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CA Foundation-Business Economics MTP							
	May-20	Oct-19	Apr-19	Mar-19	Oct-18	Aug-18	Mar-18
<b>Business Economics</b>	Page 2	Page 19	Page 37	Page 56	Page 77	Page 94	Page 124

Test Series: May, 2020

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

1. Which of the following statements is correct?
  - (a) The Law of Demand states positive relationship between price and quantity demanded.
  - (b) The Law of Supply states positive relationship between price and quantity supplied.
  - (c) As per the Law of diminishing returns as the consumption of any commodity is increased, the average returns start diminishing.
  - (d) None of the above
2. The branch of economic theory that deals with the problem of allocation of resources is
  - (a) Micro-Economic theory
  - (b) Macro-economic theory
  - (c) Econometrics
  - (d) none of the above
3. Choice is created by the-
  - (a) Abundance of resources
  - (b) Scarcity of resources
  - (c) Urgency of needs
  - (d) Non-Availability of resources
4. Which of the following statements would you consider to be a normative one?
  - (a) Faster economic growth should result if an economy has a higher level of investment.
  - (b) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
  - (c) Higher levels of unemployment will lead to higher levels of inflation.
  - (d) The average level of growth in the economy was faster in the 1990s than the 1980s.
5. Which of the following is not within the scope of Business Economics?
  - (a) Capital Budgeting
  - (b) Risk Analysis
  - (c) Business Cycles
  - (d) Accounting Standards
6. A study of how increases in the corporate income tax rate will affect the national unemployment rate is an example of
  - (a) Macro-Economics
  - (b) Descriptive Economics
  - (c) Micro-economics

- (d) Normative economics
7. Excess capacity is not found under \_\_\_\_\_
- (a) Monopoly
  - (b) Monopolistic competition
  - (c) Perfect competition.
  - (d) Oligopoly
8. Administered prices refer to:
- (a) Prices determined by forces of demand and supply
  - (b) Prices determined by sellers in the market
  - (c) Prices determined by an external authority which is usually the government
  - (d) None of the above
9. If the price of Orange Juice increases, the demand for Apple Juice will \_\_\_\_\_.
- (a) increase
  - (b) decrease
  - (c) remain the same
  - (d) become negative.
10. If good growing conditions increases the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought
- (a) increases and the price might rise, fall or not change.
  - (b) does not change but the price rises.
  - (c) does not change but the price falls.
  - (d) increases and the price rises.
11. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
- (a) Zero
  - (b) Greater than zero but less than one
  - (c) One
  - (d) Greater than one
12. Suppose income of the residents of locality increases by 50% and the quantity of gel pens demanded increases by 20%. What is income elasticity of demand for gel pen?
- (a) 0.4
  - (b) 0.6
  - (c) 1.25
  - (d) 1.50
13. The difference between Positive and Normative Economics is:
- (a) Positive Economics explains the performance of the economy while Normative Economics finds out the reasons for poor performance.
  - (b) Positive Economics describes the facts of the economy while Normative Economics involves evaluating whether some of these are good or bad for the welfare of the people.



- (c) Normative Economics describes the facts of the economy while Positive Economics involves evaluating whether some of these are good or bad for the welfare of the people.
- (d) Positive Economics prescribes while Normative Economics describes.
14. What will happen in the rice market if buyers are expecting higher rice prices in the near future?
- (a) The demand for rice will increase.
- (b) The demand for rice will decrease.
- (c) The demand for rice will be unaffected.
- (d) None of the above
15. Capital intensive techniques would get chosen in a
- (a) Labour surplus economy where the relative price of capital is lower.
- (b) Capital surplus economy where the relative price of capital is lower.
- (c) Developed economy where technology is better.
- (d) Developing economy where technology is poor.
16. Suppose potatoes have (-) 0.4 as income elasticity. We can say from the data given that:
- (a) Potatoes are inferior goods.
- (b) Potatoes are superior goods.
- (c) Potatoes are necessities.
- (d) There is a need to increase the income of consumers so that they can purchase potatoes.
17. The cross elasticity between Rye bread and Whole Wheat bread is expected to be:
- (a) positive
- (b) negative
- (c) zero
- (d) can't say
18. In a very short period, the supply
- (a) can be changed.
- (b) cannot be changed.
- (c) can be increased.
- (d) none of the above
19. Exploitation and inequality are minimal under:
- (a) Socialism
- (b) Capitalism
- (c) Mixed economy
- (d) None of the above
20. Suppose the income elasticity of education in private school in India is 1.8. What does this indicate:
- (a) Private school education is a luxury.
- (b) Private school education is a necessity.
- (c) Private school education is an inferior commodity.
- (d) We should have more private schools.

21. Marginal product, mathematically, is the slope of the
- (a) total product curve.
  - (b) average product curve.
  - (c) marginal product curve.
  - (d) implicit product curve.

**Read the below table and answer Questions number 22-24**

	% Change in price	% change in quantity demanded (quantity supplied)	Elasticity
Demand for salt	20	-1	x
Demand for bananas	15	Y	3
Supply of chicken	z	14	1

22. Refer the above table and find the value of x.
- (a) -20
  - (b) -0.05
  - (c) -1
  - (d) Can not be determined
23. Refer the above table and find the value of y.
- (a) -5
  - (b) 15
  - (c) -45
  - (d) -3
24. Refer the above and find the value of z.
- (a) 14
  - (b) 1
  - (c) 0.07
  - (d) 5
25. Suppose that a sole proprietorship is earning total revenues of Rs. 1, 00,000 and is incurring explicit costs of Rs. 75,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that :
- (a) The firm is incurring an economic loss.
  - (b) Implicit costs are Rs. 25,000.
  - (c) The total economic costs are Rs. 1,00,000.
  - (d) The individual is earning an economic profit of Rs. 25,000.
26. When a market is in equilibrium:
- (a) No shortages exist.
  - (b) Quantity demanded equals quantity supplied.
  - (c) A price is established that clears the market.
  - (d) All of the above are correct.

27. Agricultural goods markets depict characteristics close to
- Perfect competition.
  - Oligopoly.
  - Monopoly.
  - Monopolistic competition.
28. "I am making a loss, but with the rent I have to pay, I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behavior in the short run is:
- Rational, if the firm is covering its variable cost
  - Rational, if the firm is covering its fixed cost
  - Irrational, since plant closing is necessary to eliminate losses
  - Irrational, since fixed costs are eliminated if a firm shuts down
29. Monopolies are allocatively inefficient because:
- They restrict the output to keep the price higher than under perfect competition.
  - They charge a price higher than the marginal cost.
  - Both (a) and (b) are correct.
  - Both (a) and (b) are incorrect.
30. Economic costs of production differ from accounting costs of production because
- Economic costs include expenditures for hired resources while accounting costs do not.
  - Accounting costs include opportunity costs which are deducted later to find paid out costs.
  - Accounting costs include expenditures for hired resources while economic costs do not.
  - Economic costs add the opportunity cost of a firm which uses its own resources.
31. When  $e = 1$  then MR is
- positive
  - zero
  - one
  - negative
32. Which of the following statements is correct?
- Fixed costs vary with change in output.
  - If we add total variable cost and total fixed cost we get the average cost.
  - Marginal cost is the result of total cost divided by number of units produced.
  - Total cost is obtained by adding up the fixed cost and total variable cost.
33. If the quantity of blankets demanded increases from 4600 to 5700 in response to a decrease in their price from Rs. 220 to Rs. 190, the price elasticity of demand for blankets is
- 0.69
  - 1.0
  - 1.46
  - 2.66

34. Which of the following involve a trade-off?
- (a) Taking a nap
  - (b) all of these answers involve trade-offs.
  - (c) Watching a football game on Saturday afternoon
  - (d) Going to university
35. If demand for goods and services is more than their supply, the resultant inflation is :
- (a) Cost push inflation.
  - (b) stagflation
  - (c) deflation.
  - (d) demand pull inflation.
36. The lowest point in the business cycle is referred to as the
- (a) Expansion.
  - (b) Boom.
  - (c) Peak.
  - (d) Trough
37. Suppose that at a price of Rs. 300 per month, there are 30,000 subscribers to cable television in Small Town. If Small Town Cablevision raises its price to Rs. 400 per month, the number of subscribers will fall to 20,000. Using the arc elasticity (midpoint) method for calculating the elasticity, what is the price elasticity of demand for cable TV in Small Town?
- (a) 1.4
  - (b) 0.66
  - (c) 0.75
  - (d) 2.0
38. If there are implicit costs of production:
- (a) economic profit will be equal to accounting profit.
  - (b) economic profit will be less than accounting profit.
  - (c) economic profits will be zero.
  - (d) economic profit will be more than accounting profit.
39. In the long-run, some firms will exit the market if the price of the good offered for sale is less than:
- (a) marginal revenue.
  - (b) marginal cost.
  - (c) average total cost.
  - (d) average revenue.
40. The most important function of an entrepreneur is to \_\_\_\_\_.
- (a) Innovate
  - (b) Bear the sense of responsibility
  - (c) Finance
  - (d) Earn profit



41. If as a result of 50 per cent increase in all inputs, the output rises by 75 per cent, this is a case of:
- (a) increasing returns of a factor
  - (b) increasing returns to scale
  - (c) constant returns to a factor
  - (d) constant returns to scale
42. Economists use changes in a variety of activities to measure the business cycle and to predict where the economy is headed towards. is called-
- (a) Leading indicators
  - (b) Indicators
  - (c) Lagging Indicators
  - (d) None of these
43. A significant decline in general economic activity extending over a period of time is-
- (a) Business cycle
  - (b) Contraction phase
  - (c) Recession
  - (d) Recovery
44. In the long run, if a very small factory were to expand its scale of operations, it is likely that it would initially experience
- (a) an increase in pollution level.
  - (b) diseconomies of scale.
  - (c) economies of scale.
  - (d) constant returns to scale.
45. Which of the following statements is incorrect?
- (a) The LAC curve is also called the planning curve of a firm.
  - (b) Total revenue = price per unit × number of units sold.
  - (c) Opportunity cost is also called alternative cost.
  - (d) If total revenue is divided by the number of units sold we get marginal revenue
46. Which of the following is a variable cost in the short run?
- (a) rent of the factory.
  - (b) wages paid to the factory labour.
  - (c) interest payments on borrowed financial capital.
  - (d) payment on the lease for factory equipment.
47. Price discrimination will be profitable only if the elasticity of demand in different markets in which the total market has been divided is:
- (a) uniform
  - (b) different
  - (c) less
  - (d) zero

48. Suppose a firm is producing a level of output such that  $MR > MC$ , what should the firm do to maximize its profits?
- (a) The firm should do nothing.
  - (b) The firm should hire less labour.
  - (c) The firm should increase price.
  - (d) The firm should increase output.
49. Assume that when price is Rs. 20, the quantity demanded is 15 units, and when price is Rs. 18, the quantity demanded is 16 units. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units?
- (a) Rs. 18
  - (b) Rs. 16
  - (c) Rs. 12
  - (d) Rs. 28
50. Diminishing marginal returns imply
- (a) decreasing average variable costs
  - (b) decreasing marginal costs
  - (c) increasing marginal costs
  - (d) decreasing average fixed costs
51. When the monopolist divides the consumers into separate sub markets and charges different prices in different sub-markets it is known as
- (a) first degree of price discrimination
  - (b) second degree of price discrimination
  - (c) third degree of price discrimination
  - (d) none of the above.
52. The firm and the industry are one and the same in \_\_\_\_\_
- (a) Perfect competition
  - (b) Monopolistic competition
  - (c) Duopoly
  - (d) Monopoly
53. If the average cost is higher than the average revenue then the firm incurs \_\_\_\_\_
- (a) Normal profit
  - (b) Abnormal profit
  - (c) Loss
  - (d) No profit, no loss
54. Secular period is also known as
- (a) very short period
  - (b) short period
  - (c) very long period
  - (d) long period



55. Stock exchange market is an example of
- (a) unregulated market
  - (b) regulated market
  - (c) spot market
  - (d) none of the above
56. When  $e < 1$  then MR is
- (a) negative
  - (b) zero
  - (c) positive
  - (d) one
57. According to \_\_\_\_\_ trade cycles occur due to onset of innovations.
- (a) Hawtrey
  - (b) Adam Smith
  - (c) J M Keynes
  - (d) Schumpeter
58. Economic recession shares all of these characteristics except.
- (a) Fall in the levels of investment, employment
  - (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
  - (c) Investor confidence is adversely affected and new investments may not be forthcoming
  - (d) Increase in the price of inputs due to increased demand for inputs
59. A variable that tends to move later than aggregate economic activity is called
- (a) a leading variable.
  - (b) a coincident variable.
  - (c) a lagging variable.
  - (d) a cyclical variable.
60. Industries that are extremely sensitive to the business cycle are the
- (a) Durable goods and service sectors.
  - (b) Non-durable goods and service sectors.
  - (c) Capital goods and non-durable goods sectors
  - (d) Capital goods and durable goods sectors.

**PAPER – 4 PART - II: BUSINESS AND COMMERCIAL KNOWLEDGE****QUESTIONS****Max. Marks: 40**

61. Which of the following occupations requires rendering of services based upon specialised knowledge and membership of an accreditation and assessment body?
- (a) Employment
  - (b) Profession
  - (c) Business
  - (d) Agriculture
62. Threat is an:
- (a) Inherent capacity
  - (b) Strategic disadvantage
  - (c) Unfavourable condition
  - (d) None of the above
63. When did Microsoft begins its business in India?
- (a) 1990
  - (b) 1991
  - (c) 1995
  - (d) 1989
64. Which of the following policy is used to curtail all benefits related to some particular issue?
- (a) Restrictive
  - (b) Regulatory
  - (c) Facilitating
  - (d) Delegation
65. Which of the following is not a function of RBI?
- (a) Monetary Policy
  - (b) Fiscal Policy
  - (c) Custodian of Foreign Exchange Reserves
  - (d) Controller of Credit
66. A very large loan extended by a group of small banks to a single corporate borrower is called as which of the following?
- (a) Time Deposit
  - (b) Long term loan
  - (c) Annuities
  - (d) Syndicated loan
67. Which of the following is not a feature of LLP?
- (a) A legal entity separates from its partners.
  - (b) There is no limit on maximum number of partners.
  - (c) Every partner of LLP is the agent of the firm only.

- (d) Registrar of the firm (of the respective state) is the administering authority.
68. Which of the following is not a part of the economic environment?
- (a) Market and trade cycles
  - (b) Consumer buying patterns
  - (c) Strength of consumer spending
  - (d) Interest and exchange rates
69. Indane LPG is the product of which corporation of India?
- (a) IOCL
  - (b) NTPC
  - (c) ONGC
  - (d) PGCIL
70. In which of the following sector(s), FDI is prohibited at both routes?
- (a) Nidhi Company
  - (b) Media
  - (c) Real Estate
  - (d) Shell Company
71. Which one of the following is not the role of the Competition Commission of India?
- (a) To promote practices having adverse effect on competition.
  - (b) To promote and sustain competition in markets.
  - (c) To protect the interests of consumers and,
  - (d) To ensure freedom of trade carried on by other participants in markets in India.
72. The lowest price at which an owner is willing to sell his securities is called as which of the following?
- (a) Book Value
  - (b) Ask
  - (c) Annuity
  - (d) Bond
73. Which of the following is the concern relate to Business & Commercial Knowledge?
- (a) Sustainability
  - (b) Sociology
  - (c) Traditional
  - (d) Society at large
74. Which of the following tool is used for proactive and structured thinking in the process of decision making?
- (a) SWOT
  - (b) TOWS
  - (c) PEST
  - (d) PESTLE

75. Which bank provides the digital service PayZapp?
- (a) Axis Bank Limited
  - (b) HDFC Bank Limited
  - (c) ICICI Bank Limited
  - (d) State Bank of India
76. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
  - (b) Cultural Reforms
  - (c) Commercial Reforms
  - (d) Socio-cultural Reforms
77. A reduction of 35 basis point will be equal to how much of the following?
- (a) 3.50%
  - (b) 0.35%
  - (c) 35%
  - (d) 0.035%
78. A series of payments of an equal amount at fixed intervals for a specified number of periods is called as which of the following?
- (a) Amortize
  - (b) Annuity due
  - (c) Annuity
  - (d) Arbitrage
79. A partnership may not be formed to carry on:
- (a) Any trade
  - (b) Occupation
  - (c) Profession
  - (d) Social enterprise
80. 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
81. Jayesh Merchant is the CFO of which company?
- (a) Asian Paints Ltd.
  - (b) Ambuja Cements Ltd.
  - (c) Ultratech Cements Ltd.
  - (d) Mahindra & Mahindra

82. Selling a portion of ownership in a public enterprise to private parties is called as which of the following?
- (a) Delegation
  - (b) Divestment
  - (c) Displacement
  - (d) Disinvestment
83. Which of the following acts as an indicator of bank's liquidity and solvency position?
- (a) SLR
  - (b) CRR
  - (c) Repo rate
  - (d) Reserve Repo rate
84. A combination of several companies working together for a particular purpose is called as which of the following?
- (a) Competitive advantage
  - (b) Cross-selling
  - (c) Consortium
  - (d) Conglomerate Diversification
85. Which of the following statement is correct with respect to HUF?
- (a) HUF earns income from salary
  - (b) Four successive generations of an undivided
  - (c) HUF enjoys a separate entity status under Income tax act –1961
  - (d) All of the above
86. Read the following three statements:
- (i) The environment is constantly changing in nature.
  - (ii) Various environmental constituents exist in isolation and do not interact with each other.
  - (iii) The environment has a far reaching impact on organizations.
- From the combinations given below select an alternative that represents statements that are true:
- (a) (i) and (ii).
  - (b) (ii) and (iii)
  - (c) (i) and (iii)
  - (d) (i), (ii) and (iii)
87. NESTLE is a beverage partner with which of the following companies?
- (a) Coca-Cola India
  - (b) Pepsico India Holdings Pvt. Ltd.
  - (c) Red Bull India Pvt. Ltd
  - (d) Dabur India Ltd
88. FIPB stands for:
- (a) Foreign Institutional Promotion Board



