

MOCK TEST PAPER
FOUNDATION COURSE
PAPER – 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE
PART I : BUSINESS ECONOMICS

Max. Marks : 60

1. The economic analysis expects the consumer to behave in a manner which is:
 - (a) Rational
 - (b) Irrational
 - (c) Emotional
 - (d) Indifferent
2. A firm encounters its “shutdown point” when:
 - (a) Average Total Cost equals price at the profit- maximizing level of output.
 - (b) Average Fixed Cost equals price at the profit- maximizing level of output.
 - (c) Average Variable Cost equals price at the profit- maximizing level of output.
 - (d) Marginal Cost equals price at the profit- maximizing level of output.
3. Which of the following statements does not apply to market economy?
 - (a) Firms decide whom to hire and what to produce.
 - (b) Firms aim at maximizing profits.
 - (c) Households decide which firms to work for and what to buy with their incomes.
 - (d) Government policies are the primary forces that guide the decisions of firms and households.
4. Consider the following and decide which, if any, economy is without scarcity:
 - (a) The pre-independent Indian economy, where most people were farmers.
 - (b) A mythical economy where everybody is a billionaire.
 - (c) Any economy where income is distributed equally among its people.
 - (d) None of the above.
5. Which of the following is not a subject matter of Micro-economies?
 - (a) The price of mangoes.
 - (b) The cost of producing a fire truck for the fire department of Delhi, India.
 - (c) The quantity of mangoes produced for the mangoes market.
 - (d) The national economy’s annual rate of growth
6. Marginal revenue will be negative if elasticity of demand is
 - (a) Less than one
 - (b) More than one

- (c) Equal to one
 - (d) Equal to Zero
7. In the case of Giffen good, the demand curve will be -
- (a) Horizontal
 - (b) Downward sloping to the right
 - (c) Upward sloping to the right
 - (d) Vertical
8. Which of the following statements is incorrect?
- (a) Business economics is normative in nature.
 - (b) Business Economics has a close connection with statistics.
 - (c) Business Economist need not worry about macro variables.
 - (d) Business Economics is also called Managerial Economics.
9. Who expressed the view that "Economics is neutral between end".
- (a) Robbins
 - (b) Marshall
 - (c) Pigou
 - (d) Adam Smith
10. A capitalist economy uses _____ as the principal means of allocating resources.
- (a) Demand
 - (b) Supply
 - (c) Efficiency
 - (d) Prices
11. Scarcity definition of Economics is given by-
- (a) Alfred Marshall
 - (b) Samuelson
 - (c) Robinson
 - (d) Adam Smith
12. The definition "Science which deals with wealth of Nation" was given by:
- (a) Alfred Marshall
 - (b) A C Pigou
 - (c) Adam Smith
 - (d) J B Say
13. Which of the following is not one of the features of capitalist economy?
- (a) Right of private property

- (b) Freedom of choice by the consumers
 - (c) No profit, No Loss motive
 - (d) Competition
14. In Economics, the central economic problem means:
- (a) Output is restricted to the limited availability of resources
 - (b) Consumer do not have as much money as they would wish
 - (c) There will always be certain level of unemployment
 - (d) Resources are not always allocated in an optimum way
15. Conspicuous goods are also known as
- (a) Prestige goods
 - (b) Snob goods
 - (c) Veblen goods
 - (d) All of the above
16. Chicken and fish are substitutes. If the price of chicken increases, the demand for fish will
- (a) Increase or decrease but the demand curve for chicken will not change
 - (b) Increase and the demand curve for fish will shift rightwards.
 - (c) Not change but there will be a movement along the demand curve for fish.
 - (d) Decrease and the demand curve for fish will shift leftwards.
17. Coco- cola and Pepsi are substitutes. A rise in the price of coco-cola will _____ the demand for Pepsi and the quantity of Pepsi sold will _____
- (a) Increase; increase
 - (b) Increase; decrease
 - (c) Decrease; decrease
 - (d) Decrease; increase
18. A decrease in the demand for mobiles, other things remaining the same will
- (a) Increase the number of mobiles bought
 - (b) Decrease the price but increase the number of mobiles bought
 - (c) Increase the price of mobiles
 - (d) Decrease the price and decrease in the number of mobiles bought
19. Which of the following statements about inferior goods is/are false?
- I. Inferior goods are those that we will never buy, no matter how cheap they are.
 - II. Inferior goods are those that we buy more of, if we become poorer.
 - III. Inferior goods are those that we buy more of, if we become richer.
- (a) I and III only.
 - (b) I only

