

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

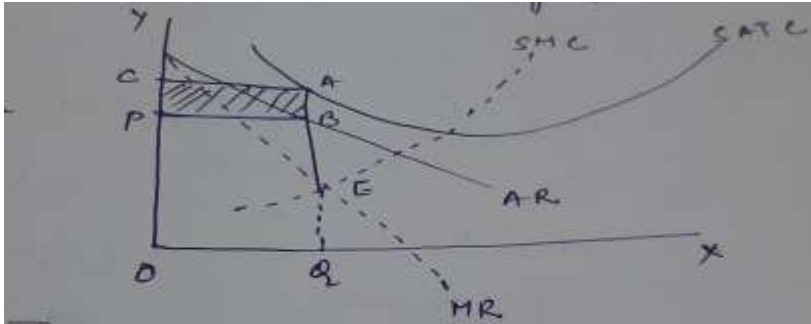
PART- I: BUSINESS ECONOMICS

QUESTIONS

1. An Applied Economics that fills the gap between economic theory and business practice:
 - (a) Business Economics
 - (b) Macro Economics
 - (c) Welfare Economics
 - (d) None of these
2. Administered price are determined in socialism by:
 - (a) Market Forces
 - (b) Government
 - (c) Both (a) and (b)
 - (d) None of these
3. Exception to the law of demand
 - (a) Speculative effect
 - (b) Fear of Shortage
 - (c) Ignorance
 - (d) All the above
4. The Shape of TC Curve of the monopolist is ____
 - (a) U Shape
 - (b) S Shape
 - (c) Inverse S Shape
 - (d) None of these
5. Unique supply curve in monopoly is not due to ____
 - (a) $P > MC$
 - (b) $P < MC$
 - (c) $P = MC$
 - (d) None of these
6. Shampoo manufactures is an example of :
 - (a) Perfect Competition
 - (b) Monopolistic Competition

- (c) Monopoly
 - (d) None of these
7. Reliance Jio can be described as part of which form to market structure:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Duopoly
 - (d) Perfect Competition
8. Price Elasticity of demand of a firm is infinite in _____
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Oligopoly
 - (d) Monopolistic Competition
9. Price Discrimination cannot be implemented?
- (a) When there is perfect competition in the market.
 - (b) Elasticity of demand must be different in both the market.
 - (c) Two or more market which can be separated and can be kept separate.
 - (d) All the above
10. Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure:
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) Oligopoly
11. AR is different from MR under:
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect Competition
 - (d) Both a and b
12. Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition:
- (a) Price will remain constant
 - (b) Price will decrease
 - (c) Price will increase
 - (d) None of these

13. Cross elasticity of Product in Monopoly is:
- (a) Zero
 - (b) High
 - (c) Infinity
 - (d) None of these
14. In the following diagram the Monopolist is incurring -----



- (a) Losses
 - (b) Profit
 - (c) Super normal profit
 - (d) None of these
15. The dilemma faced by a Monopolistic is setting ____.
- (a) Price
 - (b) Output
 - (c) Both a and b
 - (d) Either a or b
16. Innovation theory is propounded by :
- (a) Schumpeter
 - (b) Nicholas Kaldor
 - (c) Keynes
 - (d) None of these
17. Fluctuations in Economic activities are due to:
- (a) Aggregate demand
 - (b) Aggregate effective demand
 - (c) Effective demand
 - (d) None of these
18. During expansion phase of business cycle which of the following does not occur:
- (a) Business profits and business confidence tend to increase

- (b) Demand for labour increases as employment increases.
 - (c) Purchase of all types of goods is increased by consumer.
 - (d) None of these
19. Phase of business cycle are ____
- (a) Expansion, peak, contraction, and trough
 - (b) Contraction, expansion, trough, and boom.
 - (c) Expansion, contraction, peak and trough
 - (d) Peak, depression, bust and boom
20. External causes of business Cycle are:
- (a) Money Supply
 - (b) Fluctuations in Investment
 - (c) Technological Shock
 - (d) None of these
21. Great Depression of 1930's is an example of:
- (a) Business cycle
 - (b) Consumer sovereignty
 - (c) Freedom of choice
 - (d) None of these
22. Which of the following is a normative statement?
- (a) Health care basic facilities to be provided to all citizens.
 - (b) With Industrialisation, unemployment rate decreases.
 - (c) On national defence India spent huge amount of money.
 - (d) None of these
23. Which of the following is not a demerit of Capitalism?
- (a) The pattern of demand does not represent the real need of the society.
 - (b) Strikes and lockdown are very common under capitalism
 - (c) Capitalism usually functions in a democratic framework.
 - (d) None of these
24. Socialist economy does have:
- (a) Right to work and minimum standard to living
 - (b) Absence of competition
 - (c) Right to private property
 - (d) Both a and b

25. Scarcity of resources occurs due to:
- High demand of resources
 - Absence of Substitutes
 - Mismanagement and inequality
 - All of these
26. In case of inferior goods:
- Income effect and substitution effect work in opposite direction
 - Income effect and substitution effect work in same direction
 - It leads consumer to purchase less of a good and more of the substitute
 - None of these
27. If $MU_x = 30$, $P_x = 5$, $MU_y = 40$ the value of P_y will be
- 10
 - 15
 - 6
 - None of these
28. When the demand curve is parallel to Y axis the elasticity of demand will be _____
- Zero
 - Utility
 - Less than Unity
 - None of these
29. A rise in sale of which type of good is expected in the case of recession:
- Luxury
 - Necessity
 - Interior
 - Normal
30. If price of both goods fall how would the budget line be affected?
- The budget line will shift to left.
 - The budget line will shift to right
 - The budget line will not change
 - The new budget line will have the same slope as the original so long as the price of both goods change in the same proportion.
31. When price of a good rises from Rs. 20 to Rs. 30 the producer supplies 20 percent more the Price elasticity of supply is
- 0.5
 - 0.4