- (b) Foreign Institutional Preparatory Board
  - (c) Foreign Investment Priority Board
  - (d) Foreign Investment Promotion Board
89. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
  - (b) NABARD
  - (c) IRDA
  - (d) IFCI
90. A stock that provides constant dividends and stable earnings even in the period of economic slowdown is called as which of the following?
- (a) Debtors
  - (b) Defensive stock
  - (c) Bonus
  - (d) Debentures
91. Which of the following statements characterises the best non-economic activities?
- (a) Non-economic activities do not require any investment of resources
  - (b) These activities do not entail any operational costs
  - (c) These activities are undertaken by ascetics
  - (d) The underlying purpose of these activities is not earning of a livelihood but social, psychological or spiritual satisfaction
92. Internal Environment includes \_\_\_\_\_
- (a) Customer
  - (b) Economic
  - (c) Demography
  - (d) Mission & Objectives
93. The mission of which transnational company is 'Good Food, Good Life'?
- (a) Tata Group
  - (b) Reliance fresh
  - (c) Nestle
  - (d) Starbucks
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. An amount of revenue from sale which exactly equals the amount of expense is called as which of the following?
- (a) Book value
  - (b) Basket trading
  - (c) Break-even point
  - (d) Budget
97. Who is the present chairman of Bajaj Auto Ltd.?
- (a) Mr. Rahul Bajaj
  - (b) Mr. Rajiv Bajaj
  - (c) Jamnalal Bajaj
  - (d) Kevin P D'sa
98. 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
99. A Bull market is:
- (a) Stock price are decreasing consistently
  - (b) Stock price are increasing consistently
  - (c) Stock price are stable consistently
  - (d) Stock price are wildly fluctuating
100. SEBI, RBI & IRDA are:
- (a) Regulatory Bodies
  - (b) Cluster Bodies
  - (c) Goal Sector bodies
  - (d) None of the above

Test Series: May, 2020

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

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

**PAPER – 4 PART- II: BUSINESS AND COMMERCIAL KNOWLEDGE  
ANSWERS**

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

ICAI

Test Series: October, 2019

**FOUNDATION COURSE**  
**MOCK TEST PAPER 1**  
**PAPER – 4: PART I : BUSINESSECONOMICS**

Max. Marks : 60

1. The implication that resource scarcity have for the satisfaction of wants are-
  - (a) Not all wants can be satisfied
  - (b) We will never be faced with the need to make choices
  - (c) We must develop ways to decrease our individual wants
  - (d) The discovery of new natural resources is necessary to increase our ability to satisfy wants
2. A normative economic statement is-
  - (a) Unemployment rate decreases with industrialization
  - (b) Economics is a social science that studies human behaviour
  - (c) The minimum wage should be raised to ` 200/- per day
  - (d) India spends a huge amount of money on national defence
3. Administered prices refer to-
  - (a) Price determined by forces of demand and supply
  - (b) Price determined by sellers in the market
  - (c) Prices determined by an external authority which is usually the government
  - (d) None of the above
4. A downward movement along a demand curve indicate-
  - (a) Increase in demand
  - (b) Decrease in demand
  - (c) Contraction of demand
  - (d) Expansion of Demand
5. If price of automobiles increases by 10% and supply increases by 25%. The elasticity of supply is-
  - (a) 2.5
  - (b) 0.4
  - (c) -2.5
  - (d) -0.4
6. The consumer is in equilibrium at a point where the budget line-
  - (a) Is above an indifference curve
  - (b) Is below an indifference curve

- (c) Is tangent to an indifference curve  
(d) Cuts an indifference curve
7. The second glass of water gives lesser satisfaction to a thirsty boy. This is a clear case of-
- (a) Law of demand.  
(b) Law of diminishing returns.  
(c) Law of diminishing utility.  
(d) Law of supply.
8. When the price of commodity increases by 40% and its quantity demanded falls from 150 to 120 units , then the price elasticity of demand for a commodity is-
- (a) -0.8%  
(b) 0.8%  
(c) 0.5%  
(d) -0.5%
9. If the consumer consumes only one commodity X , he will be in equilibrium when-
- (a)  $MU_x > P_x$   
(b)  $MU_x < P_x$   
(c)  $MU_x = P_x$   
(d) None of these
10. Identify the coefficient of price-elasticity of demand when the percentage increase in the quantity of a good demanded is smaller than the percentage fall in its price-
- (a) Equal to one  
(b) Greater than one  
(c) Smaller than one  
(d) Zero
11. If a good is a luxury, its income elasticity of demand is-
- (a) positive and less than 1  
(b) negative but greater than -1  
(c) positive and greater than 1  
(d) Zero
12. A consumer demands 5 units of a commodity at the price of Rs. 4 per unit. He demands 10 units when the price falls to Rs 3 per unit. Price elasticity of demand is equal to-
- (a) 3  
(b) 2  
(c) 1.5

- (d) 4
13. Availability of close substitutes makes the demand-
- (a) Less elastic
  - (b) More elastic
  - (c) Parallel to X axis
  - (d) Parallel to Y axis
14. The supply curve for perishable commodities is-
- (a) elastic
  - (b) inelastic
  - (c) perfectly elastic
  - (d) perfectly inelastic
15. The slope of consumer's budget line is –
- (a) Positive and constant
  - (b) Negative and decreasing
  - (c) Negative and constant
  - (d) Positive and increasing
16. Demand for water is –
- (a) Elastic
  - (b) Inelastic
  - (c) Perfectly elastic
  - (d) Relatively elastic
17. Inferior goods are those goods whose income effect is-
- (a) Negative
  - (b) Positive
  - (c) Zero
  - (d) None of these
18. Suppose income elasticity of bread is 0.25, its means that bread is-
- (a) Inferior goods
  - (b) Luxury goods
  - (c) Normal goods
  - (d) Can't say
19. The supply curve shifts to the right because of-
- (a) Improved technology



- (b) Increased price of factors of production
  - (c) Increased excise duty
  - (d) All of the above
20. If the demand is more than supply, then the pressure on price will be-
- (a) Upward
  - (b) Downward
  - (c) Constant
  - (d) None of the above
21. Which of the following goods has inelastic demand-
- (a) Salt
  - (b) Food grains
  - (c) Medicines
  - (d) All of the above
22. Demand for pepsi is elastic because-
- (a) Its falls under luxuries
  - (b) Its consumption can be postponed
  - (c) Its substitutes are available in the market
  - (d) It is a multiple use product
23. A good which cannot be consumed more than once is known as-
- (a) durable good
  - (b) non-durable good
  - (c) producer good
  - (d) none of the above
24. A consumer of two goods X and Y is in equilibrium. The price of good X is Rs. 10 and price of the good Y is Rs. 20 respectively. If the  $MU_x$  is 60 utils , then the  $MU_y$  is-
- (a) 30 utils
  - (b) 20 utils
  - (c) 60 utils
  - (d) 6 utils
25. The slope of indifference curve is given by-
- (a) Budget line
  - (b) Marginal rate of transformation
  - (c) Marginal rate of substitution
  - (d) None of these

26. In the third phase of Law of variable proportions, MP becomes-
- (a) Zero
  - (b) Negative
  - (c) Positive
  - (d) None of these
27. Law of variable proportion is related to-
- (a) Short-run
  - (b) Long-run
  - (c) Both a and b
  - (d) Very short run
28. When Marginal product is zero, then Total product is –
- (a) Zero
  - (b) Falling
  - (c) Rising
  - (d) Maximum
29. Long run production function related to-
- (a) Returns to a factor
  - (b) Returns to scale
  - (c) Both a and b
  - (d) None of these
30. Diminishing returns occur-
- (a) When units of a variable input are added to a fixed input and total product falls
  - (b) When units of a variable input are added to a fixed input and marginal product falls
  - (c) When the size of the plant is increased in the long run.
  - (d) When the quantity of the fixed input is increased and returns to the variable input falls.
31. In the production of wheat, all of the following are variable factors that are used by the farmer except-
- (a) The seed and fertilizer used when the crop is planted
  - (b) The field that has been cleared of trees and in which the crop is planted
  - (c) The tractor used by the farmer in planting and cultivating not only wheat but also corn and barley
  - (d) The number of hours that the farmer spends in cultivating the wheat fields
32. When total product is 200units and units of variable factor are 8, average product will be –
- (a) 25
  - (b) 1600

- (c) 96  
(d) 60
33. Economic costs includes-
- (a) Accounting costs
  - (b) Implicit costs
  - (c) Both a and b
  - (d) None of above
34. Which of the following cost curve is termed as a rectangular hyperbola-
- (a) TVC curve
  - (b) AVC Curve
  - (c) TFC curve
  - (d) AFC curve
35. The total cost of producing 30 units of output is Rs. 300. If average fixed cost at this level of output is Rs. 7, then the total variable cost will be –
- (a) Rs. 160
  - (b) Rs. 140
  - (c) Rs. 90
  - (d) Rs. 120
36. Total costs is the vertical summation of –
- (a) TFC and TVC
  - (b) AFC and AVC
  - (c) TVC and AVC
  - (d) None of these
37. Example of Fixed cost is-
- (a) Electricity bill
  - (b) Interest on loans
  - (c) Expenses on raw material
  - (d) Wages of daily workers
38. TVC can be calculate as-
- (a)  $AVC/Q$
  - (b)  $TC-TFC$
  - (c)  $AC-AFC$
  - (d) None of these

39. The long run average cost curve is also called –
- (a) Envelope curve
  - (b) Plant curve
  - (c) Both a and b
  - (d) None of these
40. Economies of scale exist because as a firm increases its size in the long run-
- (a) Labour and management can specialize in their activities more
  - (b) As a larger input buyer, the firm can get finance at lower cost and purchase inputs at a lower per unit cost.
  - (c) The firm can afford to employ more sophisticated technology in production
  - (d) All of these
41. Example of variable cost is –
- (a) Salary of permanent staff
  - (b) Rent of premises
  - (c) License fees
  - (d) Wages
42. When average revenue is Rs.30 and output is equal to 50 units total revenue will be –
- (a) 2500
  - (b) 1500
  - (c) 1800
  - (d) 2000
43. The Average revenue and price are always equal under-
- (a) Monopoly
  - (b) Monopolistic competition
  - (c) Perfect competition
  - (d) All market forms
44. If total revenue of a firm increases by Rs 65025 due to an increase in sale of good X from 60 units to 75 units, then marginal revenue will be –
- (a) 3000
  - (b) 4335
  - (c) 4000
  - (d) 3335
45. Which of the following is not an essential condition of pure competition?
- (a) Large number of buyers and sellers

- (b) Homogeneous product
  - (c) Freedom of entry
  - (d) Absence of transport cost
46. Product differentiation is a key feature of-
- (a) Perfect competition
  - (b) Oligopoly
  - (c) Monopoly
  - (d) Monopolistic competition
47. A market induces cartel is –
- (a) Perfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) None of these
48. In the context of oligopoly, the kinked demand hypothesis is designed to explain -
- (a) Price and output determination
  - (b) Price rigidity
  - (c) Price leadership
  - (d) Collusion among rivals
49. A combination of monopoly market and a monopsony market is known as-
- (a) Duopoly
  - (b) Monopsony
  - (c) Oligopsony
  - (d) Bilateral monopoly
50. A firm encounters its “shutdown point” when-
- (a) Average total cost equals price at the profit-maximising level of output
  - (b) Average variable cost equals price at the profit-maximising level of output
  - (c) Average fixed cost equals price at the profit-maximising level of output
  - (d) Marginal cost equals price at the profit-maximising level of output
51. Homogeneous product are sold under-
- (a) Collusive oligopoly
  - (b) Non-collusive oligopoly
  - (c) Perfect oligopoly
  - (d) Imperfect oligopoly

52. A market structure in which many firms sell products that are similar but not identical is known as-
- (a) Monopolistic competition
  - (b) Monopoly
  - (c) Perfect competition
  - (d) Oligopoly
53. In a very short period market-
- (a) The supply is fixed
  - (b) The demand is fixed
  - (c) Demand and supply are fixed
  - (d) None of the above
54. A monopolist is a-
- (a) Price maker
  - (b) Price –taker
  - (c) Price adjuster
  - (d) None of the above
55. The term business cycle refers to-
- (a) The ups and downs in production of commodities
  - (b) The fluctuation 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
56. The lowest point in the business cycle is referred as the –
- (a) Expansion
  - (b) Boom
  - (c) Peak
  - (d) Trough
57. A indicator which occur simultaneously with the business cycle movements is-
- (a) Lagging indicator
  - (b) Coincident indicator
  - (c) Leading indicator
  - (d) None of these
58. Example of Lagging indicator is-
- (a) Corporate profits
  - (b) Interest rates



- (c) Consumer price index
  - (d) All of these
59. "Trade cycle is a purely monetary phenomenon", according to-
- (a) Pigou
  - (b) Hawtrey
  - (c) Keynes
  - (d) Schumpeter
60. When aggregate economic activity is declining, the economy is said to be in-
- (a) Contraction
  - (b) An Expansion
  - (c) Trough
  - (d) Turning point

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## PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE

## QUESTIONS

Max. Marks: 40

1. There is a requirement of registration of the following as per Indian Companies Act 2013:
  - (a) Private Company
  - (b) Public Company
  - (c) One Person Company
  - (d) All of the above
2. Opportunity is:
  - (a) Inherent capacity
  - (b) Strategic disadvantage
  - (c) Favourable condition
  - (d) None of the above
3. Which gas company owns India's largest pipeline network?
  - (a) GAIL (India) Ltd.
  - (b) Bharat Petroleum Corporation Ltd.
  - (c) Reliance Industries Ltd.
  - (d) ONGC
4. Public policies are of three types:
  - (a) Restrictive, Regulatory, Participative
  - (b) Restrictive, Regulatory, Facilitating
  - (c) Voluntarily, Participative, Facilitating
  - (d) Regulatory, Voluntarily, Continuous
5. Which of the following is not a function of RBI?
  - (a) Monetary Policy
  - (b) Fiscal Policy
  - (c) Custodian of Foreign Exchange Reserves
  - (d) Controller of Credit
6. \_\_\_\_\_ is a technology where the banking organizations resort to the use of electronics, computers and other networks to execute transactions and transfer funds.
  - (a) E-cash
  - (b) Digi-cash
  - (c) Hedge
  - (d) Cap
7. The attribute of a profession does not include:
  - (a) Rendering of specialized nature of services

- (b) Certificate of service from government
  - (c) Self-imposed code of conduct
  - (d) All of the above
8. Which of the following is not a part of the economic environment?
- (a) Market and trade cycles
  - (b) Consumer buying patterns
  - (c) Strength of consumer spending
  - (d) Interest and exchange rates
9. Walmart ranked 1st on:
- (a) Forbes World's Best Employers List 2018
  - (b) Fortune 500 Companies List 2018
  - (c) Forbes World's Largest Public Corporations List 2018
  - (d) None of the above
10. OCBs mean:
- (a) Overseas Corporate Bodies
  - (b) Ordnance Commission Bilateral secretariat
  - (c) Oversees Civic Boards
  - (d) Oversees Commercial Bilateral Treaties
11. Which one of the following is not the role of the Competition Commission of India?
- (a) To promote practices having adverse effect on competition.
  - (b) To promote and sustain competition in markets.
  - (c) To protect the interests of consumers and,
  - (d) To ensure freedom of trade carried on by other participants in markets in India.
12. The number of units of given currency that can be purchased for one unit of another currency is called \_\_\_\_\_.
- (a) Current ratio
  - (b) Exchange rate
  - (c) Equity
  - (d) Dividend
13. Which of the following is organic objective of business?
- (a) Economic Value added
  - (b) Fitness of Human resource
  - (c) Community Service
  - (d) Effective waste handling and disposal

14. According to Peter Drucker aim of the business is to \_\_\_\_\_ and \_\_\_\_\_.
- (a) Create and retain customer
  - (b) Retain customer and create profits
  - (c) Create and retain consumer
  - (d) Retain consumer and maximise wealth
15. Which of the following is not related to ITC Limited?
- (a) Vishal Sikha
  - (b) 1910
  - (c) Kolkata
  - (d) Yogesh Chander Deveshwar
16. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
  - (b) Cultural Reforms
  - (c) Commercial Reforms
  - (d) Socio-cultural Reforms
17. Who is the custodian of the nation's foreign exchange reserves?
- (a) Central Government of India
  - (b) President of India
  - (c) Reserve Bank of India
  - (d) State Bank of India
18. Carry forward of a transaction from one settlement period to other is
- (a) Badla
  - (b) Repo
  - (c) Open Interest
  - (d) None of the above
19. A partnership may not be formed to carry on:
- (a) Any trade
  - (b) Occupation
  - (c) Profession
  - (d) Social enterprise
20. 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

21. Which company ranked 3rd on Forbes World's Best Employer List 2018?
- (a) Walmart
  - (b) Microsoft
  - (c) Google
  - (d) Apple
22. 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
23. Where is the head office of NABARD?
- (a) Mumbai
  - (b) Delhi
  - (c) Gurugram
  - (d) Bengaluru
24. The opposite of bid is \_\_\_\_\_
- (a) Ask/Offer
  - (b) Call
  - (c) Purchase
  - (d) None of the above
25. Which of the following statement is correct with respect to HUF?
- (a) HUF earns income from salary
  - (b) Four successive generations of an undivided
  - (c) HUF enjoys a separate entity status under Income tax act –1961
  - (d) All of the above
26. What is not a characteristic of business environment?
- (a) Complex
  - (b) Static
  - (c) Multi-faced
  - (d) Far reaching
27. NESTLE is a beverage partner with which of the following companies?
- (a) Coca-Cola India
  - (b) Pepsico India Holdings Pvt. Ltd.
  - (c) Red Bull India Pvt. Ltd

- (d) Dabur India Ltd
28. FIPB stands for:
- (a) Foreign Institutional Promotion Board
  - (b) Foreign Institutional Preparatory Board
  - (c) Foreign Investment Priority Board
  - (d) Foreign Investment Promotion Board
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
  - (b) NABARD
  - (c) IRDA
  - (d) IFCI
30. Which of the following is Return on investment?
- (a) Dividend
  - (b) Interest
  - (c) Yield
  - (d) None of the above
31. Business as institution is \_\_\_\_\_
- (a) Job Creator
  - (b) Job seeker
  - (c) Both
  - (d) None of the above
32. Internal Environment includes \_\_\_\_\_
- (a) Customer
  - (b) Economic
  - (c) Demography
  - (d) Mission & Objectives
33. What happened in Microsoft in the year 2014?
- (a) Satya Nadella succeeded on Steve Ballmer
  - (b) Acquired Hardware division of NOKIA
  - (c) Both (a) & (b)
  - (d) None of the above
34. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
  - (b) Privatization
  - (c) Disinvestment



- (d) Aggregation
35. 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
36. What is price sensitivity?
- (a) the effect a change in price will have on customers.
  - (b) charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.
  - (c) a strategy involves setting low prices in order to discourage or deter potential new entrants to the suppliers market.
  - (d) It measures the responsiveness of a change in demand for a product following a change in its own price.
37. Who is the present MD & CEO of ICICI Bank?
- (a) Chanda Kochhar
  - (b) Shika Sharma
  - (c) M.K. Sharma
  - (d) Sandeep Bakshi
38. Where are the headquarters of L&T?
- (a) Bengaluru
  - (b) Delhi
  - (c) Mumbai
  - (d) Chennai
39. SEBI, RBI & IRDA are:
- (a) Regulatory Bodies
  - (b) Cluster Bodies
  - (c) Goal Sector bodies
  - (d) None of the above
40. Which of the following is not a subsidiary of Indian Oil Corporation Ltd.?
- (a) Chennai Petroleum Ltd.
  - (b) Brahmaputra Cracker and Polymer Ltd.
  - (c) Indian Oil – CREDA Biofuels Ltd.
  - (d) Indian Catalyst Private Ltd.