- (c) III only.
(d) I, II, and III.
20. Marginal utility approach to demand was given by-
- (a) J R Hicks
(b) Alfred Marshall
(c) Robbins
(d) A C Pigou
21. The price of a commodity decreases from ₹ 6 to ₹ 4 and the quantity demanded of the good increases from 10 units to 15 units, find the coefficient of price elasticity. (Use Point Elasticity Method)
- (a) 1.5
(b) 2.5
(c) 1.5
(d) 0.5
22. The supply function is given as $Q = -100 + 10P$. Find the elasticity using point method, when price is ₹ 15.
- (a) 4
(b) -3
(c) -5
(d) 3
23. A firm learns that the own price elasticity of a product it manufactures is 3.5. What would be the correct action for this firm to take if it wishes to raise its total revenue?
- (a) Lower the price because demand for the good is elastic.
(b) Raise the price because demand for the product is inelastic.
(c) Raise the price because demand is elastic.
(d) We need information in order to answer this question.
24. In the case of a straight line demand curve meeting the two axes, the price elasticity of demand at y axis of the line would be equal to-
- (a) 1
(b) Infinity
(c) 3
(d) 1.25
25. Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for Laptop rises by 20%
- (a) +.5
(b) -.5
(c) +2

- (d) -2
26. A firm producing 7 units of output has an average total cost of ₹ 150 and has to pay ₹ 350 to its fixed factors of production whether it produces or not. How much of the average total cost is made up of variable cost?
- (a) 200
 (b) 50
 (c) 300
 (d) 100
27. If as a result of 20 percent fall in the ticket fares the demand for watching movie in the cinema hall increases by 10 percent, then price elasticity is
- (a) Zero
 (b) Greater than zero but less than one
 (c) One
 (d) Greater than one
28. If price of good A increases relative to the price of its substitutes B and C, then demand for
- (a) B will decrease
 (b) C will decrease
 (c) B and C will increase
 (d) B and C will decrease

Use the following data to answer questions 29-31

Quantity(Q)	1	2	3	4
Price (P)	40	30	20	10

29. The total revenue of third unit is –
- (a) 35
 (b) 40
 (c) 60
 (d) 30
30. The average revenue of second unit is-
- (a) 40
 (b) 45
 (c) 20
 (d) 30
31. The marginal revenue of fourth unit is-
- (a) 20
 (b) 25

- (c) 30
 - (d) 40
32. Suppose that an owner is earning total revenue of ₹ 1, 00,000 and is increasing explicit cost of ₹ 60,000. If the owner could work for another company for ₹ 30,000 a year, we would conclude that:
- (a) The firm is earning economic profit or ₹ 10,000
 - (b) The firm is earning accounting profit or ₹ 40,000
 - (c) The firm is earning economic profit of ₹ 40,000
 - (d) Both (a) and (b)
33. A Monopolistic Competitive firm advertises:
- (a) Because it has no control over price of its product.
 - (b) To lower its cost of production
 - (c) To increase its sales and profits
 - (d) Because it cannot raise price of its product.
34. Peaks and troughs of the business cycle are known collectively as
- (a) Volatility.
 - (b) Turning points.
 - (c) Equilibrium points.
 - (d) Real business cycle events.
35. The term business cycle refers to
- (a) The ups and downs in production of commodities
 - (b) The fluctuating levels of economic activity over a period of time
 - (c) Decline in economic activities over prolonged period of time
 - (d) Increasing unemployment rate and diminishing rate of savings
36. Which of the following statements is correct?
- (a) Business cycles occur periodically although they do not exhibit the same regularity.
 - (b) Business cycles have distinct phases of expansion, peak, contraction and trough.
 - (c) Business cycles generally originate in free market economies
 - (d) All of the above
37. Which of the following is the external cause of Business Cycles?
- (a) Fluctuations in Effective Demand
 - (b) Fluctuations in Investment
 - (c) Variations in government spending
 - (d) War