- (c) 1
 (d) None of these
32. Cartels can be formed in which form of market:
- (a) Perfect competition
 (b) Monopoly
 (c) Oligopoly
 (d) None of these
33. Average revenue curve is more elastic under monopolistic competition than under monopoly due to:
- (a) Government control
 (b) Availability of close substitute
 (c) Lack of no substitute
 (d) None of these
34. From the following demand curve determine the elasticity at the given price
 $Q = 1200 - 10P$
 When $P = 5$, $dQ/dP = 10$
- (a) Elastic
 (b) Inelastic
 (c) Unitary elastic
 (d) None of these
35. The Delphi process is a technique of:
- (a) Budget Analysis
 (b) Demand forecasting
 (c) Cost Analysis
 (d) None of these
36. If the Price of Thumps Up increase the demand curve of Pepsi will:
- (a) Remain at the same level
 (b) Shift towards right
 (c) Shift towards left
 (d) None of those
37. Consumer surplus means:
- (a) Area between the average revenue and marginal revenue curve.
 (b) Area inside the budget line above the price of the commodity.
 (c) Difference between the market price and the surplus curve.
 (d) Difference between the maximum amount a person is willing to pay for a good and its maximum price

38. Which of the following is a variable cost in the short run?
- (a) Rent
 - (b) Wages
 - (c) Internal payments on borrowed financial capital
 - (d) None of these
39. Linear homogeneous function means:
- (a) Input and output increases by same proportions.
 - (b) Input increases by some proportions and output increase more than proportionately
 - (c) Input increase by some proportion and output less than the proportionately
 - (d) None of these
40. When output of a firm increases in the short run, its average fixed cost:
- (a) Decreases
 - (b) Increases
 - (c) Remain constant
 - (d) First rises then decline
41. If a very small factory were to expand its scale of operations in the long run it is likely that it would initially experience:
- (a) Constant returns to scale
 - (b) Diseconomies of scale
 - (c) Economies of scale
 - (d) None of these
42. Entry of firms is barred in which form of market structure:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Monopolistic Competition
43. In the absence of competition the monopolist:
- (a) The monopolist need not produce at the optimal level
 - (b) Produce at the optimal level
 - (c) Either a or b
 - (d) None of these
44. The firm's Cost function is not a determinant of:
- (a) The price of the labour
 - (b) The price of the firm's output
 - (c) Taxes
 - (d) The production functions

45. Normal profit is part of :
- (a) Implicit Costs
 - (b) Average Cost
 - (c) Explicit Cost
 - (d) None of these
46. Monopoly market and Monopsony market when in combination caused:
- (a) Monopolistic market
 - (b) Oligopoly market
 - (c) Bilateral Monopoly market
 - (d) Duopoly market.
47. What will be the shape of indifference curve in case of two perfect substitutes:
- (a) C Shaped
 - (b) L Shaped
 - (c) U Shaped
 - (d) Straight line
48. The Turning point of business cycle is practiced by :
- (a) Leading Indicator
 - (b) Coincident
 - (c) Lagging indicator
 - (d) All the above
49. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism:
- (a) Pigou
 - (b) Schumpeter
 - (c) Hawtrey
 - (d) Keynes
50. Which of the following statement is correct?
- (a) An industry consists of many firms.
 - (b) Price rigidity is an important feature of monopoly.
 - (c) Under perfect competition factors of production do not move freely
 - (d) Selling cost are possible under perfect competition.
51. Which of the Statement is correct: -
- (a) Isoquant slopes downwards from left to right
 - (b) No two Isoquant can intersect each other
 - (c) Isoquants are convex to the origin
 - (d) All the above

52. Suppose production function is given by:
 $Q_2 = 15\sqrt{LK}$ what type of return does it exhibit?
- (a) Constant return
 - (b) Increasing return
 - (c) Decreasing return
 - (d) None of these
53. The slope of Isocost line is
- (a) w/r
 - (b) r/w
 - (c) $r \times w$
 - (d) None of these
54. Relative price of goods reflects their:
- (a) Opportunity Cost
 - (b) Fixed Cost
 - (c) Average Cost
 - (d) None of these
55. A mfg. company has $TFC = 120$ lakhs, $TVC = 100Q + 7Q^2 + 0.25Q^3$
 Calculate the MC?
- (a) $100 + 1.4Q + 0.75Q^2$
 - (b) $120 + 7Q^2 + 0.25Q^3$
 - (c) $100 + 7Q^2 + 0.25Q^3$
 - (d) None of these
56. Marketing Planning is based on:
- (a) Demand forecasting
 - (b) Demand function
 - (c) Demand estimation
 - (d) Demand Analysis
57. Monopolistic Competition theory architect was :
- (a) Roden
 - (b) Marx
 - (c) J R Hicks
 - (d) Chamberlin
58. Production function in short run is called:
- (a) Production possibility frontier
 - (b) Return to Scale

- (c) Laws of variable
 - (d) None of these
59. Which markets form has features or selling cost :
- (a) Oligopoly
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) None of these
60. Cinema Halls, Telephone bills etc are following
- (a) Differential Pricing
 - (b) Full cost pricing
 - (c) Marginal Cost Pricing
 - (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 company ranked 2nd on Forbes World's Best Employer's List 2020?
- (a) Amazon
 - (b) Walmart
 - (c) Microsoft
 - (d) Apple
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