Test Series: October, 2019

**FOUNDATION COURSE  
MOCK TEST PAPER 1  
PAPER – 4: PART I : BUSINESS ECONOMICS  
ANSWERS**

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

Test Series: October, 2019

**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE****ANSWERS**

1	2	3	4	5	6	7	8	9	10
(d)	(c)	(a)	(b)	(b)	(a)	(b)	(b)	(b)	(a)
11	12	13	14	15	16	17	18	19	20
(a)	(b)	(b)	(a)	(a)	(d)	(c)	(a)	(d)	(d)
21	22	23	24	25	26	27	28	29	30
(d)	(c)	(a)	(a)	(c)	(b)	(a)	(d)	(c)	(c)
31	32	33	34	35	36	37	38	39	40
(a)	(d)	(c)	(a)	(c)	(a)	(d)	(c)	(a)	(b)

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Test Series: April, 2019

**FOUNDATION COURSE  
MOCK TEST PAPER 2  
PAPER – 4: PART I : BUSINESS ECONOMICS**

**Max. Marks : 60**

**QUESTIONS**

1. In the long run under which competition a firm may earn super normal profits?
  - (a) Monopolistic competition
  - (b) Perfect competition
  - (c) Oligopoly
  - (d) Monopoly
2. In Law of negative returns (Third stage of Law of variable proportions)
  - (a) Total Product declines, MP is positive
  - (b) Total Product declines, MP is Zero
  - (c) Total Product declines, MP is negative
  - (d) Total Product in constant, MP is constant
3. Supply of a good and its price have
  - (a) Negative relationship
  - (b) Inverse relationship
  - (c) No relationship
  - (d) Positive relationship
4. If firm's average cost curve is falling then marginal curve must be:
  - (a) Falling
  - (b) Rising
  - (c) Below average cost curve
  - (d) None of the above
5. An expansion in the supply of a good is caused by a:
  - (a) Rise in the price of good
  - (b) Fall in the prices of other goods
  - (c) Fall in the prices of factors of production
  - (d) All of the above

6. Which of the following has the lowest price elasticity of supply?
  - (a) Luxury
  - (b) Necessities
  - (c) Salt
  - (d) Perishable goods
7. In Economics, the central economic problem means:
  - (a) Output is restricted to the limited availability of resources
  - (b) Consumers 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
8. The law of scarcity
  - (a) Does not apply to rich, developed countries
  - (b) Does not apply to poor, under developed countries
  - (c) Implies only to socialist economies.
  - (d) Implies that all consumer wants will never be completely satisfied.
9. For the prices-taking firm:
  - (a) Marginal revenue is less than price
  - (b) Marginal revenue is equal to price
  - (c) Marginal revenue is greater than price
  - (d) The relationship between marginal revenue and price is indeterminate
10. A monopolist is able to maximize his profits when:
  - (a) His output is maximum
  - (b) He charges high price
  - (c) His average cost is minimum
  - (d) His marginal cost is equal to marginal revenue
11. In Imperfect competition:
  - (a) Excess capacity always exists
  - (b) Excess capacity never exists
  - (c) Excess capacity may or may not exist
  - (d) None of the above
12. Product differentiation is the most important feature of:
  - (a) Monopolistic Competition

- (b) Monopoly
  - (c) Oligopoly
  - (d) Perfect Competition
13. Relationship between AR, MR and Price elasticity of demand is
- (a)  $MR = AR + [e-1/e]$
  - (b)  $MR = AR \times [e-1/e]$
  - (c)  $AR = MR \times [e-1/e]$
  - (d)  $MR = AR \times [e/e - 1]$
14. In a perfectly competitive firm, MC curve above AVC is the \_\_\_\_\_ Curve of the firm
- (a) Average cost
  - (b) Marginal revenue
  - (c) Demand
  - (d) Supply
15. Questions like what should be the level of national income, what should be the wage rate fall within the scope of:
- (a) Positive Science
  - (b) Normative Science
  - (c) Both (a) and (b)
  - (d) None of the above
16. 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
17. Which is not the assumption of Indifference curve Analysis?
- (a) The consumer is rational and possesses full information about all the aspects of economic environment
  - (b) The consumer is not capable of ranking all combinations
  - (c) If consumer prefers combination A to B, and B to C, then he must prefer combination A to C
  - (d) If combination A has more commodities than combination B, then A must be preferred to B.
18. The horizontal demand curve parallel to x-axis implies that the elasticity of demand is
- (a) Zero
  - (b) Infinite



- (c) Equal to one
  - (d) Greater than zero but less than infinity
19. When is TP maximum
- (a) When AP becomes Zero
  - (b) When MP becomes Zero
  - (c) At the intersecting point of AP and MP
  - (d) When MP is highest
20. Variable cost includes the cost of
- (a) Buying land and building
  - (b) Hire charges of machinery
  - (c) Insurance premium
  - (d) Material bought
21. Which of the following is correct?
- (a) Marginal cost is always less than the average cost.
  - (b) Marginal cost is always more than the average cost.
  - (c) Marginal cost is always equal to the average cost at its minimum point.
  - (d) Marginal cost is always equal to the average cost
22. When average cost curve is rising then, marginal cost
- (a) Must be decreasing
  - (b) Must be above the average cost curve
  - (c) Must be constant
  - (d) Must be equal to average cost
23. A firm has variable cost of Rs. 1,000 at 5 units of output. If fixed cost are Rs. 400, what will be the average total cost at 5 units of output?
- (a) 380
  - (b) 280
  - (c) 60
  - (d) 400
24. The vertical difference between TVC and TC is equal to:
- (a) MC
  - (b) AVC
  - (c) TFC

- (d) None of the above
25. The consumer is in equilibrium when:
- (a) When marginal utility is constant
  - (b) When marginal utility is greater than price of the good
  - (c) When marginal utility is less than price of the good
  - (d) When marginal utility is equal to price of the good
26. Capital is a :
- (a) Stock concept
  - (b) Flow Concept
  - (c) Both (a) and (b)
  - (d) None of the above
27. Which is not the function of an entrepreneur?
- (a) Initiating a business enterprise and resource co-ordination
  - (b) Risk bearing or uncertainty bearing
  - (c) Innovation
  - (d) Mobilisation of savings
28. A higher indifference curve shows:
- (a) A higher level of satisfaction
  - (b) A higher level of production
  - (c) A higher level of income
  - (d) None of the above
29. In case of an inferior good the income elasticity of demand is:
- (a) Zero
  - (b) Positive
  - (c) Negative
  - (d) None of the above
30. When quantity demanded changes by larger percentage than does price, elasticity is termed as:
- (a) Inelastic
  - (b) Elastic
  - (c) Perfectly Elastic
  - (d) Perfectly Inelastic

31. Marginal cost is defined as:
- (a) The change in total cost due to a one unit change in output
  - (b) Total cost divided by output
  - (c) The change in output due to a one unit change in an input
  - (d) Total product divided by the quantity of input
32. Indifference curve is convex to the origin due to:
- (a) Falling MRS
  - (b) Rising MRS
  - (c) Constant MRS
  - (d) None of the above
33. Which of the following is not included in the stages of capital formation?
- (a) Savings
  - (b) Mobilisation of Income
  - (c) Mobilisation of saving
  - (d) Investment
34. We mainly study the following in Micro Economics:
- (a) Location of a Industry
  - (b) Study of firms
  - (c) Factor pricing
  - (d) All of the above
35. In perfect competition in the long run there will be \_\_\_\_\_
- (a) Normal Profits
  - (b) Super Normal Profit
  - (c) Less production
  - (d) Cost will be falling
36. A firm encounters its shut down point when:
- (a) Average total cost equal price at the profit maximizing level of output
  - (b) Average variable cost equals price at the profit maximizing level of output
  - (c) Average fixed cost equals price at the profit maximizing level of output
  - (d) Marginal cost equals price at the profit maximizing level of output

37. In which form of the market structure is the degree of control over the price of its product by a firm is very large?
- (a) Imperfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Perfect competition
38. Which of the following statements is correct?
- (a) As normative science, Economics involves value judgments
  - (b) Robbins has made economics as a form of welfare economics
  - (c) The Law of Demand is always true
  - (d) None of the above
39. 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
40. If the proportion of income spent on a goods decrease as income rises then income elasticity is:
- (a) Greater than one
  - (b) Less than one
  - (c) One
  - (d) Zero
41. If two goods are totally unrelated, then cross elasticity between them is:
- (a) Zero
  - (b) One
  - (c) Infinite
  - (d) None of the above
42. Which of the following is considered production in Economics?
- (a) Teaching CA students in CA Institute by a teacher
  - (b) Singing a song before friends
  - (c) Flying kite for pleasure
  - (d) Teaching to friends in a library any concept of Economics

Use following table to answer questions 43-46

Quantity	Variable Cost	Fixed Cost	Total Cost	AVC	ATC	MC
0	0					
5	25					
10	470					
15	700					
20	980					
25	1350					
30	1850					
35	2520					
40	3400					
45	4530					
50	5950					

A firm operating in perfect competition sells as much as of its products as it chooses at a market price of Rs. 100 per unit. Its Fixed cost is Rs. 300 and its Variable cost for different levels of production are shown in the above table.

43. When production is 40 units, the average cost is:

- (a) Rs. 4.40
- (b) Rs. 7.50
- (c) Rs. 85
- (d) Rs. 92.50

44. In the table, marginal cost per unit that corresponds to 40 units of production is:

- (a) Rs. 22
- (b) Rs. 85
- (c) Rs. 176
- (d) Rs. 880

45. To maximize profit the firm should produce:

- (a) 15 units
- (b) 30 units
- (c) 35 units
- (d) 50 units

46. If the market price drops from Rs. 100 to Rs. 56 per unit, the firm's short run response should be

- (a) Shut down
- (b) Produce 5 units
- (c) Produce 20 units
- (d) Continue to produce the same number of units as before the drop in price

47. The LAC curve

- (a) Falls when the LMC curve falls

- (b) Rises when the LMC curve rises
  - (c) Goes through the lowest point of the LMC curve
  - (d) Falls when  $LMC < LAC$  and rises when  $LMC > LAC$
48. When we are studying how a producer fixes the price of his products we are studying
- (a) Macro Economics
  - (b) Micro Economics
  - (c) Both Micro and Marco Economics
  - (d) None of the above
49. Macro economics doesn't include one example from the following:
- (a) National Income and output
  - (b) Study of firms
  - (c) General Price Level
  - (d) Saving and Investment
50. Normal goods have:
- (a) Positive income elasticity
  - (b) Negative income elasticity
  - (c) Fluctuating income elasticity
  - (d) Zero income elasticity
51. \_\_\_\_\_ is an implicit cost of production
- (a) Wages of the labour
  - (b) Charges for electricity
  - (c) Interest on owned money capital
  - (d) Payment for raw material
52. Cardinal Measurability of utility means:
- (a) Utility can be measured
  - (b) Utility cannot be measured
  - (c) Utility can be ranked
  - (d) Utility can be measured in some case
- 53 Which of the following statement is false?
- (a) An indifference curve is concave to the origin
  - (b) An indifference curve is convex to the origin
  - (c) A higher indifference curve is better than a lower indifferent curve
  - (d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.
54. Identify the factor which generally keeps the price-elasticity of a demand for a good high.
- (a) Its very high price



- (b) Its very low price
  - (c) Large number of substitutes
  - (d) None of the above
55. Under which market structure, the control of firm over price is nil?
- (a) Perfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Monopolistic Competition
56. If as a result of 80 percent increase in all inputs, the output increases by 25 percent, this is a case of:
- (a) Increasing return to scale
  - (b) Decreasing return to factor
  - (c) Decreasing returns to scale
  - (d) Diminishing return to factor
57. When marginal product is negative, then total product is:
- (a) Maximum
  - (b) Decreasing
  - (c) Constant
  - (d) None of the above
58. Suppose that an owner is earning total revenue of Rs. 1,00,000 and is incurring explicit cost of Rs. 60,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that:
- (a) The firm is earning economic profit of Rs. 10,000
  - (b) The firm is earning accounting profit of Rs. 40,000
  - (c) The firm is earning economic profit of Rs. 40,000
  - (d) Both (a) and (b)
59. The four phases of the business cycle are
- (a) peak, recession, trough and boom
  - (b) peak, depression, trough and boom
  - (c) peak, recession, trough and recovery
  - (d) peak, depression, bust and boom.
60. Peaks and troughs of the business cycle are collectively known as:
- (a) Volatility
  - (b) Turning points
  - (c) Equilibrium points
  - (d) Real business cycle events.

**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE****QUESTIONS****Max. Marks: 40**

1. The occupation in which people work for others and get remunerated in return is known as:
  - (a) Business
  - (b) Employment
  - (c) Profession
  - (d) None of these
2. The price sensitivity of the market is an important factor of which element of Micro environment:
  - (a) Suppliers
  - (b) Market
  - (c) Intermediaries
  - (d) Customer
3. Jayesh Merchant is the CFO of which company?
  - (a) Asian Paints Ltd.
  - (b) Ambuja cements Ltd.
  - (c) Bosch Ltd.
  - (d) Ultratech cement Ltd.
4. Which of the following institutions has been scrapped recently?
  - (a) Minerals and Metals Regulatory Commission
  - (b) Coal India Limited
  - (c) Planning Commission
  - (d) FIPB
5. When was IRDAI constituted?
  - (a) 1997
  - (b) 1998
  - (c) 1999
  - (d) 2000
6. 'Personal selling' is done through:
  - (a) Written communication
  - (b) Oral communication
  - (c) TV and media
  - (d) Sign language
7. The Indian Companies Act provides for the registration of:
  - (a) Private Limited and Public Company

- (b) One Person Company and Small Company  
(c) Defunct Company  
(d) All of the above
8. Environment which is close to business and affect its capacity to work is known as \_\_\_\_\_ environment:  
(a) Micro  
(b) Macro  
(c) Internal  
(d) External
9. Where are the headquarters of Walmart?  
(a) Arkansas, US  
(b) California, US  
(c) New York, US  
(d) None of the above
10. In case of Maruti–Suzuki, the Union Government surrendered partial ownership and sold the majority stake to Suzuki of Japan in course of time. This is a case of:  
(a) Partial Disinvestment  
(b) Displacement  
(c) Delegation  
(d) Divestment
11. Where is the headquarter of NABARD?  
(a) Mumbai  
(b) Delhi  
(c) Gurugram  
(d) Benlgaluru
12. Bid is the opposite of  
(a) Ask/offer  
(b) Call  
(c) Equity  
(d) None of the above
13. Mark Incorrect:  
(a) Business has only one motive; profit  
(b) Plurality of the objective is a modern phenomenon  
(c) Objective of survival & growth of business are called organic objectives  
(d) In addition to economic motive, it may have non-economic motives like social, ethical or environmental

14. Which of the following constitute Demographic Environment?

- (a) Nature of economy i.e. capitalism, socialism, Mixed
- (b) Size, composition, distribution of population, sex ratio
- (c) Foreign trade policy of Government
- (d) Economic policy i.e. fiscal and monetary policy of Government

15. Match the following:

<b>Companies</b>	<b>Product</b>
Microsoft	Coffee
Bajaj	Windows
Nestle	Activa
Jio	Mobile phone service

- (a) Microsoft-Activa, Bajaj-Windows, Nestle-Coffee, Jio-Mobile phone service
- (b) Microsoft-Windows, Bajaj-Activa, Nestle-Coffee, Jio-Mobile phone service
- (c) Microsoft-Coffee, Bajaj-Windows, Nestle-Activa, Jio-Mobile phone service
- (d) Microsoft-Windows, Bajaj-Coffee, Nestle-Activa, Jio-Mobile phone service

16. Mark the Incorrect statement:

- (a) FDI is made with an intention of exercising control over an enterprise.
- (b) FDI is called Portfolio Investment.
- (c) FDI is a long run Investment.
- (d) FDI helps in upgradation of technology.

