvestment
 - (c) Dedication
 - (d) Displacement
17. 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
18. ADR stands for:
- (a) American Deficit Record
 - (b) American Depository Receipt
 - (c) Asset Depreciation Record
 - (d) Asset Depository Receipt
19. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
 - (b) Jain family
 - (c) Buddhist family
 - (d) Muslim family
20. 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
21. Indane LPG is the product of which corporation in India?
- (a) IOCL
 - (b) NTPC
 - (c) ONGC
 - (d) PGCIL
22. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
 - (b) Privatization

- (c) Disinvestment
 - (d) Aggregation
23. 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
24. _____ 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
25. 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
26. 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
27. Who is the present CEO and MD of Larsen & Toubro Ltd.?
- (a) Keshab Pandey
 - (b) K R Krishanmurthy
 - (c) S N Subrahmanyam
 - (d) None of these
28. Which of the following statements about RBI is incorrect?
- (a) It deals largely with Governments, Central and State Banks.
 - (b) Its role is to ensure monetary stability, including stability of domestic price levels.
 - (c) One of its missions is to protect the interest of policyholders.
 - (d) The RBI is the sole authority for the issue of currency in India.
29. Economic Reforms introduced in India in 1992 are called LPG that refers to
- (a) Liquidation of loss-making units
 - (b) Popularise Public private partnership
 - (c) Good governance
 - (d) None of the above

30. Setting low prices in order to discourage or deter potential new entrants to the suppliers market:
- (a) Pre-Emptive Pricing
 - (b) Price Sensitivity
 - (c) Price Discrimination
 - (d) Price Elasticity
31. Mark the Correct:
- (a) Hindu Succession Act, 1956 is applicable in HUF.
 - (b) LLP firm may be constituted on basis of LLP Act 2009.
 - (c) A dormant company registered under Companies Act, 2013.
 - (d) All are correct.
32. PESTLE refers to:
- (a) Political, Economic, Social, Technological, Legal & Environmental factors affecting business.
 - (b) All these are external factors.
 - (c) All these constitute macro environment.
 - (d) All of the above.
33. Which limited company has businesses in Hotels, FMCG and Information Technology?
- (a) Wipro Ltd.
 - (b) HUL Ltd.
 - (c) Infosys Ltd.
 - (d) ITC Ltd.
34. Identify the one which may be considered as a public policy:
- (a) A decision by a central government to purchase a fleet of cars.
 - (b) An old building to be demolished by a municipal corporation.
 - (c) All citizens are to be provided with biometric Aadhar card.
 - (d) Government passes a special resolution to change the name of a park.
35. Who was the regulatory body for controlling financial affairs in India before SEBI?
- (a) Controller of Capital Issues
 - (b) Reserve Bank of India
 - (c) Insurance Regulatory and Development Authority of India
 - (d) Government of India
36. 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 created for that purpose.
 - (c) Potential liability arising from a past transaction or a subsequent event.
 - (d) Costs that can be attributed clearly to the activity you are considering.
37. Who is the present chairman of Wipro Limited?
- (a) Azim Premji

- (b) Rishad Premji
 - (c) Thierry Delaporte
 - (d) (a) and (b)
38. Business and technology are:
- (a) Interrelated
 - (b) Interdependent
 - (c) Interrelated & Interdependent
 - (d) None of the above
39. Self Help Groups are catered specifically by?
- (a) All development banks
 - (b) SIDBI
 - (c) RBI
 - (d) NABARD
40. Government decides to spend 400 crores in the next 5 years for the benefit of women entrepreneurs in India. This is an example of?
- (a) Fiscal Policy
 - (b) Monetary Policy
 - (c) FDI Policy
 - (d) Industrial Policy