38. Which of the following does not occur during an expansion?
- (a) Consumer purchases of all types of goods tend to increase.
 - (b) Employment increases as demand for labour rises.
 - (c) Business profits and business confidence tend to increase
 - (d) None of the above.
39. New firms are barred from entering the market in
- (a) Perfect competition
 - (b) Oligopoly
 - (c) Monopolistic competition
 - (d) Monopoly
40. The kinked demand hypothesis is designed to explain in the context of oligopoly
- (a) Price and output determination
 - (b) Price rigidity
 - (c) Price leadership
 - (d) Collusion among rivals
41. In economics, what a consumer is ready to pay minus what he actually pays, is termed as:
- (a) Consumer's equilibrium
 - (b) Consumer's surplus
 - (c) Consumer's expenditure
 - (d) None of the above
42. Contraction of demand is the result of:
- (a) Decrease in the number of consumers
 - (b) Increase in the price of the goods concerned
 - (c) Increase in the price of other goods
 - (d) Decrease in the income of purchases
43. Price taker firms:
- (a) Advertise to increase the demand for their products.
 - (b) Do not advertise because most advertising is harmful for the society.
 - (c) Do not advertise because they can sell as much as they want at the current price.
 - (d) Who advertise will get more profits than those who do not.
44. Generally, perishable goods like butter, eggs, milk, vegetables etc., will have
- (a) International market
 - (b) Local market
 - (c) National market

- (d) None of the above
45. Pure oligopoly is based on the _____ products
- (a) Differentiated
 - (b) Homogeneous
 - (c) Unrelated
 - (d) None of the above
46. In the long run any firm will eventually leave the industry if:
- (a) Price does not at least cover average total cost.
 - (b) Price does not equal marginal cost.
 - (c) Economies of scale are being reaped.
 - (d) Price is greater than long run average cost.
47. Which of the following statements is incorrect?
- (a) Under monopoly there is no difference between a firm and an industry.
 - (b) A monopolist may restrict the output and raise the price.
 - (c) Commodities offered for sale under a perfect competition will be heterogeneous.
 - (d) Product differentiation is peculiar to monopolistic competition.
48. If a firm's average variable cost curve is rising, its marginal cost curve must be -
- (a) Constant
 - (b) Above the total cost curve
 - (c) Above the average variable cost curve
 - (d) All of the above
49. When the products are sold through a centralized body, oligopoly is known as
- (a) Organized oligopoly
 - (b) Partial oligopoly
 - (c) Competitive oligopoly
 - (d) Syndicated oligopoly
50. When _____, we know that the firms are earning just normal profits.
- (a) $AC = AR$
 - (b) $MC = MR$
 - (c) $MC = AC$
 - (d) $AR = MR$
51. Full capacity is utilized only when there is
- (a) Perfect Competition
 - (b) Oligopoly

- (c) Monopoly
 - (d) Monopolistic Competition
52. An economy achieves “productive efficiency” when:
- (a) The best quality goods are produced
 - (b) The highly skillful resources in the country are fully employed
 - (c) All resources are utilized and goods and services are produced at least cost
 - (d) None of the above
53. Which of the following is considered production in Economics?
- (a) Teaching Economics to CA students in class.
 - (b) Singing a song before friends
 - (c) Flying kite for pleasure
 - (d) Teaching concept of Economics to friends in a library.
54. The price of pizza increases by 22% and the quantity of pizza demanded falls by 25%. This Indicates that demand for pizza is
- (a) Elastic
 - (b) Inelastic
 - (c) Unitarily elastic
 - (d) Perfectly elastic.
55. Which of the following is not an example of coincident indicator?
- (a) Industrial production
 - (b) Inflation
 - (c) Retail sales
 - (d) New orders for plant and equipment
56. According to _____ trade cycle is purely monetary phenomenon.
- (a) Hawtrey
 - (b) Adam Smith
 - (c) J M Keynes
 - (d) Schumpeter
57. The most probable outcome of an increase in the money supply is
- (a) Interest rates to rise, investment spending to rise, and aggregate demand to rise
 - (b) Interest rates to rise, investment spending to fall, and aggregate demand to fall
 - (c) Interest rates to fall, investment spending to rise, and aggregate demand to rise
 - (d) Interest rates to fall, investment spending to fall, and aggregate demand to fall