17. Which one 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

18. Marketing mix includes 4 Ps and 4Cs. Match the following and prepare the proper combinations:

<b>4 P's</b>	<b>4 C's</b>
Product	Convenience
Price	Communication
Promotion	Cost
Place	Customers' satisfaction

- (a) Product-Communication, Price-Cost, Promotion- Customers' satisfaction, Place-Convenience
- (b) Product-Customer's satisfaction, Price-Cost, Promotion- Convenience, Place- Communication

- (c) Product- Convenience, Price-Cost, Promotion-Communication, Place- Customer's satisfaction  
(d) Product-Customer's satisfaction, Price-Cost, Promotion-Communication, Place-Convenience
19. Find out the incorrect:
- (a) Economic Activities are drive by nationality.  
(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.
20. SWOT refers to:
- (a) Strength, Worry, Option, Threat  
(b) Strength, Weakness, Opportunity, Threat  
(c) Strong, Weak, Option, Threat  
(d) Strong, Weakness, Opportunity, Think
21. Which one of the following is NOT a FMCG company?
- (a) ITC  
(b) Dabour  
(c) HUL  
(d) Maruti
22. 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.
23. 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
24. 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.
25. The maximum number of members of a public company is:
- (a) 07

- (b) 50
  - (c) No limit
  - (d) 200
26. What is the single word that can best describe today's business?
- (a) Technology
  - (b) Change
  - (c) Persistence
  - (d) Profit making
27. Who was the co-founder of Microsoft with Bill Gates?
- (a) Paul Allen
  - (b) Melinda Gates
  - (c) Satya Nadella
  - (d) Lucci Hood
28. BRICS stands for:
- (a) Belgium, Russia, Indonesia, China and Saudi Arabia
  - (b) Belgium, Russia, India, Cambodia and Saudi Arabia
  - (c) Brazil, Russia, India, China and South Africa
  - (d) Brazil, Romania, India, Cambodia and South Africa
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
  - (b) NABARD
  - (c) IRDA
  - (d) IFCI
30. When two or more companies come together to expand their business operations in a newly created entity.
- (a) Joint venture
  - (b) Acquisition
  - (c) Partnership
  - (d) Merger
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 3<sup>rd</sup> on Forbes World's Best Employer's List 2018?
- (a) Google
  - (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. Which of the following statements distinguishes business from entrepreneurship?
- (a) Entrepreneurs are the business owners too
  - (b) All business owners are entrepreneurs too
  - (c) Entrepreneurs seek out new opportunities and pursue innovative business ideas
  - (d) (a) and (b)
38. Business and technology are:
- (a) Interrelated
  - (b) Interdependent
  - (c) Interrelated & Interdependent

- (d) None of the above
39. Which pharmaceutical company has the slogan 'caring for life'?
- (a) Dr. Reddy's
  - (b) Lupin Ltd.
  - (c) Cipla Ltd.
  - (d) Sun Pharmaceutical Industries Ltd.
40. Public policies are of three types:
- (a) Restrictive, Regulatory, Participative
  - (b) Restrictive, Regulatory, Facilitating
  - (c) Voluntarily, Participative, Facilitating
  - (d) Regulatory, Voluntarily, Continuous

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Test Series: April, 2019

**FOUNDATION COURSE**  
**MOCK TEST PAPER 2**  
**PAPER – 4: PART I : BUSINESS ECONOMICS**

**ANSWERS**

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

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**PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE****ANSWERS**

1	2	3	4	5	6	7	8	9	10
(b)	(b)	(a)	(c)	(c)	(b)	(d)	(c)	(a)	(d)
11	12	13	14	15	16	17	18	19	20
(a)	(a)	(a)	(b)	(b)	(b)	(c)	(d)	(d)	(b)
21	22	23	24	25	26	27	28	29	30
(d)	(a)	(c)	(d)	(c)	(b)	(a)	(c)	(c)	(d)
31	32	33	34	35	36	37	38	39	40
(d)	(d)	(d)	(c)	(a)	(b)	(c)	(c)	(c)	(b)

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Test Series: March, 2019

## FOUNDATION COURSE

## MOCK TEST PAPER

## PAPER – 4 : BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

## PART I: BUSINESS ECONOMICS

## QUESTIONS

Max. Marks: 60

1. 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
2. A firm under perfect competition will be making minimum losses (in the short run) at a point where:
  - (a)  $MC > MR$
  - (b)  $MR > MC$
  - (c)  $MC = MR$
  - (d)  $AC = AR$
3. When the consumer is in equilibrium his price line is \_\_\_\_\_ to indifference curve
  - (a) Parallel
  - (b) At right angle
  - (c) Diagonally opposite
  - (d) Tangent
4. The Law of variable proportions examines the Production function with:
  - (a) One factor variable and only one factor fixed
  - (b) One factor variable keeping quantities of other factors fixed
  - (c) All factors variable
  - (d) None of the above

5. Indifference Curve analysis is based on
  - (a) Ordinal utility
  - (b) Cardinal utility
  - (c) Marginal utility
  - (d) None of the above
6. MC curve cuts AVC Curve
  - (a) At its falling point
  - (b) At its minimum Point
  - (c) At its rising point
  - (d) At different points
7. Accounting profit is equal to:
  - (a) Total Revenue – Total variable cost
  - (b) Total Revenue – Total direct cost
  - (c) Total Revenue – Total Cost
  - (d) Total Revenue – Total Explicit cost and Total Implicit Cost.
8. Which of the following is a cause of an economic problem?
  - (a) Scarcity of Resources
  - (b) Unlimited wants
  - (c) Alternative uses
  - (d) All of the above
9. When two goods are perfect substitutes of each other then
  - (a) MRS is falling
  - (b) MRS is rising
  - (c) MRS is constant
  - (d) None of the above
10. In case of a Giffen good, the demand curve will be:
  - (a) Horizontal
  - (b) Downward – sloping to the right
  - (c) Vertical



- (d) Upward – sloping
11. Which of the following statements is incorrect?
- (a) The services of doctors, lawyers, teachers etc. are termed as production
  - (b) Man cannot create matter
  - (c) Accumulation of capital does not depend solely on income
  - (d) None of the above
12. In perfect competition utilization of resources is
- (a) Partial
  - (b) Moderate
  - (c) Full
  - (d) Over
13. Price discrimination occurs when:
- (a) Producer sells a specific commodity or service to different buyers for the same price
  - (b) Producer sells specific commodity or service to different buyers at two or more different prices due to difference in cost
  - (c) Producer sells a specific commodity or service to different buyers at two or more different prices for reasons not associate with difference in cost
  - (d) Producer under perfect competition sells different goods to consumers at different prices
14. MR curve under Monopoly lies between AR and Y – axis because, the rate of decline of the MR is
- (a) Just half of the rate of decline of AR
  - (b) Just equal to the rate of decline of AR
  - (c) Just triple the rate of decline of the average revenue
  - (d) Just double the rate of decline of the average revenue
15. In the long run, normal profits are included in the \_\_\_\_\_ curve.
- (a) LAC
  - (b) LMC
  - (c) AFC
  - (d) SAC

16. Calculate Income-elasticity for the household when the income of a household rises by 10% the demand for T.V. rises by 20%
- (a) + .5
  - (b) -.5
  - (c) + 2
  - (d) -2
17. In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:
- (a) infinite
  - (b) Zero
  - (c) Marginally positive
  - (d) Marginally Negative
18. Which of the following is not the characteristic of Labour?
- (a) Labour is highly 'Perishable' in the sense that a day's labour lost cannot be completely recovered
  - (b) Labour is inseparable from the labourer himself
  - (c) Labour has a strong bargaining power
  - (d) The supply of labour and wage rate are directly related in the initial stages
19. Indicate which of the following is a variable cost?
- (a) Payment of rent on building
  - (b) Cost of Machinery
  - (c) Interest payment on Loan taken from bank
  - (d) Cost of raw material
20. Marginal costs are closely associated with:
- (a) Variable cost
  - (b) Total fixed cost
  - (c) Average cost
  - (d) Total cost
21. Economic cost means
- (a) Accounting cost + Implicit cost

- (b) Accounting cost + Marginal cost
  - (c) Cash cost + Opportunity cost
  - (d) Implicit cost
22. When is average product at its maximum point?
- (a) When AP intersects MP
  - (b) When AP intersects TP
  - (c) When MP is highest
  - (d) At the point of inflexion
23. A firm has producing 7 units of output has an average total cost of Rs. 150 and has to pay Rs. 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
24. Calculate Income-elasticity for the household when the income of a household rises by 5% and the demand for bajra falls by 2%
- (a) + 2.5
  - (b) - 2.5
  - (c) -4
  - (d) +.4
25. The consumer surplus concept is derived from:
- (a) Law of demand
  - (b) Indifference curve analysis
  - (c) Law of diminishing marginal utility
  - (d) All of above
26. The cost that firm incurs in hiring or purchasing any factor of production is referred as:
- (a) Explicit cost
  - (b) Implicit cost
  - (c) Variable cost

- (d) Fixed cost
27. \_\_\_\_\_ depicts complete picture of consumer tastes and preferences.
- (a) Budget line
  - (b) Average cost curve
  - (c) Indifference map
  - (d) Marginal revenue curve
28. When economists speak of utility of a certain good, they are referring to:
- (a) the demand for the good
  - (b) The usefulness of the good in consumption
  - (c) the expected satisfaction derived from the consumption of good.
  - (d) The rate at which consumers are willing to exchange one good for another
29. Diminishing marginal returns imply:
- (a) Decreasing average variable cost
  - (b) Decreasing marginal cost
  - (c) Increasing marginal cost
  - (d) Decreasing average fixed cost
30. If the goods are perfect substitutes for each other then cross elasticity is
- (a) Infinite
  - (b) One
  - (c) Zero
  - (d) None of the above
31. Consumer Surplus is:
- (a) What a consumer is ready to pay + what he actually pays
  - (b) What a consumer is ready to pay – what he actually pays
  - (c) What he actually pays – what a consumer is ready to pay
  - (d) None of the above
32. Which of the following statements is correct?
- (a) Monopolist can earn only profits
  - (b) Firms in a perfectly competitive market are price maker

- (c) Industry in a perfectly competitive market is a price taker
  - (d) AR curve and demand curve are same
33. Soap industry is an example of:
- (a) Oligopoly
  - (b) Perfect competition
  - (c) Monopolistic competition
  - (d) Monopoly
34. When price is less than average variable cost at the profit maximizing level of output, a firm should :
- (a) Shut down, since it cannot recover its variable cost
  - (b) Produce where  $MC = MR$ , if operating in short run
  - (c) Produce where  $MC = MR$ , if operating in long run
  - (d) None of the above
35. For the Price taking firm:
- (a) Marginal Revenue is less than price
  - (b) Marginal revenue is greater than price
  - (c) The relationship between marginal revenue and price is not clear
  - (d) Marginal revenue is equal to average revenue
36. Economic goods are goods which:
- (a) Cannot be increased in quantity
  - (b) Obey the law of Micro Economics
  - (c) Are limited in supply and are scarce
  - (d) Are limited to man-made goods.
37. Which of the following means an Economic activity?
- (a) Production of Goods
  - (b) Production of Services
  - (c) Consumption of Goods and Services
  - (d) All of the above

38. Which economy is now a myth only, as no country in the world is having that type of economy?
- (a) Capitalist Economy
  - (b) Socialist Economy
  - (c) Mixed Economy
  - (d) None of the above

**Use table to answer question 39-42**

Mohan sweets is a small restaurant and a price taker. The table below provides the data of Mohan's Sandwich output and costs in Rupees

Quantity	TC	TFC	TVC	AVC	AC	MC
0	100					
10	210					
20	300					
30	400					
40	540					
50	790					
60	1060					

39. If Sandwiches are being sold for Rs. 14 each, what is Mohan's profit maximizing level of output?
- (a) 10 Sandwiches
  - (b) 40 Sandwiches
  - (c) 50 Sandwiches
  - (d) 60 Sandwiches
40. What is the total variable cost when 60 sandwich are produced?
- (a) Rs. 690
  - (b) Rs. 960
  - (c) Rs. 110
  - (d) Rs. 440
41. What is the average fixed cost when 20 sandwiches are produced?
- (a) Rs. 5



- (b) Rs. 3.33
  - (c) Rs. 10
  - (d) Rs. 2.5
42. Between 10 to 20 sandwiches, what is the marginal cost per sandwich?
- (a) Rs. 11
  - (b) Rs. 13
  - (c) Rs. 14
  - (d) Rs. 9
43. If decreasing returns to scale are present, then if all inputs are increased by 10% then:
- (a) Output will increase by less than 10%
  - (b) Output will increase by 10%
  - (c) Output will decrease by 10%
  - (d) Output will increase by more than 10%
44. Effective Demand depends on:
- (a) Desire
  - (b) Means to purchase
  - (c) Willingness to use those means
  - (d) All of the above
45. Quantity demanded is a:
- (a) Flow Concept
  - (b) Stock Concept
  - (c) Both (a) and (b)
  - (d) None of the above
46. If two goods are complementary, like pen and ink, then the cross elasticity is:
- (a) Positive
  - (b) Zero
  - (c) Negative
  - (d) Less than one

47. If the price of Banana rises from Rs. 30 per dozen to Rs. 40 per dozen and the supply increases from 240 dozen to 300 dozens elasticity of supply is:
- (a) .7
  - (b) -.67
  - (c) .65
  - (d) .77
48. If as a result of 90 percent increase in all inputs, the output increase by 75 percent this is a case of
- (a) Increasing return of a factor
  - (b) Decreasing return to a factor
  - (c) Diminishing return to scale
  - (d) None of the above
49. At shut down point:
- (a) Price is equal to AVC
  - (b) Total revenue is equal to TVC
  - (c) Total loss of the firm is equal to TFC
  - (d) All of the above
50. Excess Capacity is the essential characteristic of the firm in the market form of:
- (a) Monopoly
  - (b) Perfect competition
  - (c) Monopolistic competition
  - (d) Oligopoly
51. If a good is priced at Rs. 180 p.u. and its price is increased to Rs. 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity?
- (a) . 777
  - (b) 1.4
  - (c) 1
  - (d) . 8

52. Macroeconomics is the study of:
- (a) Inflation
  - (b) Unemployment
  - (c) Growth
  - (d) All of the above
53. All of the following are U-shaped curves except the:
- (a) AVC curve
  - (b) AFC curve
  - (c) AC curve
  - (d) MC curve
54. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is:
- (a) Infinite
  - (b) Zero
  - (c) Equal to one
  - (d) Greater than zero but less than one
55. Lesser production of \_\_\_\_\_ would lead to lesser production in future
- (a) Public goods
  - (b) Consumer goods
  - (c) Agricultural goods
  - (d) Capital goods
56. A condition needed for a perfectly competitive industry to exist is that:
- (a) Buyers are able to influence the price of the commodity
  - (b) Any units of commodity are considered by buyers to be different
  - (c) Buyer discriminates in their purchases based on non-price factors.
  - (d) There are no obstacles to the free mobility of resources
57. If the price of petrol rises by 25% and demand for car falls by 40% then, cross elasticity between petrol and car is:
- (a) -1.6
  - (b) 1.6

- (c) -2.6  
(d) 2.6
58. Assume that when price is Rs. 40 quantity demanded is 9 units, and when price is Rs. 38, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units?
- (a) Rs. 20  
(b) Rs. 40  
(c) Rs.38  
(d) Rs. 1
59. Which of the following is not a variable in the index of leading indicators?
- (a) New consumer goods order  
(b) Delayed deliveries  
(c) New building permits  
(d) Prime rate
60. When aggregate economic activity is increasing the economy is said to be in
- (a) An expansion  
(b) a contraction  
(c) A peak  
(d) A turning point.

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**PART II: BUSINESS AND COMMERCIAL KNOWLEDGE  
QUESTIONS****Max. Marks: 40**

1. 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.
2. 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.
3. Larsen & Toubro ranked ----- on Forbes World's Best Employer's List 2018.
  - (a) 102<sup>nd</sup>
  - (b) 82<sup>nd</sup>
  - (c) 52<sup>nd</sup>
  - (d) 22<sup>nd</sup>
4. 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.
5. 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

6. 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.
7. Which of the following statements distinguishes business from entrepreneurship?
  - (a) Entrepreneurs are the business owners too
  - (b) All business owners are entrepreneurs too
  - (c) Entrepreneurs seek out new opportunities and pursue innovative business ideas
  - (d) (a) and (b)
8. Business and technology are:
  - (a) Interrelated
  - (b) Interdependent
  - (c) Interrelated & Interdependent
  - (d) None of the above
9. Which pharmaceutical company has the slogan 'caring for life'?
  - (a) Dr. Reddy's
  - (b) Lupin Ltd.
  - (c) Cipla Ltd.
  - (d) Sun Pharmaceutical Industries Ltd.
10. Public policies are of three types:
  - (a) Restrictive, Regulatory, Participative
  - (b) Restrictive, Regulatory, Facilitating
  - (c) Voluntarily, Participative, Facilitating
  - (d) Regulatory, Voluntarily, Continuous
11. How many members of SEBI should be from RBI?
  - (a) 4
  - (b) 3



- (c) 1
  - (d) 2
12. 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
13. 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
14. 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
15. Who is the present CFO of Adani Ports and Special Economic Zone Limited?
- (a) B Ravi
  - (b) Deepak Maheshwari
  - (c) Anand D. Lal
  - (d) Jayesh Merchant
16. 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.

17. 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
18. 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
19. Find out the incorrect:
- (a) Economic Activities are drive by nationality.
  - (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.
20. SWOT refers to:
- (a) Strength, Worry, Option, Threat
  - (b) Strength, Weakness, Opportunity, Threat
  - (c) Strong, Weak, Option, Threat
  - (d) Strong, Weakness, Opportunity, Think
21. Which one of the following is NOT a FMCG company?
- (a) ITC
  - (b) Dabour
  - (c) HUL
  - (d) Maruti
22. Mark incorrect as Globalization refers to:
- (a) Encouraging regional economic cooperation.
  - (b) Integrating the world into one economic global village.

- (c) It paves the way for higher factor mobility.
  - (d) Drawing countries out of their insulation.
23. 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
24. 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.
25. The Indian Companies Act, 2013 provides for the registration of:
- (a) Private Limited and Public Limited Company
  - (b) One Person Company and Small Company
  - (c) Defunct Company
  - (d) All of the above
26. The businesses should continuously \_\_\_\_\_ and \_\_\_\_\_ to the environment if it is to survive and prosper.
- (a) Identify, appraise
  - (b) Monitor, adapt
  - (c) Identify, monitor
  - (d) Monitor, appraise
27. Which company ranked 1<sup>st</sup> in Fortune 500 Companies list in 2018?
- (a) Apple
  - (b) Walmart
  - (c) Microsoft
  - (d) United Health Group

28. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
  - (b) Cultural Reforms
  - (c) Commercial Reforms
  - (d) Socio-cultural Reforms
29. Where can the first appeal against SEBI be made?
- (a) High Court
  - (b) Supreme Court
  - (c) Securities Appellate Tribunal
  - (d) RBI
30. Which one is not correct about Bank rate?
- (a) It is a quantitative measure.
  - (b) It differs from repo rate.
  - (c) It is also known as discount rate.
  - (d) It influences credit availability to particular sector.
31. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
  - (b) Parsi family
  - (c) Buddhist family
  - (d) Muslim family
32. 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
33. Indane LPG is the product of which corporation in India?
- (a) IOCL
  - (b) NTPC
  - (c) ONGC

- (d) PGCIL
34. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
  - (b) Privatization
  - (c) Disinvestment
  - (d) Aggregation
35. 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
36. \_\_\_\_\_ 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
37. Under the income tax Act, A HUF cannot earn income from:
- (a) House property
  - (b) Salary
  - (c) Profits
  - (d) Other sources
38. Which of the following is an economic activity:
- (a) Social interest
  - (b) Social security
  - (c) Selfless concern
  - (d) Self interest

39. In the Forbes World's Largest Public Corporations List 2018, APPLE ranked:
- (a) 2<sup>nd</sup>
  - (b) 8<sup>th</sup>
  - (c) 4<sup>th</sup>
  - (d) 6<sup>th</sup>
40. Identify the sector where, FDI is NOT permitted:
- (a) Automobile
  - (b) Infrastructure
  - (c) Textile
  - (d) Atomic energy

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Test Series: March, 2019

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4 PART I: BUSINESS ECONOMICS  
ANSWERS**

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

**PART II: BUSINESS AND COMMERCIAL KNOWLEDGE**

1	(d)	11	(c)	21	(d)	31	(d)
2	(d)	12	(a)	22	(a)	32	(a)
3	(d)	13	(d)	23	(c)	33	(a)
4	(c)	14	(b)	24	(d)	34	(a)
5	(a)	15	(b)	25	(d)	35	(c)
6	(b)	16	(c)	26	(b)	36	(c)
7	(c)	17	(d)	27	(b)	37	(b)
8	(c)	18	(a)	28	(d)	38	(d)
9	(c)	19	(d)	29	(c)	39	(b)
10	(b)	20	(b)	30	(d)	40	(d)

Test Series: October, 2018

**FOUNDATION COURSE****MOCK TEST PAPER - 2****PAPER – 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE****PART I: BUSINESS ECONOMICS****Max. Marks: 60****QUESTIONS**

1. Consumer surplus means \_\_\_\_\_
  - (a) the area inside the budget line
  - (b) the area between the average revenue and marginal revenue curves
  - (c) the difference between the maximum amount a person is willing to pay for a good and its market price.
  - (d) none of the above
2. A horizontal supply curve parallel to the quantity axis implies that the elasticity of supply is
  - (a) zero
  - (b) infinite
  - (c) equal to one
  - (d) greater than zero but less than one
3. 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.
4. The AR curve and industry demand curve are same:
  - (a) In the case of monopoly
  - (b) In the case of oligopoly
  - (c) In the case of perfect competition.
  - (d) None of the above.
5. Which one of the following is the best example of agreement between oligopolists?
  - (a) GATT
  - (b) OPEC
  - (c) WTO
  - (d) UNIDO
6. Marginal utility approach to demand was given by \_\_\_\_\_
  - (a) J.R. Hicks
  - (b) Alfred Marshall
  - (c) Robbins

- (d) A.C. Pigou
- 7. Excess capacity is not found under\_\_\_\_\_.

  - (a) Monopoly
  - (b) Monopolistic Competition
  - (c) Perfect Competition
  - (d) Oligopoly.

- 8. 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

- 9. If R point bisects the demand curve in two equal part, then elasticity at R equals\_\_\_\_\_

  - (a) Zero
  - (b) Five
  - (c) Two
  - (d) One

**Use Table 1 to answer question 10-13**

“Bozzo’s burgers is a small restaurant and a price taker. The table below provides the data of Bozzo’s output and costs in Rupee.

Quantity	Total Cost	Fixed Cost	Variable Cost	Average variable cost	Average total Cost	Marginal Cost
0	100	-	-	-		
10	210					
20	300					
30	400					
40	540					
50	790					
60	1060					

- 10. If burgers sell for Rs. 14 each, what is Bozzo’s profit maximizing level of output?

  - (a) 10 burgers
  - (b) 40 burgers
  - (c) 50 burgers
  - (d) 60 burgers

- 11. What is the total variable cost when 60 burgers are produced?

  - (a) Rs. 690
  - (b) Rs. 960
  - (c) Rs. 110
  - (d) Rs. 440

12. What is average fixed cost when 20 burgers are produced?
- (a) Rs.5
  - (b) Rs. 3.33
  - (c) Rs. 10
  - (d) Rs. 2.5
13. Between 10 to 20 burgers, what is the marginal cost (per burger)?
- (a) Rs. 11
  - (b) Rs. 13
  - (c) Rs. 14
  - (d) Rs. 9
14. When \_\_\_\_\_ we know that the firms must be producing at the minimum point of the average cost curve and so there will be productive efficiency.
- (a)  $AC=AR$
  - (b)  $MC=AC$
  - (c)  $MC=MR$
  - (d)  $AR=MR$

**Read the following data and answer Questions number 15-20**

A shopkeeper sells gel pen at Rs. 10 per pen. At this price he can sell 120 per month. After some time, he raises the price to Rs. 15 per pen. Following the price rise:

- Only 60 pens were sold every month
  - The number of refills bought were down from 200 to 150.
  - The number of ink pen customers bought went up from 90 to 180 per month.
15. The price elasticity of demand when gel pen's price increases from Rs.10 per pen to Rs.15 per pen is equal to:
- (a) 2.5
  - (b) 1.0
  - (c) 1.66
  - (d) 2.66
16. The cross elasticity of monthly demand for refills when the price of gel pen increase from Rs. 10 to Rs. 15 is equal to:
- (a) -0.71
  - (b) + 0.25
  - (c) -0.1
  - (d) + 0.38
17. The cross elasticity of monthly demand for ink pen when the price of gel pen increases from Rs. 10 to Rs. 15 is equal to:
- (a) + 1.66
  - (b) -1.05
  - (c) -2.09

- (d) + 2.09
18. What can be said about the price elasticity of demand for pen?
- (a) It is perfectly elastic
  - (b) It is elastic
  - (c) It is perfectly inelastic
  - (d) It is inelastic
19. Suppose income of the residents of locality increases by 50% and the quantity of gel pens demanded increases by 20%. What is income elasticity of demand for gel pen?
- (a) 0.4
  - (b) 0.6
  - (c) 1.25
  - (d) 1.50
20. We can say that gel pen in economics sense is a/an.
- (a) Luxury good
  - (b) inferior good
  - (c) Normal good
  - (d) Nothing can be said.
21. Which of the following is not a characteristic of a "price taker"?
- (a)  $TR = P \times Q$
  - (b)  $AR = \text{Price}$
  - (c) Negatively – sloped demand
  - (d)  $\text{Marginal Revenue} = \text{Price}$
22. Which cost increases continuously with the increase in production?
- (a) Average cost
  - (b) Marginal cost
  - (c) Fixed cost
  - (d) Variable cost
23. Which one is not an assumption of the theory of demand based on analysis of indifference curves?
- (a) Given scale of preferences as between different combinations of two goods.
  - (b) Diminishing marginal rate of substitution
  - (c) Constant marginal utility of money
  - (d) Consumers would always prefer more of a particular good to less of it, other things remaining the same
24. If the quantity demanded of coffee increases by 5% when the price of tea increases by 20%, the cross-price elasticity of demand between tea and coffee is
- (a) -0.25
  - (b) 0.25
  - (c) -4
  - (d) 4

25. When the perfectly competitive firm and industry are in long run equilibrium then:
- (a)  $P=MR=SAC=LAC$
  - (b)  $D=MR=SMC=LMC$
  - (c)  $P=MR$ =Lowest point on the LAC curve
  - (d) All of the above
26. In monopoly, the relationship between average and marginal revenue curves is as follows:
- (a) AR curve lies above the MR curve
  - (b) AR curve coincides with the MR curve
  - (c) AR curve lies below the MR curve
  - (d) AR curve is parallel to the MR curve
27. The total effect of a price change of commodity is
- (a) substitution effect plus price effect
  - (b) substitution effect plus income effect
  - (c) substitution effect plus demonstration effect
  - (d) substitution effect minus income effect

**Read table and answer Questions number 28-30**

	% change in price	% change in quantity demanded (quantity supplied)	Elasticity
Demand for salt	20	-1	x
Demand for bananas	15	y	3
Supply of chicken	z	14	1

28. Refer Table and find the value of x.
- (a) -20
  - (b) 0.05
  - (c) -1
  - (d) Can not be determined
29. Refer Table 2 and find the value of y.
- (a) -5
  - (b) 15
  - (c) -45
  - (d) -3
30. Refer Table 2 and find the value of z.
- (a) 14
  - (b) 1
  - (c) 0.07
  - (d) 5
31. In the short run if a perfectly competitive firm finds itself operating at a loss, it will:
- (a) Reduce the size of its plant to lower fixed costs.



- (b) Raise the price of its product
  - (c) Shut down
  - (d) Continue to operate as long as it covers its variable cost.
32. A competitive firm maximizes profit at the output level where:
- (a) Price equals marginal cost.
  - (b) The slope of the firm's profit function is equal to zero.
  - (c) Marginal revenue equals marginal cost.
  - (d) All of the above.
33. Which of the following is correct?
- (a) If marginal revenue is positive and falling, total revenue will rise at a decreasing rate.
  - (b) Total revenue is equal to price times the quantity sold.
  - (c) Under perfect competition, total revenue is equal to marginal revenue times the quantity sold.
  - (d) All of the above.
34. Monopolies are allocatively inefficient because:
- (a) They restrict the output to keep the price higher than under perfect competition.
  - (b) They charge a price higher than the marginal cost.
  - (c) Both (a) and (b) are correct.
  - (d) Both (a) and (b) are incorrect.

**Read the following table and answer question number 35-36**

Number of products	Total utility	Marginal utility
0	0	-
1	3600	
2	6800	
3	9600	
4	12000	
5	14000	
6	15600	
7	16800	
8	17600	
9	18000	

35. What is marginal utility when consumption increases from 4 units to 5 units?
- (a) 3000
  - (b) 1200
  - (c) 2000
  - (d) 1500
36. What is marginal utility when consumption increases from 8 units to 9 units?
- (a) 3000
  - (b) 400

- (c) 2000  
(d) 1500
37. Which of the following statements is incorrect?
- (a) Unlike normative economics, positive economics is based on objective analysis of economic issues.  
(b) The opportunity cost of a good is the quantity of other goods sacrificed to get another unit of that good.  
(c) Microeconomics emphasizes interactions in the economy as a whole.  
(d) None of the above.
38. A drought in India leads to unusually low level of wheat production. This would lead to a rise in price of wheat and fall in the quantity of wheat demanded due to:
- (a) excess demand at the original price.  
(b) excess supply at the original price.  
(c) the supply curve shifting to the right.  
(d) the demand curve shifting to the left.
39. If the elasticity of demand for a commodity is perfectly inelastic then which of the following is incorrect?
- (a) The commodity must be essential to those who purchase it.  
(b) The commodity must have many substitutes.  
(c) The commodity will be purchased regardless of increase in its price.  
(d) The elasticity of demand for this commodity must equal zero.
40. If a good has price elasticity greater than one then:
- (a) demand is unit elastic and a change in price does not affect sellers' revenue.  
(b) demand is elastic and a change in price causes sellers' revenue to change in the opposite direction.  
(c) demand is inelastic and a change in price causes sellers' revenue to change in the same direction.  
(d) None of the above is correct.
41. The law of diminishing returns implies that:
- (a) for each extra unit of X consumed, holding constant consumption of other goods, total utility increases.  
(b) total utility remains unchanged regardless of how many units of X are consumed.  
(c) marginal utility will increase at a constant rate as more units of X are consumed.  
(d) each extra unit of X consumed, holding constant consumption of other goods, adds successively less to total utility.
42. Which of the following is correct?
- (a) Firms that earn accounting profits are economically profitable.  
(b) Opportunity cost plus accounting cost equals economic cost.  
(c) When a firm's demand curve slopes down marginal revenue will rise as output rises.  
(d) Firms increase profits by selling more output than their rivals.
43. If marginal revenue exceeds marginal cost, a monopolist should\_\_\_\_\_.
- (a) increase output.

- (b) decrease output.
  - (c) keep output the same because profits are maximized when marginal revenue exceeds marginal cost.
  - (d) raise the price.
44. A market structure in which many firms sell products that are similar but not identical is known as
- (a) monopolistic competition.
  - (b) monopoly.
  - (c) perfect competition.
  - (d) oligopoly.

**Read the following paragraph and answer questions 45-48**

Nicole owns a small pottery factory. She can make 1,000 pieces of pottery per year and sell them for Rs. 100 each. It costs Nicole Rs. 20,000 for the raw materials to produce the 1,000 pieces of pottery. She has invested Rs. 1,00,000 in her factory and equipment: Rs. 50,000 from her savings and Rs. 50,000 borrowed at 10 percent. (Assume that she could have loaned her money out at 10 per cent too.) Nicole can work at a completing pottery factory for Rs. 40,000 per year.

45. The accounting cost at Nicole's pottery factory is:
- (a) Rs.25,000
  - (b) Rs.50,000
  - (c) Rs.80,000
  - (d) Rs.75,000
46. The economic cost at Nicole's factory is:
- (a) Rs.75,000
  - (b) Rs.70,000
  - (c) Rs.80,000
  - (d) Rs.30,000
47. The accounting profit at Nicole's pottery factory is:
- (a) Rs.30,000
  - (b) Rs.50,000
  - (c) Rs.80,000
  - (d) Rs.75,000
48. The economic profit at Nicole's factory is:
- (a) Rs. 75,000
  - (b) Rs. 35,000
  - (c) Rs. 80000
  - (d) Rs. 30000
49. A buyer's willingness to pay is that buyer's:
- (a) minimum amount he is willing to pay for a good.
  - (b) producer surplus.
  - (c) consumer surplus.

- (d) maximum amount he is willing to pay for a good.
50. The cost of one thing in terms of the alternative given up is known as:
- (a) product cost
  - (b) physical cost
  - (c) real cost
  - (d) opportunity cost
51. Which of the following is considered production in economics?
- (a) Tilling of soil.
  - (b) Singing a song before friends
  - (c) Preventing a child from falling into a manhole on the road
  - (d) Painting a picture for pleasure.
52. Which of the following is not a property of the indifference curve?
- (a) Indifference curves are convex to the origin
  - (b) Indifference curves slope downwards from left to right
  - (c) No two indifference curves can cut each other
  - (d) None of the above.
53. The structure of the cold drink industry in India is best described as:
- (a) Perfectly competitive
  - (b) Monopolistic
  - (c) Oligopolistic
  - (d) Monopolistically competitive
54. if the price of apples rises from Rs. 30 per quarter kg. to Rs. 40 quarter per kg and the supply increases from 240 kg to 300 kg. Elasticity of supply is:
- (a) .77
  - (b) .67
  - (c) (-) .67
  - (d) (-) .77
55. If a seller realizes Rs. 10,000 after selling 100 units and Rs. 14,000 after selling 120 units. What is the marginal revenue here?
- (a) Rs. 400
  - (b) Rs. 450
  - (c) Rs. 200
  - (d) Rs. 100
56. Under which market condition, though the firms earn normal profits in the long run, there is always excess capacity with them
- (a) Perfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Monopolistic competition

57. Price discrimination is profitable when:
- (a) the elasticity of the product in different markets is same
  - (b) the elasticity of the product in different market is different
  - (c) the elasticity of the product in different market is zero.
  - (d) None of the above.
58. Which of the following is not an economic activity?
- (a) A son looking after his ailing mother
  - (b) A chartered accountant doing his own practice,
  - (c) A soldier serving at the border.
  - (d) A farmer growing millets
59. Which of the following is not an example of business cycle?
- (a) During 1920s, UK saw rapid growth in gross domestic Product, production levels and living standards.
  - (b) Due to bursting of Information Technology bubble stock markets crashed and countries began feeling of down turn in their economies.
  - (c) The Sub-prime crisis led to chain effect and it had worldwide impact.
  - (d) The cycle business has seen a slowdown in growth over a period of time.
60. Which of the following may be considered a cause of business cycle?
- (a) Fluctuations in effective demand.
  - (b) Fluctuations in investment.
  - (c) Variations in government spending.
  - (d) All of the above.