58. Suppose the technology for producing personal computers improves and, at the same time, individuals discover new uses for personal computers so that there is greater utilisation of personal computers. Which of the following will happen to equilibrium price and equilibrium quantity?
- (a) Price will increase; quantity cannot be determined.
 - (b) Price will decrease; quantity cannot be determined.
 - (c) Quantity will increase; price cannot be determined.
 - (d) Quantity will decrease; price cannot be determined.
59. Assume that consumers' incomes and the number of sellers in the market for good A both decrease. Based upon this information, we can conclude, with certainty, that the equilibrium:
- (a) Price will increase
 - (b) Price will decrease.
 - (c) Quantity will increase.
 - (d) Quantity will decrease.
60. Assume that in the market for good Z there is a simultaneous increase in demand and the quantity supplied. The result will be:
- (a) An increase in equilibrium price and quantity.
 - (b) A decrease in equilibrium price and quantity.
 - (c) An increase in equilibrium quantity and uncertain effect on equilibrium price.
 - (d) A decrease in equilibrium price and increase in equilibrium quantity.

PART - II: BUSINESS AND COMMERCIAL KNOWLEDGE

QUESTIONS

Max. Marks: 40

61. 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
62. Change of customer's liking from oily foods to healthy packaged foods can be classified amongst which of the following?
- (a) Trend
 - (b) Event
 - (c) Issue
 - (d) Expectation
63. Where is India's largest SEZ?
- (a) Hazira
 - (b) Dhamra
 - (c) Tehri
 - (d) Mundra
64. Indigo, Spice Jet and Vistara, operating in Indian aviation, are a result of?
- (a) Privatisation
 - (b) Liberalisation
 - (c) Globalisation
 - (d) Foreign Direct Investment
65. Which of the following is Government's initiative for furthering and facilitating businesses in India?
- (a) Goods and Service Tax
 - (b) Make in India
 - (c) Skill India
 - (d) Beti Bachao Beti Padhao
66. A stock market where the number of transactions are very low and thus, the volatility in the market is huge, is called?
- (a) Thin Market
 - (b) Slow Market
 - (c) Lazy Market
 - (d) Weak Market

67. Which of the following statements cannot be associated with Business?
- (a) Revenue and profits are core to every business
 - (b) Only an educated person can start a business
 - (c) Capital is needed to start a business
 - (d) It is better to be aware of Legal Compliances for all businesses
68. Which of the following internal strategies to respond to environment involves formulation and clarification of organization's mission?
- (a) Competitive Response
 - (b) Administrative Response
 - (c) Dynamic Response
 - (d) Collective Response
69. In which state did Jamnalal Bajaj start Bajaj Auto Limited?
- (a) Maharashtra
 - (b) Madhya Pradesh
 - (c) Rajasthan
 - (d) Haryana
70. Foreign Exchange Management Act (FEMA), would fall under which of the following type of Public Policy?
- (a) Restrictive
 - (b) Regulatory
 - (c) Facilitating
 - (d) Advisory
71. Which of the following is not a Funding Institution?
- (a) World Bank
 - (b) NABARD
 - (c) Reserve Bank of India
 - (d) International Monetary Fund
72. 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
73. Dormant companies can be incorporated for which of the following purposes?
- (a) For Future Projects

- (b) Holding Intellectual Property
 - (c) Both A or B
 - (d) Only for creating a dummy company to book insignificant transactions
74. Data which is useful in decision making is called?
- (a) Database
 - (b) Information
 - (c) Resource
 - (d) Law
75. Which of the following is the Vision of Airtel?
- (a) Make best quality Calls
 - (b) Win customers for life
 - (c) Win over competition
 - (d) Provide cheapest internet in India
76. FDI is restricted in which of the following sectors of economy in India?
- (a) Healthcare Business
 - (b) Online Gaming Business
 - (c) Education Business
 - (d) Atomic Energy
77. All scheduled banks are required to maintain a certain minimum cash reserve ratio with the RBI. This provision enables RBI to ensure what?
- (a) Forex Rate Fluctuation
 - (b) Credit Position of the Country
 - (c) Savings of People
 - (d) Collect Public Data of Money held by People
78. The marketing department of Go Now Pvt. Ltd. divided the consumers into different groups based on their characteristics, like buying frequency, actuals spend, age and preferences. Which of the following has the marketing department focused on?
- (a) Market Segmentation
 - (b) Market Division
 - (c) Market Analysis
 - (d) Market Grouping
79. Head of a Hindu Undivided Family is called?
- a) Father
 - b) Karta
 - (c) Coparcener