**PART II: BUSINESS AND COMMERCIAL KNOWLEDGE****QUESTIONS****Max. Marks: 40**

1. 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
2. The \_\_\_\_\_ environment refers to the nature and direction of the economy in which a company competes or may compete.
  - (a) Socio-cultural
  - (b) Internal
  - (c) Micro
  - (d) Economic
3. On May 9, 2018, Walmart acquires what percentage of shares in Flipkart?
  - (a) 67%
  - (b) 77%
  - (c) 51%
  - (d) 90%
4. Identify the sector where, FDI is NOT permitted:
  - (a) Small Arms
  - (b) Insurance Company
  - (c) Nidhi company
  - (d) Animal Husbandry
5. NABARD is the most important institution in the country which looks after the development of the
  - (a) Cottage industry
  - (b) Small industry
  - (c) Village industry
  - (d) All of the above
6. Which one of the following is NOT related to funds transfer in banks?
  - (a) RTGS
  - (b) CRR
  - (c) IFSC
  - (d) NEFT
7. Which one is NOT an economic activity?
  - (a) Purchasing shares
  - (b) Planting a tree in your garden
  - (c) Audit by a Chartered Accountant
  - (d) Production & Consumption



8. Which of the following statement is NOT a factor influencing socio-cultural environment?
- Family structure and changes in it.
  - Educational levels.
  - Launch of mobile phone with advance technology.
  - Position of children and adolescents.
9. Match the following:

	Companies		Product
1	Apple	i	Maggie
2	Maruti	ii	Macintosh
3	Nestle	iii	Ciaz
4	Airtel	iv	Mobile phone service

- 1-ii, 2-iii, 3-i, 4-iv
  - 1-iv, 2-i, 3-iii, 4-ii
  - 1-iii, 2-iv, 3-ii, 4-i
  - 1-i, 2-ii, 3-iv, 4-iii
10. The method of FDI other than Automatic route is called:
- NRI Route
  - Government Route
  - Institutional Route
  - Priority Route
11. EXIM Bank took over the operations of the international finance wing of:
- IFCI
  - IRDAI
  - IDBI
  - SEBI
12. Carrying forward of transaction from one settlement period to the next without effecting delivery or payment called:
- Benami
  - Badla
  - Bid
  - None of these
13. A partnership may not be formed to carry on:
- Any trade
  - Occupation
  - Profession
  - Social enterprise
14. Relationship between organisation and environment can be described through:
- Exchange of information

- (b) Exchange of resources
  - (c) Exchange of influence and power
  - (d) All of the above
15. Who is the current CEO and MD of Infosys Ltd.?
- (a) Salil Parekh
  - (b) U B Pravin Rao
  - (c) N R Narayan Murthy
  - (d) Nandan Nilekani
16. 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
17. Mark Incorrect:
- (a) Development banks provide funds to new and upcoming business houses
  - (b) Development banks accept long term deposits from individual and firms
  - (c) IFCI was the first development bank in India
  - (d) The other two Banks ICICI & IDBI have been converted into commercial banks
18. What is a bear market?
- (a) A market in which the stock prices are increasing consistently.
  - (b) A market in which the stock prices are falling consistently.
  - (c) A market in which the stock prices are stable over a long time.
  - (d) None of the above
19. 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
20. 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
21. 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
22. 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.
23. 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
24. 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
25. The maximum number of members of a public company is:
- (a) 07
  - (b) 50
  - (c) No limit
  - (d) 200
26. What is the single word that can best describe today's business?
- (a) Technology
  - (b) Change
  - (c) Persistence
  - (d) Profit making
27. Who was the co-founder of Microsoft with Bill Gates?
- (a) Paul Allen
  - (b) Melinda Gates
  - (c) Satya Nadella
  - (d) Lucci Hood
28. BRICS stands for:
- (a) Belgium, Russia, Indonesia, China and Saudi Arabia
  - (b) Belgium, Russia, India, Cambodia and Saudi Arabia
  - (c) Brazil, Russia, India, China and South Africa
  - (d) Brazil, Romania, India, Cambodia and South Africa
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank

- (b) NABARD
  - (c) IRDA
  - (d) IFCI
30. When two or more companies come together to expand their business operations in a newly created entity.
- (a) Joint venture
  - (b) Acquisition
  - (c) Partnership
  - (d) Merger
31. Mark Incorrect:
- (a) Business has only one motive; profit
  - (b) Plurality of the objective is a modern phenomenon
  - (c) Objective of survival & growth of business are called organics objectives
  - (d) In addition to economic motive, it may have non-economic motives like social, ethical or environmental.
32. Competition is beneficial to the competing firms besides benefiting the\_\_\_\_\_.
- (a) Intermediaries
  - (b) Customers
  - (c) Producers
  - (d) Financiers
33. Burman Shell refineries Ltd. was taken over by Government of India to form:
- (a) IOCL
  - (b) NTPC
  - (c) ONGC
  - (d) BPCL
34. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
  - (b) Privatization
  - (c) Disinvestment
  - (d) Aggregation
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) IRDA
  - (d) Government of India
36. \_\_\_\_\_ 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
37. \_\_\_\_\_ with their own bargaining power affect the cost structure of the industry:
- (a) Intermediaries  
(b) Suppliers  
(c) Consumer  
(d) Government
38. Which cannot be categorised as PSU:
- (a) NTPC  
(b) BHEL  
(c) Post & Telegraph  
(d) Power Grid Corporation in India
39. Mark Correct:
- (a) SEBI came into force from Jan 30, 1992  
(b) IRDA was set up by an Act of parliament in India  
(c) EXIM bank of India was set up in 1982  
(d) All the above
40. The number of units of given currency that can be purchased for one unit of another currency is called \_\_\_\_\_.
- (a) Current ratio  
(b) Exchange rate  
(c) Equity  
(d) Dividend

Test Series: October, 2018

**FOUNDATION COURSE**

**MOCK TEST PAPER 2**

**PAPER – 4 BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE**

**PART I: BUSINESS ECONOMICS**

**ANSWER**

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

**PART II: BUSINESS AND COMMERCIAL KNOWLEDGE**

**ANSWERS**

1	2	3	4	5	6	7	8	9	10
d	d	b	c	d	b	b	c	a	b
11	12	13	14	15	16	17	18	19	20
c	b	d	d	a	c	b	b	d	b
21	22	23	24	25	26	27	28	29	30
c	c	d	a	c	b	a	c	c	d
31	32	33	34	35	36	37	38	39	40
a	b	d	a	a	c	b	c	d	b



Test Series: August, 2018

**FOUNDATION COURSE**  
**MOCK TEST PAPER - 1**  
**PAPER – 4: PART I : BUSINESS ECONOMICS**

Max. Marks : 60

**QUESTIONS**

1. Price-taking firms, i.e., firms that operate in a perfectly competitive market, are said to be “small” relative to the market. Which of the following best describes this smallness?
  - (a) The individual firm must have fewer than 10 employees
  - (b) The individual firm faces a downward-sloping demand curve
  - (c) The individual firm has assets of less than Rs. 20 lakh
  - (d) The individual firm is unable to affect market price through its output decisions
2. The average product of labour is maximized when marginal product of labour
  - (a) Equal the average product of labour
  - (b) Equals zero
  - (c) Is maximized
  - (d) None of the above
3. Suppose that a sole proprietorship is earning total revenues of Rs. 100,000 and is incurring explicit costs of Rs. 75,000. If the owner could work for another company for Rs. 30,000 a year, we would conclude that:
  - (a) The firm is incurring an economic loss of Rs. 5,000
  - (b) Implicit costs are Rs. 25,000
  - (c) The total economic costs are Rs. 100,000
  - (d) The individual is earning an economic profit of Rs. 25,000
4. Which of the following statements would you consider to be a normative one?
  - (a) Faster economic growth result if an economy has a higher level of investment
  - (b) Changing the level of interest rates is a better way of managing the economy than using taxation and government expenditure.
  - (c) Higher levels of unemployment will lead to higher levels of inflation
  - (d) The average level of growth in the economy was faster in the 1990s than the 1980s
5. Consumer surplus is highest in the case of :
  - (a) Necessities
  - (b) Luxuries
  - (c) Comforts
  - (d) Conventional necessities
6. If one unit of labour and one unit of capital give 200 units of output, two units of labour and two units of capital give 400 units of output and 5 units of labour and five units of capital give 1000 units of output then this is a case of:
  - (a) Constant returns of scale

- (b) Increasing returns to scale  
(c) Decreasing returns to scale  
(d) None of these
7. \_\_\_\_\_ pair of commodities is an example of substitutes.  
(a) Coffee and milk  
(b) Diamond and cow  
(c) Pen and ink  
(d) Mustard oil and coconut oil
8. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:  
(a) Zero  
(b) Greater than zero but less than one  
(c) One  
(d) Greater than one
9. If a good is a luxury, its income elasticity of demand is  
(a) Positive and less than 1  
(b) Negative but greater than -1  
(c) Positive and greater than 1  
(d) Zero
10. In the case of a Giffen good, the demand curve will be  
(a) Horizontal  
(b) Downward-sloping to the right  
(c) Upward-sloping to the right  
(d) Vertical
11. \_\_\_\_\_ expressed the view the "Economics is neutral between end".  
(a) Robbins  
(b) Marshall  
(c) Pigou  
(d) Adam Smith
12. The law of demand refers to \_\_\_\_\_.  
(a) Price-supply relationship  
(b) Price-cost relationship  
(c) Price-demand relationship  
(d) Price-income relationship
13. In monopolistic competition, a firm is in long run equilibrium \_\_\_\_\_.  
(a) At the minimum point of the LAC curve  
(b) In the declining segment of the LAC curve  
(c) In the rising segment of the LAC curve

- (d) When price is equal to marginal cost
14. Production may be defined as an act of \_\_\_\_\_.
- (a) Creating utility
  - (b) Earning profit
  - (c) Destroying utility
  - (d) Providing services
15. The sale of branded articles is common in a situation of \_\_\_\_\_
- (a) Excess capacity
  - (b) Monopolistic competition
  - (c) Monopoly
  - (d) Pure competition
16. The cost that firm incurs in hiring or purchasing any factor of production is referred to as \_\_\_\_\_.
- (a) Explicit cost
  - (b) Implicit cost
  - (c) Variable cost
  - (d) Fixed cost
17. The law of consumer surplus is based on:
- (a) Indifference curve analysis
  - (b) Revealed preference theory
  - (c) Law of substitution
  - (d) The law of diminishing marginal utility
18. The MC curve cuts the AVC and ATC curves
- (a) At the falling part of each
  - (b) At different points
  - (c) At their respective minimas:
  - (d) At the rising part of each
19. Which of the following market situations explains marginal cost equal to price for attaining equilibrium?
- (a) Perfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Monopolistic competition
20. A monopolist who is selling in two markets in which demand is not identical will be unable to maximize his profits unless he
- (a) Sells below costs of production in both markets
  - (b) Practices price discrimination.
  - (c) Equates the volume of sales in both markets.
  - (d) Equates marginal costs with marginal revenue in one market only.

21. Which of the following is not micro - economic subject matter?
- (a) The price of apples.
  - (b) The cost of producing a fire truck for the fire department of Delhi, India
  - (c) The quantity of apples produced for the apple market.
  - (d) The national economy's annual rate of growth.
22. Which of the following is correct?
- (a) Normative economics is not concerned with value judgment.
  - (b) A market is a process that reconciles consumer decision, production decisions and labour decisions.
  - (c) A mixed economy has a certain level of government intervention in the economy along with private sector ownership of the economy.
  - (d) Both (b) and (c)
23. 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.
24. You are given the following data:

**Table**

Output	Total Costs
0	0
1	15
2	30
3	45
4	60
5	75

- (a) Constant returns to scale.
  - (b) Decreasing returns to scale.
  - (c) Increasing returns to scale.
  - (d) Globalization.
25. When a market is in equilibrium:
- (a) No shortages exist.
  - (b) Quantity demanded equals quantity supplied.
  - (c) A price is established that clears the market.
  - (d) All of the above are correct.

**Read table 1 and answer questions 26-30**

**Table 1**

Labour Input	Output	Average Product	Marginal Product
0	0	-	-
2			25
4	90		

6	120		
8	140		
10		14	
12		10	

26. At a labour of 2, output is:
- (a) 25
  - (b) 30
  - (c) 50
  - (d) 75
27. At a labor input of 4, output per worker is:
- (a) 20
  - (b) 22.5
  - (c) 45
  - (d) 90
28. At a labour input of 6, the marginal product of labour is:
- (a) 120
  - (b) 20
  - (c) 15
  - (d) 10
29. Output per worker is maximized at a labour input of:
- (a) 2
  - (b) 4
  - (c) 6
  - (d) 8
30. The firm's output is at a short run maximum at a labour input of:
- (a) 6
  - (b) 10
  - (c) 12
  - (d) 2
31. Which of the following is incorrect?
- (a) The cross elasticity of demand for two substitutes is positive.
  - (b) The income elasticity of demand is the percentage change in quantity demanded of a good due to a change in the price of a substitute.
  - (c) The cross elasticity of demand for two complements is negative.
  - (d) The price elasticity of demand is always negative, except for Giffen goods.
32. Which of the following situation does not lead to an increase in equilibrium price?
- (a) An increase in demand, without a change in supply
  - (b) A decrease in supply accompanied by an increase in demand
  - (c) A decrease in supply without a change in demand



- (d) An increase in supply accompanied by a decrease in demand
- 33. I am making a loss, but with the rent I have to pay. I can't afford to shut down at this point of time." If this entrepreneur is attempting to maximize profits or minimize losses, his behaviour in the short run is:
  - (a) Rational, if the firm is covering its variable cost
  - (b) Rational, if the firm is covering its fixed cost
  - (c) Irrational, since plant closing is necessary to eliminate losses
  - (d) Irrational, since fixed costs are eliminated if a firm shuts down
- 34. The law of diminishing returns:
  - (a) States that beyond some level of a variable input, the average product of that variable input begins to increase steadily.
  - (b) Assumes that there is technological improvement over time.
  - (c) States that beyond some level of a variable input, the marginal product of that variable begins to decrease steadily.
  - (d) Informs a firm whether or not to use a factor input.

**A Competitive firm sells as much as of its product as it chooses at a market price of Rs. 200 per unit. Its fixed cost is Rs. 600 and its variable costs (in rupees) for different levels of production are shown in the following table.**

**Use Table to answer questions 35 to 39:**

Quantity	Variable Cost	Fixed Cost	Total Cost	Average Variable Cost	Average Total Cost	Marginal Cost
0	0				-	-
5	500					
10	940					
15	1400					
20	1960					
25	2700					
30	3700					
35	5040					
40	6800					
45	9060					
50	11900					

- 35. When production is 40 units, the average total cost is
  - (a) Rs. 8.80
  - (b) Rs. 15
  - (c) Rs. 170
  - (d) Rs. 185
- 36. In the table marginal cost per unit that corresponds to 40 units of production is
  - (a) Rs. 44
  - (b) Rs. 170
  - (c) Rs. 352
  - (d) Rs. 1760



37. to maximize profit, the firm should produce
- (a) 15 units
  - (b) 30 units
  - (c) 35 units
  - (d) 50 units
38. If the market price drops from Rs. 200 to Rs. 112, the firm's short run response should be
- (a) Shut down
  - (b) Produce 5 units
  - (c) Produce 20 units
  - (d) Continue to produce the same number of units as before the drop in price.
39. If the market price rises from Rs. 200 to Rs. 352, the firm's short run response should be
- (a) Shut down
  - (b) Produce 40 units
  - (c) Produce 20 units
  - (d) Continue to produce the same number of units as before the increase in price.
40. If the quantity of blankets demanded increases from 4600 to 5700 in response to a decrease in their price from Rs. 220 to Rs. 190, the price elasticity of demand for blankets is
- (a) 0.69
  - (b) 1.0
  - (c) 1.46
  - (d) 2.66
41. Which of the following involve a trade – off?
- (a) Taking a nap
  - (b) All of these answers involve trade-offs.
  - (c) Watching a football game on Saturday afternoon
  - (d) Going to university
42. If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are \_\_\_\_\_
- (a) Complements.
  - (b) Inferior goods
  - (c) Normal goods.
  - (d) Substitutes.
43. Suppose you find Rs. 2000. If you choose to use Rs. 2000 to go to a cricket match, your opportunity cost of going to the game is \_\_\_\_\_.
- (a) Nothing, because you found the money
  - (b) Rs. 2000 (because you could have used Rs. 2000 to buy other things) plus the value of your time spent at the game.
  - (c) Rs. 2000 (because you could have used Rs. 2000 to buy other things) plus the value of your time spent at the game, plus the cost of the dinner you purchased at the game.

- (d) Rs. 2000 (because you could have used Rs. 2000 to buy other things).
44. Suppose consumer tastes shift toward the consumption of apples. Which of the following statements is an accurate description of the impact of this event on the market for apples?
- (a) There is an increase in the quantity demanded of apples and in the supply for apples
  - (b) There is an increase in the demand and supply of apples.
  - (c) There is an increase in the demand for apples and a decrease in the supply of apples.
  - (d) There is an increase in the demand for apples and an increase in the quantity supplied.
45. If there are implicit costs of production:
- (a) Economic profit will be equal to accounting profit.
  - (b) Economic profit will be less than accounting profit.
  - (c) Economic profits will be zero
  - (d) Economic profit will be more than accounting profit.
46. If a competitive firm doubles its output, its total revenue:
- (a) Doubles.
  - (b) More than doubles.
  - (c) Less than doubles.
  - (d) Cannot be determined because the price of the good may rise or fall.
47. In which of the following market system, there, are few sellers in the market in the market selling similar or differentiated product?
- (a) Perfect Competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Monopsony
48. Which of the following statements about price and marginal cost in competitive and monopolized markets is true?
- (a) In competitive markets, price equals marginal cost; in monopolized markets, price exceeds marginal cost.
  - (b) In competitive markets, price equals marginal cost; in monopolized markets, price equals marginal cost.
  - (c) In competitive markets, price exceeds marginal cost; in monopolized markets, price exceeds marginal cost.
  - (d) In competitive markets, price exceeds marginal cost; in monopolized markets, price equals marginal cost.
49. In the case of an inferior good the income elasticity of demand is:
- (a) Positive
  - (b) Zero
  - (c) Negative
  - (d) Infinite
50. Elasticity of supply refers to the degree of responsiveness of supply of a good to changes in its:
- (a) Demand

- (b) Price
  - (c) Costs of production
  - (d) State of technology
51. An isoquant slopes:
- (a) Downward to the left
  - (b) Downward to the right
  - (c) Upward to the left
  - (d) Upward to the right
52. Which of the following statement is incorrect?
- (a) Even monopolist can earn losses
  - (b) Firms in a perfectly competitive market are price takers.
  - (c) It is always beneficial for a firm in the perfectly competitive market to discriminate prices
  - (d) Economic laws are exact than the laws of physical sciences
53. Which is the other name that is given to the demand curve?
- (a) Profit curve
  - (b) Average Revenue curve
  - (c) Average Cost Curve
  - (d) Indifference Curve
54. The second slice of bread gives less satisfaction to a hungry boy. This is a clear case of:
- (a) Law of demand
  - (b) Law of diminishing returns
  - (c) Law of diminishing utility
  - (d) Law of supply
55. A firm's average total cost is Rs. 300 at 5 units of output and Rs. 320 at 6 units of output the marginal cost of producing the 6<sup>th</sup> unit is:
- (a) Rs. 20
  - (b) Rs. 120
  - (c) Rs. 320
  - (d) Rs. 420
56. Which of the following is an example of an "explicit cost"?
- (a) The wages a proprietor could have made by working as an employee of a large firm
  - (b) The income that could have been earned in alternative uses by the resources owned by the firm
  - (c) The payment of wages by the firm
  - (d) The normal profit earned by a firm
57. Which of the following is an example of coincident indicator?
- (a) Industrial Production
  - (b) Inflation
  - (c) Retail Sales

- (d) New orders for Plant and equipment
58. When aggregate economic activity is increasing, the economy is said to be in
- (a) Expansion
  - (b) Contraction
  - (c) Peak
  - (d) A turning point.
59. If a fisher man must sell all of his daily catch before its spoils for whatever price he is offered, once the fish are caught the fisherman's price elasticity of supply for fresh fish is
- (a) Zero
  - (b) Infinite
  - (c) One
  - (d) Unable to determine
60. Suppose onions have (-) 0.5 as income elasticity, we can say from the data given that,
- (a) Onions are inferior goods
  - (b) Onions are superior goods
  - (c) Onions are necessities
  - (d) There is a need to increase the income of consumers so that they can buy onions.

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Test Series: August, 2018

**FOUNDATION COURSE****MOCK TEST PAPER - 1****PAPER – 4: PART II: BUSINESS AND COMMERCIAL KNOWLEDGE****QUESTIONS****Max. Marks: 40**

1. Find out the incorrect:
  - (a) Economic Activities are drive by nationality.
  - (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.
2. SWOT refers to:
  - (a) Strength, Worry, Option, Threat
  - (b) Strength, Weakness, Opportunity, Threat
  - (c) Strong, Weak, Option, Threat
  - (d) Strong, Weakness, Opportunity, Think
3. Which one of the following is NOT a FMCG company?
  - (a) ITC
  - (b) Dabour
  - (c) HUL
  - (d) Maruti
4. 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.
5. 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
6. 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.
7. Maximum number of members in a Private Limited Company are:
  - (a) 50
  - (b) 200



- (c) 20
  - (d) 500
8. 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
9. Which one of the following is NOT a Foreign Company?
- (a) Dr. Reddy's Laboratories Ltd.
  - (b) Walmart
  - (c) Nestle
  - (d) HP
10. Privatization may NOT be of conceptualized in form of:
- (a) Divestment
  - (b) Disinvestment
  - (c) Dedication
  - (d) Displacement
11. 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
12. ADR stands for:
- (a) American Deficit Record
  - (b) American Depository Receipt
  - (c) Asset Depreciation Record
  - (d) Asset Depository Receipt
13. 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
14. In the PEST framework for environmental analysis, what does the letter 'E' stand for?
- (a) Ecological
  - (b) Economic
  - (c) Ethical
  - (d) Educational



15. Who is the present CFO of Adani Ports and Special Economic Zone Ltd.?
- (a) Ravi Bhamidipaty
  - (b) Karan Gautambhai Adani
  - (c) Alok Kumar Agarwal
  - (d) Farokh Nariman Subedar
16. Which of the following institutions has been scrapped recently?
- (a) Minerals and Metals Regulatory Commission
  - (b) Coal India Limited
  - (c) Planning Commission
  - (d) FIPB
17. Which of the following is a direct beneficiary of IFCI?
- (a) Agro-based industry
  - (b) Service industry
  - (c) Capital & intermediate goods industry
  - (d) All of the above
18. 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
19. 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
20. 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
21. 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
22. 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.
23. SIDBI does not function as a Nodal/ Implementing Agency to which ministry of the Government:
- (a) Ministry of textiles  
(b) Ministry of Food Processing and industry  
(c) Ministry of Commerce and Industry  
(d) Ministry of External Affairs
24. Four P's of Marketing are:
- (a) Product  
(b) Price  
(c) Place  
(d) Procedure
25. A partnership may NOT be formed to carry on:
- (a) Any trade  
(b) Occupation  
(c) Profession  
(d) Social enterprise
26. 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
27. American Express was ranked the 17<sup>th</sup> most admired company by Fortune in which year?
- (a) 2014  
(b) 2015  
(c) 2016  
(d) 2017
28. 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
29. Where is the head office of NABARD?
- (a) Mumbai  
(b) Delhi  
(c) Gurugram  
(d) Bengaluru

30. 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
31. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
  - (b) Parsi family
  - (c) Buddhist family
  - (d) Muslim family
32. 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
33. Indane LPG is the product of which corporation in India?
- (a) IOCL
  - (b) NTPC
  - (c) ONGC
  - (d) PGCIL
34. Simplification of trade restrictions related to import is an example of:
- (a) Globalization
  - (b) Privatization
  - (c) Disinvestment
  - (d) Aggregation
35. 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
36. \_\_\_\_\_ 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

37. 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.
38. Identify the sector where, FDI is NOT permitted:
- (a) Automobile
  - (b) Infrastructure
  - (c) Textile
  - (d) Atomic energy
39. How many members of SEBI should be from RBI?
- (a) 4
  - (b) 3
  - (c) 1
  - (d) 2
40. 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

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Test Series: August, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER - 1  
PAPER – 4: PART I : BUSINESS ECONOMICS**

**ANSWER**

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

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Test Series: August, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE  
ANSWERS**

1	2	3	4	5	6	7	8	9	10
(d)	(b)	(d)	(a)	(c)	(d)	(b)	(d)	(a)	(c)
11	12	13	14	15	16	17	18	19	20
(c)	(b)	(d)	(b)	(b)	(c)	(d)	(b)	(c)	(b)
21	22	23	24	25	26	27	28	29	30
(d)	(c)	(d)	(d)	(d)	(d)	(d)	(c)	(a)	(a)
31	32	33	34	35	36	37	38	39	40
(d)	(a)	(a)	(a)	(c)	(c)	(c)	(d)	(c)	(a)

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Test Series: March, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4: PART I : BUSINESS ECONOMICS**

Max. Marks : 60

**QUESTIONS**

1. 'Economics is a Science which deals with wealth' was referred by
  - (a) Alfred Marshal
  - (b) J.B. Say
  - (c) Adam Smith
  - (d) A.C. Pigou.
2. Exploitation and inequality are minimal under:
  - (a) Socialism
  - (b) Capitalism
  - (c) Mixed economy
  - (d) None of the above
3. Which of the following is a cause of an economic problem?
  - (a) Scarcity of Resources
  - (b) Unlimited wants
  - (c) Alternative uses
  - (d) All of the above.
4. The law of Scarcity
  - (a) Does not apply to rich, developed countries
  - (b) Does not apply to poor, under developed countries
  - (c) Implies only to socialist economies
  - (d) Implies that all consumer wants will never be completely satisfied.
5. Which of the following is not within the Scope of Business Economics?
  - (a) Capital Budgeting
  - (b) Accounting Standards
  - (c) Business Cycles
  - (d) Risk Analysis

6. In a perfectly competitive firm, MC curve above AVC is the \_\_\_\_\_ Curve of the firm
- (a) Average cost
  - (b) Marginal revenue
  - (c) Demand
  - (d) Supply
7. In the long run, normal profits are included in the \_\_\_\_\_ curve.
- (a) LAC
  - (b) LMC
  - (c) AFC
  - (d) SAC
8. Which is not the assumption of Indifference curve Analysis?
- (a) The consumer is rational and possesses full information about all the aspects of economic environment
  - (b) The consumer is not capable of ranking all combinations
  - (c) If consumer prefers combination A to B and B to C, then he must prefer combination A to C
  - (d) If combination A has more commodities than combination B, then A must be preferred to B.
9. Indicate which of the following is a variable cost?
- (a) Payment of rent on building
  - (b) Cost of Machinery
  - (c) Interest payment on Loan taken from bank
  - (d) Cost of raw material
10. In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:
- (a) Infinite
  - (b) zero
  - (c) Marginally positive
  - (d) Marginally Negative
11. Price discrimination is not possible
- (a) Under Monopoly
  - (b) Under Monopolistic competition
  - (c) Under perfect competition
  - (d) Under any market firm

12. Calculate Income-elasticity for a household when the income of this household rises by 5% and the demand for buttons does not change at all.
- (a) Infinity
  - (b) 1
  - (c) 5
  - (d) Zero
13. If the goods are perfect substitutes for each other then cross elasticity is
- (a) Infinite
  - (b) One
  - (c) Zero
  - (d) None of the above
14. A firm encounters its shut down point when:
- (a) Average total cost equals price at the profit maximizing level of output
  - (b) Average variable cost equals price at the profit maximizing level of output
  - (c) Average fixed cost equals price at the profit maximizing level of output
  - (d) Marginal cost equals price at the profit maximizing level of output
15. In which form of the market structure is the degree of control over the price of its product by a firm is very large?
- (a) Imperfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Perfect competition
16. Which of the following means an Economic activity?
- (a) Production of Goods
  - (b) Production of services
  - (c) Consumption of Goods and Services
  - (d) All of the above
17. The income of a household rises by 20 per cent, the demand for computer rises by 50%, this means computer is a/an:
- (a) Inferior good
  - (b) Luxury good
  - (c) Necessity
  - (d) None of the above

18. The marginal product of a variable input is best described as:
- (a) Total product divided by the number of units of variable input
  - (b) The additional output resulting from a one unit increase in the variable input
  - (c) The additional output resulting from a one unit increase in both the variable and fixed inputs
  - (d) None of the above
19. When we study why saving rates are high or low, we are studying :
- (a) Macro Economics
  - (b) Micro Economics
  - (c) Econometrics
  - (d) Both (a) and (b)
20. Which of the following statements is false with respect to Business Cycles:
- (a) They occur periodically.
  - (b) They generally originate in free market economies.
  - (c) They are international in character.
  - (d) They do not affect capitalist economies.
21. If the price of Banana rises from ₹ 30 per dozen to ₹ 40 per dozen and the supply increases from 240 dozen to 300 dozens elasticity of supply is: (use arc elasticity Method)
- (a) .7
  - (b) -.67
  - (c) .65
  - (d) .77
22. If as a result of 90 per cent increase in all inputs, the output increase by 75 per cent this is a case of
- (a) Increasing return of a factor
  - (b) Decreasing return of a factor
  - (c) Diminishing returns to scale
  - (d) None of the above
23. If distribution of income is more equal, then the propensity to consumer of the country is
- (a) Relatively High
  - (b) Relatively Low
  - (c) Unaffected
  - (d) None of the above

24. During 1920s, UK saw rapid growth in GDP, production levels and living standards. The economic growth also caused an unprecedented rise in stock market values. This is an example of:
- (a) Boom
  - (b) Recession
  - (c) Contraction
  - (d) Trough
25. If demand for a good is elastic, an increase in its price will cause total expenditure of the consumer of the good to:
- (a) Increase
  - (b) Decrease
  - (c) Remain the same
  - (d) None of the above
26. If a good is priced at ₹ 180 p.u. and its price is increased to ₹ 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity? (use Mid Point method)
- (a) .777
  - (b) 1.4
  - (c) 1
  - (d) .8

Use the following table to answer questions 27-28

Hour of labour	Total output	Marginal Product
0	0	0
1	300	300
2	-	240
3	720	-

27. What is the total output when 2 hours of labour are employed?
- (a) 160
  - (b) 200
  - (c) 360
  - (d) 540
28. What is the marginal product of the third hour of labour?
- (a) 120
  - (b) 160
  - (c) 200

- (d) 180
29. Which of the following statements is false?
- (a) An indifference curve is concave to the origin
  - (b) An indifference curve is convex to the origin
  - (c) A higher indifference curve is better than a lower indifference curve
  - (d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.
30. Identify the factor which generally keeps the price-elasticity of a demand for a good high.
- (a) Its very high price
  - (b) Its very low price
  - (c) Large number of substitutes
  - (d) None of the above
31. Assume that when price is ₹ 40 quantity demanded is 9 units, and when price is ₹ 38, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units
- (a) ₹ 20
  - (b) ₹ 40
  - (c) ₹ 38
  - (d) ₹ 1
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 of ₹ 10,000
  - (b) The firm is earning accounting profit of ₹ 40,000
  - (c) The firm is earning economic profit of ₹ 40,000
  - (d) Both (a) and (b)
33. A monopolist is able to maximize his profit when:
- (a) His output is maximum
  - (b) He charges a higher price
  - (c) His average cost is minimum
  - (d) His marginal cost is equal to marginal revenue
34. Law of diminishing marginal utility may not apply to:
- (a) Money
  - (b) Butter
  - (c) Pepsi, Coke etc.
  - (d) Ice cream



35. If the local-cream shop raises the price of a ice cream cup from ₹ 10 per cup to ₹ 15 per cup, and quantity demanded falls from 500 cups per day to 300 cups per day, the price elasticity of demand for ice-cream cup is: (use arc elasticity Method)
- (a) 1
  - (b) 2.5
  - (c) 2
  - (d) 1.25
36. Suppose the short run cost function can be written as  $TC = 250 + 10Q$ . Average Fixed cost equals:
- (a)  $250/Q$
  - (b) 250
  - (c) 10
  - (d)  $250/Q+10$
37. Gopal inherited 1 acre of land from his father in 1960. Today the value of that land is ₹ 90 lakh per acre. What is the opportunity cost of Gopal for keeping that land? His father paid ₹ 50,000 for this land.
- (a) Nothing, since the land was inherited
  - (b) ₹ 50,000 which his father paid
  - (c) ₹ 90 lakh, since the amount Gopal is getting now if he sells it
  - (d) Both (b) and (c)
38. Suraj is a high school senior thinking about becoming an economic research assistant, Shyam just graduated from college with an economic degree and is looking for a job as an economic research assistant. For whom is the college tuition an opportunity cost?
- (a) Suraj
  - (b) Shyam
  - (c) Both Suraj and Shyam
  - (d) Neither Suraj nor Shyam
39. Kinked demand curve in oligopoly market explains:
- (a) Price and output determination
  - (b) Existence of very few firms in the market
  - (c) Price rigidity
  - (d) Price leadership
40. Shares traded in the stock market depict characteristics close to \_\_\_\_\_.
- (a) Perfect competition
  - (b) Oligopoly
  - (c) Monopolistic Competition
  - (d) Monopoly

41. Consider the following and decide which, if any, economy is without scarcity:
- (a) The pre-independence 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.
42. When the price of a substitute of X commodity falls, the demand for X \_\_\_\_\_.
- (a) Rises
  - (b) Falls
  - (c) Remains unchanged
  - (d) Any of the above.
43. At the point of inflexion, the marginal product is
- (a) Increasing
  - (b) Decreasing
  - (c) Maximum
  - (d) Negative
44. Who expressed the view that fluctuations in investments are the prime cause of business cycles?
- (a) Hawtrey
  - (b) Pigou
  - (c) Schumpeter
  - (d) Keynes
45. When \_\_\_\_\_, we know that the firms must be producing at the minimum point of the average cost curve and so there will be productive efficiency
- (a)  $AC = AR$
  - (b)  $MC = AC$
  - (c)  $MC = MR$
  - (d)  $AR = MR$
46. Suppose the demand for meals at a medium-priced restaurant is elastic. If the management of the restaurant is considering raising prices, it can expect a relatively:
- (a) Large fall in quantity demanded
  - (b) large fall in demand
  - (c) small fall in quantity demanded
  - (d) small fall in demand

47. According to Schumpeter
- Trade cycle is purely monetary phenomenon.
  - Trade cycles occur as a result of innovations which take place in system.
  - Trade cycles result due to faulty business decisions of USA.
  - None of the above.
48. When the perfectly competitive firm and industry are in long run equilibrium then:
- $P = MR = SAC = LAC$
  - $D = MR = SMC = LMC$
  - $P = MR =$  Lowest point on the LAC curve
  - All of the above
49. Giffen goods are those goods
- For which demand increases as price increases
  - That have a high income elasticity of demand
  - That are in short supply
  - None of these
50. In the long run any firm will eventually leave the industry if:
- Price does not at least over average total cost.
  - Price does not equal marginal cost.
  - Economies of scale are being reaped.
  - Price is greater than long run average cost.
51. You are given the following data:

Table

Output	Total Costs
0	0
1	15
2	30
3	45
4	60
5	75

The above data is an example of:

- Constant returns to scale.
- Decreasing returns to scale
- Increasing returns to scale
- Globalization

The following Table provides cost and price information for a firm called Comfy Cushions (CC). The firm produces and sells cushions using a fixed amount of capital equipment but can change the level of inputs such a labour and materials. Read the Table and answer questions 52-58

Production (Q)	Price per unit (P)	Total Cost (TC)	Average Total Cost (ATC)	Marginal Cost (MC)	Total Revenue (TR)	Marginal Revenue (per unit) (MR)
0	250	500				
1	240	730				
2	230	870				
3	220	950				
4	210	1010				
5	200	1090				
6	190	1230				
7	180	1470				
8	170	1850				
9	160	2410				

52. What is the value of fixed cost incurred by CC?
- (a) ₹ 252  
 (b) ₹ 730  
 (c) ₹ 500  
 (d) cannot be determined
53. What is the average total cost when 5 units are produced?
- (a) ₹ 218  
 (b) ₹ 1090  
 (c) ₹ 730  
 (d) ₹ 210
54. What is the marginal revenue (per unit) when production increase from 7 units to 8 units?
- (a) 160  
 (b) 140  
 (c) 120  
 (d) 100
55. What is the marginal cost when production increase from 3 to 4 units?
- (a) 140  
 (b) 80  
 (c) 60  
 (d) 240

56. To maximize its profit or minimize its loss, what level of production should CC choose?
- (a) 7 units
  - (b) 6 units
  - (c) 4 units
  - (d) 8 units
57. At the profit maximizing level, what price should be charged?
- (a) ₹ 190
  - (b) ₹ 200
  - (c) ₹ 210
  - (d) ₹ 220
58. Calculate CC's maximum profit or minimum loss.
- (a) Loss of ₹ 100
  - (b) Loss of ₹ 60
  - (c) Profit of ₹ 90
  - (d) Loss of ₹ 90
59. A significant decline in general economic activity extending over a period of time is \_\_\_\_\_
- (a) Business cycle
  - (b) Contraction phase
  - (c) Recession
  - (d) Recovery
60. Economic recession shares all of these features except :
- (a) Fall in the level of investment, employment
  - (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
  - (c) Investor confidence is adversely affected and new investments may not be forthcoming
  - (d) Increase in the price of inputs due to increase in demand for inputs.