- (d) Mitakshara
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. How many SBU (Strategic Business Units) does Bharat Petroleum Ltd. have?
- (a) Five
 - (b) Three
 - (c) Seven
 - (d) Ten
82. The following statements characterise Public Policy making, but one of them is false. Find the odd one out.
- (a) It is a collective effort of various departments
 - (b) It can only be formulated in a mixed economic setup
 - (c) It focuses on goals and results
 - (d) It is always formulated with a positive intent
83. Under which section of IRDAI Act can IRDAI function and impart its duties?
- (a) Section 11 of IRDAI Act, 1999
 - (b) Section 21 of IRDAI Act, 1999
 - (c) Section 19 of IRDAI Act, 1999
 - (d) Section 14 of IRDAI Act, 1999
84. Token money paid in the early stages of Negotiation is called?
- (a) Early Money Deposit
 - (b) Earning Money Deposit
 - (c) Token E-Cash
 - (d) Earnest Money Deposit
85. Which of the following is a non-economic activity?
- (a) Sweets Shop
 - (b) Selling seeds of rare plants
 - (c) Serving free water on a hot summer day
 - (d) Village School Carpenter
86. Luxury hotels and luxury car companies compete to get attract the disposal income of affluent customers. What type of competition is it?
- (a) Direct Competition

- (b) Indirect Competition
 - (c) No Competition
 - (d) Both Direct and Indirect Competition
87. Ministry of Petroleum and Natural Gas owns which of the following?
- (a) Indian Oil Corporation Ltd.
 - (b) GAIL Ltd.
 - (c) Bharat Petroleum
 - (d) Reliance Industries Ltd.
88. NABARD as a development bank, is concerned with various segments and issues, except?
- (a) Self Help Groups of Men
 - (b) Tribal Development
 - (c) Self Help Groups of Women
 - (d) Water Treatment Planning
89. The current Reverse Repo Rate is 2.5%. The difference between repo and reverse repo shall be 250 basis points. RBI increases reverse repo by 150 basis points. What is the new Repo Rate?
- (a) 6%
 - (b) 6.5%
 - (c) 7%
 - (d) 7.5%
90. Five private banks and two nationalised banks together issued a loan of INR 2,000 crores to Zhakthee Limited for opening a rice mill in ten rural areas of India. What are these kinds of loans with multiple banks involved called?
- (a) Large Bank Loans
 - (b) Syndicate Loans
 - (c) Overdraft Loans
 - (d) Industrial Loans
91. Which type of economic activity requires specialised subject knowledge for rendering of services?
- (a) Business
 - (b) Agriculture
 - (c) Employment
 - (d) Profession
92. Race, age, income, educational background, asset ownership, location, etc. form part of which environment?
- (a) Demographic Environment
 - (b) Socio-Cultural Environment

- (c) Economic Environment
 - (d) Technological Environment
93. In 2008, Centurion Bank was acquired by?
- (a) ICICI Bank Ltd.
 - (b) Axis Bank Ltd.
 - (c) HDFC Bank Ltd.
 - (d) SBI
94. Government Organisations were operating at really poor profits margins and insignificant aims and mission. What brought about a change in their operation and ownership?
- (a) Globalisation
 - (b) Privatisation
 - (c) Liberalisation
 - (d) Change of Political Parties
95. Which of the following does SEBI not cater to?
- (a) Government Organisations
 - (b) Investors
 - (c) Intermediaries
 - (d) Security Issuing Companies
96. A position when a person's assets are not enough to pay off the liabilities due, is called?
- (a) Poverty
 - (b) Risk Adjustment
 - (c) Payoff
 - (d) Insolvency
97. Which of the following is not a domain/characteristic of Business and Commercial Knowledge?
- (a) It is Independent
 - (b) It is Ever Expanding
 - (c) It is Vast
 - (d) It is Multi-Disciplinary
98. While analyzing technological environment, which of the following is not considered?
- (a) Capital Requirement
 - (b) Current technology being used
 - (c) Upcoming technologies relevant to business
 - (d) The relations with the country creating the technology

99. Who is the current CFO of TATA Sons Pvt. Ltd.?
- (a) Natrajan Chandrasekaran
 - (b) Rajnish Kumar
 - (c) Eruch Norish Kapadia
 - (d) Jatin Dalal
100. Social Equity and Ecological Balance are a part of?
- (a) Globalisation
 - (b) Sustainable Development
 - (c) Liberalisation
 - (d) Brand Loyalty