Test Series: March, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4: PART I : BUSINESS ECONOMICS**

**ANSWERS**

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

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Test Series: March, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE  
QUESTIONS**

**Max. Marks: 40**

1. Which of the following statements distinguishes business from entrepreneurship?
  - (a) Entrepreneurs are the business owners too
  - (b) All business owners are entrepreneurs too
  - (c) Entrepreneurs seek out new opportunities and pursue innovative business ideas
  - (d) (a) and (b)
2. Business and technology are:
  - (a) Interrelated
  - (b) Interdependent
  - (c) Interrelated & Interdependent
  - (d) None of the above
3. Which pharmaceutical company has the slogan 'caring for life'?
  - (a) Dr. Reddy's
  - (b) Lupin Ltd.
  - (c) Cipla Ltd.
  - (d) Sun Pharmaceutical Industries Ltd.
4. Public policies are of three types:
  - (a) Restrictive, Regulatory, Participative
  - (b) Restrictive, Regulatory, Facilitating
  - (c) Voluntarily, Participative, Facilitating
  - (d) Regulatory, Voluntarily, Continuous
5. How many members of SEBI should be from RBI?
  - (a) 4
  - (b) 3
  - (c) 1
  - (d) 2
6. 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

7. Which of the following statements does not comprise business activity?
  - (a) Sale of old furniture by a household for a profit
  - (b) A carpenter made furniture for his domestic use
  - (c) Steel furniture industry
  - (d) Domestic appliances industry
8. Which of the following is not a part of the economic environment?
  - (a) Market and trade cycles
  - (b) Consumer buying patterns
  - (c) Strength of consumer spending
  - (d) Interest and exchange rates
9. State Bank of India was formerly known as:
  - (a) Bank of Madras
  - (b) Bank of Calcutta
  - (c) Imperial Bank
  - (d) Indian Bank
10. OCBs mean
  - (a) Overseas Corporate Bodies
  - (b) Ordnance Commission Bilateral secretariat
  - (c) Oversees Civic Boards
  - (d) Oversees Commercial Bilateral Treaties
11. What is the constitution of Competition Commission of India?
  - (a) A chairperson and 6 members appointed by the Central Government
  - (b) A chairperson and 5 members appointed by the Central Government
  - (c) A chairperson and 5 members appointed by the RBI
  - (d) A chairperson and 6 members appointed by the RBI
12. What is meant by B2B?
  - (a) Buying behaviour that concerns the process that buyers go through when deciding whether or not to purchase goods or services.
  - (b) A company's business model is management's storyline for how the strategy will be a money maker.
  - (c) Marketing activity directed from one business to another.
  - (d) None of the above
13. The Indian Companies Act, 2013 provides for the registration of:
  - (a) Private Limited and Public Limited Company
  - (b) One Person Company and Small Company
  - (c) Defunct Company

- (d) All of the above
14. The businesses should continuously \_\_\_\_\_ and \_\_\_\_\_ to the environment if it is to service and prosper.
- (a) Identify, appraise
  - (b) Monitor, adapt
  - (c) Identify, monitor
  - (d) Monitor, appraise
15. Who founded Wipro Limited?
- (a) Azim Premji
  - (b) Mohamed Premji
  - (c) Ratan Tata
  - (d) Narayan Murthy
16. Reforms in Dowry Act and Divorce Act are the examples of:
- (a) Economic Reforms
  - (b) Cultural Reforms
  - (c) Commercial Reforms
  - (d) Socio-cultural Reforms
17. Since when has IFCI been converted into a private limited company?
- (a) 1991
  - (b) 1992
  - (c) 1993
  - (d) 1994
18. 'Personal selling' is done through:
- (a) Written communication
  - (b) Oral communication
  - (c) TV and media
  - (d) Sign language
19. A partnership may not be formed to carry on:
- (a) Any trade
  - (b) Occupation
  - (c) Profession
  - (d) Social enterprise
20. 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
21. American Express was ranked the 17<sup>th</sup> most admired company by Fortune in which year?
- (a) 2014
  - (b) 2015
  - (c) 2016
  - (d) 2017
22. 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
23. Where is the head office of NABARD?
- (a) Mumbai
  - (b) Delhi
  - (c) Gurugram
  - (d) Bengaluru
24. 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
25. The maximum number of members of a private company is limited to
- (a) 50
  - (b) 20
  - (c) 100
  - (d) 200
26. The performance of business in the private sector is measured by:
- (a) Profitability
  - (b) Customer Satisfaction
  - (c) No of employees
  - (d) The salary of Managing Director
27. Who was the founder of Walmart?
- (a) Sam Walton

- (b) Bret Biggs
  - (c) Greg Penner
  - (d) Luca Maestri
28. FIPB stands for:
- (a) Foreign Institutional Promotion Board
  - (b) Foreign Institutional Preparatory Board
  - (c) Foreign Investment Priority Board
  - (d) Foreign Investment Promotion Board
29. Which one of the following is an Indian Regulatory Body that facilitates business organizations?
- (a) EXIM Bank
  - (b) NABARD
  - (c) IRDA
  - (d) IFCI
30. \_\_\_\_\_ is the measure of return on investments in terms of percentage
- (a) Yield
  - (b) Index
  - (c) Equity
  - (d) Bonus
31. A HUF cannot comprise members of a:
- (a) Hindu & Sikh family
  - (b) Parsi family
  - (c) Buddhist family
  - (d) Muslim family
32. 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
33. Indane LPG is the product of which corporation in India?
- (a) IOCL
  - (b) NTPC
  - (c) ONGC
  - (d) PGCIL
34. Simplification of trade restrictions related to import is an example of:
- (a) Globalization

- (b) Privatization  
(c) Disinvestment  
(d) Aggregation
35. 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
36. \_\_\_\_\_ 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
37. All are elements of macro environment except:
- (a) Society  
(b) Government  
(c) Competitors  
(d) Technology
38. Where are the headquarters of L&T?
- (a) Bengaluru  
(b) Delhi  
(c) Mumbai  
(d) Chennai
39. Hyundai India Limited came to India through the FDI route. It followed the path of:
- (a) Divestment in Public Sector Unit  
(b) Joint Venture  
(c) By creating a 100% Indian subsidiary  
(d) Replacement of a government sector business
40. \_\_\_\_\_ is a technology where the banking organizations resort to the use of electronics, computers and other networks to execute transactions and transfer funds.
- (a) E-cash  
(b) Digi-cash  
(c) Hedge  
(d) Cap



Test Series: March, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4 PART II: BUSINESS AND COMMERCIAL KNOWLEDGE  
ANSWERS**

1	2	3	4	5	6	7	8	9	10
(c)	(c)	(c)	(b)	(c)	(a)	(b)	(b)	(c)	(a)
11	12	13	14	15	16	17	18	19	20
(a)	(c)	(d)	(b)	(b)	(d)	(c)	(b)	(d)	(d)
21	22	23	24	25	26	27	28	29	30
(d)	(c)	(a)	(a)	(d)	(b)	(a)	(d)	(c)	(a)
31	32	33	34	35	36	37	38	39	40
(d)	(a)	(a)	(a)	(c)	(c)	(c)	(c)	(c)	(a)

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Test Series: March, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
PAPER – 4: PART I : BUSINESS ECONOMICS**

Max. Marks : 60

**QUESTIONS**

1. 'Economics is a Science which deals with wealth' was referred by
  - (a) Alfred Marshal
  - (b) J.B. Say
  - (c) Adam Smith
  - (d) A.C. Pigou.
2. Exploitation and inequality are minimal under:
  - (a) Socialism
  - (b) Capitalism
  - (c) Mixed economy
  - (d) None of the above
3. Which of the following is a cause of an economic problem?
  - (a) Scarcity of Resources
  - (b) Unlimited wants
  - (c) Alternative uses
  - (d) All of the above.
4. The law of Scarcity
  - (a) Does not apply to rich, developed countries
  - (b) Does not apply to poor, under developed countries
  - (c) Implies only to socialist economies
  - (d) Implies that all consumer wants will never be completely satisfied.
5. Which of the following is not within the Scope of Business Economics?
  - (a) Capital Budgeting
  - (b) Accounting Standards
  - (c) Business Cycles
  - (d) Risk Analysis

6. In a perfectly competitive firm, MC curve above AVC is the \_\_\_\_\_ Curve of the firm
- (a) Average cost
  - (b) Marginal revenue
  - (c) Demand
  - (d) Supply
7. In the long run, normal profits are included in the \_\_\_\_\_ curve.
- (a) LAC
  - (b) LMC
  - (c) AFC
  - (d) SAC
8. Which is not the assumption of Indifference curve Analysis?
- (a) The consumer is rational and possesses full information about all the aspects of economic environment
  - (b) The consumer is not capable of ranking all combinations
  - (c) If consumer prefers combination A to B and B to C, then he must prefer combination A to C
  - (d) If combination A has more commodities than combination B, then A must be preferred to B.
9. Indicate which of the following is a variable cost?
- (a) Payment of rent on building
  - (b) Cost of Machinery
  - (c) Interest payment on Loan taken from bank
  - (d) Cost of raw material
10. In case of necessities the marginal utilities of the earlier units are large. In such cases the consumer surplus will be:
- (a) Infinite
  - (b) zero
  - (c) Marginally positive
  - (d) Marginally Negative
11. Price discrimination is not possible
- (a) Under Monopoly
  - (b) Under Monopolistic competition
  - (c) Under perfect competition
  - (d) Under any market firm

12. Calculate Income-elasticity for a household when the income of this household rises by 5% and the demand for buttons does not change at all.
- (a) Infinity
  - (b) 1
  - (c) 5
  - (d) Zero
13. If the goods are perfect substitutes for each other then cross elasticity is
- (a) Infinite
  - (b) One
  - (c) Zero
  - (d) None of the above
14. A firm encounters its shut down point when:
- (a) Average total cost equals price at the profit maximizing level of output
  - (b) Average variable cost equals price at the profit maximizing level of output
  - (c) Average fixed cost equals price at the profit maximizing level of output
  - (d) Marginal cost equals price at the profit maximizing level of output
15. In which form of the market structure is the degree of control over the price of its product by a firm is very large?
- (a) Imperfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) Perfect competition
16. Which of the following means an Economic activity?
- (a) Production of Goods
  - (b) Production of services
  - (c) Consumption of Goods and Services
  - (d) All of the above
17. The income of a household rises by 20 per cent, the demand for computer rises by 50%, this means computer is a/an:
- (a) Inferior good
  - (b) Luxury good
  - (c) Necessity
  - (d) None of the above

18. The marginal product of a variable input is best described as:
- (a) Total product divided by the number of units of variable input
  - (b) The additional output resulting from a one unit increase in the variable input
  - (c) The additional output resulting from a one unit increase in both the variable and fixed inputs
  - (d) None of the above
19. When we study why saving rates are high or low, we are studying :
- (a) Macro Economics
  - (b) Micro Economics
  - (c) Econometrics
  - (d) Both (a) and (b)
20. Which of the following statements is false with respect to Business Cycles:
- (a) They occur periodically.
  - (b) They generally originate in free market economies.
  - (c) They are international in character.
  - (d) They do not affect capitalist economies.
21. If the price of Banana rises from ₹ 30 per dozen to ₹ 40 per dozen and the supply increases from 240 dozen to 300 dozens elasticity of supply is: (use arc elasticity Method)
- (a) .7
  - (b) -.67
  - (c) .65
  - (d) .77
22. If as a result of 90 per cent increase in all inputs, the output increase by 75 per cent this is a case of
- (a) Increasing return of a factor
  - (b) Decreasing return of a factor
  - (c) Diminishing returns to scale
  - (d) None of the above
23. If distribution of income is more equal, then the propensity to consumer of the country is
- (a) Relatively High
  - (b) Relatively Low
  - (c) Unaffected
  - (d) None of the above

24. During 1920s, UK saw rapid growth in GDP, production levels and living standards. The economic growth also caused an unprecedented rise in stock market values. This is an example of:
- (a) Boom
  - (b) Recession
  - (c) Contraction
  - (d) Trough
25. If demand for a good is elastic, an increase in its price will cause total expenditure of the consumer of the good to:
- (a) Increase
  - (b) Decrease
  - (c) Remain the same
  - (d) None of the above
26. If a good is priced at ₹ 180 p.u. and its price is increased to ₹ 240 p.u. Now suppose quantity demanded previously was 100 units and as a result of price increase, the quantity demanded fell to 80 units. What is the price elasticity? (use Mid Point method)
- (a) .777
  - (b) 1.4
  - (c) 1
  - (d) .8

Use the following table to answer questions 27-28

Hour of labour	Total output	Marginal Product
0	0	0
1	300	300
2	-	240
3	720	-

27. What is the total output when 2 hours of labour are employed?
- (a) 160
  - (b) 200
  - (c) 360
  - (d) 540
28. What is the marginal product of the third hour of labour?
- (a) 120
  - (b) 160
  - (c) 200



- (d) 180
29. Which of the following statements is false?
- (a) An indifference curve is concave to the origin
  - (b) An indifference curve is convex to the origin
  - (c) A higher indifference curve is better than a lower indifference curve
  - (d) An indifference curve is a curve which represents all those combinations of two goods which give same satisfaction to the consumer.
30. Identify the factor which generally keeps the price-elasticity of a demand for a good high.
- (a) Its very high price
  - (b) Its very low price
  - (c) Large number of substitutes
  - (d) None of the above
31. Assume that when price is ₹ 40 quantity demanded is 9 units, and when price is ₹ 38, quantity demanded is 10 units. Based on this information, what is the marginal revenue resulting from an increase in output from 9 units to 10 units
- (a) ₹ 20
  - (b) ₹ 40
  - (c) ₹ 38
  - (d) ₹ 1
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 of ₹ 10,000
  - (b) The firm is earning accounting profit of ₹ 40,000
  - (c) The firm is earning economic profit of ₹ 40,000
  - (d) Both (a) and (b)
33. A monopolist is able to maximize his profit when:
- (a) His output is maximum
  - (b) He charges a higher price
  - (c) His average cost is minimum
  - (d) His marginal cost is equal to marginal revenue
34. Law of diminishing marginal utility may not apply to:
- (a) Money
  - (b) Butter
  - (c) Pepsi, Coke etc.
  - (d) Ice cream

35. If the local-cream shop raises the price of a ice cream cup from ₹ 10 per cup to ₹ 15 per cup, and quantity demanded falls from 500 cups per day to 300 cups per day, the price elasticity of demand for ice-cream cup is: (use arc elasticity Method)
- (a) 1
  - (b) 2.5
  - (c) 2
  - (d) 1.25
36. Suppose the short run cost function can be written as  $TC = 250 + 10Q$ . Average Fixed cost equals:
- (a)  $250/Q$
  - (b) 250
  - (c) 10
  - (d)  $250/Q+10$
37. Gopal inherited 1 acre of land from his father in 1960. Today the value of that land is ₹ 90 lakh per acre. What is the opportunity cost of Gopal for keeping that land? His father paid ₹ 50,000 for this land.
- (a) Nothing, since the land was inherited
  - (b) ₹ 50,000 which his father paid
  - (c) ₹ 90 lakh, since the amount Gopal is getting now if he sells it
  - (d) Both (b) and (c)
38. Suraj is a high school senior thinking about becoming an economic research assistant, Shyam just graduated from college with an economic degree and is looking for a job as an economic research assistant. For whom is the college tuition an opportunity cost?
- (a) Suraj
  - (b) Shyam
  - (c) Both Suraj and Shyam
  - (d) Neither Suraj nor Shyam
39. Kinked demand curve in oligopoly market explains:
- (a) Price and output determination
  - (b) Existence of very few firms in the market
  - (c) Price rigidity
  - (d) Price leadership
40. Shares traded in the stock market depict characteristics close to \_\_\_\_\_.
- (a) Perfect competition
  - (b) Oligopoly
  - (c) Monopolistic Competition
  - (d) Monopoly

41. Consider the following and decide which, if any, economy is without scarcity:
- (a) The pre-independence 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.
42. When the price of a substitute of X commodity falls, the demand for X \_\_\_\_\_.
- (a) Rises
  - (b) Falls
  - (c) Remains unchanged
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- (a)  $P = MR = SAC = LAC$
  - (b)  $D = MR = SMC = LMC$
  - (c)  $P = MR =$  Lowest point on the LAC curve
  - (d) All of the above
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- (a) For which demand increases as price increases
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- (a) Price does not at least over 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.
51. You are given the following data:

Table

Output	Total Costs
0	0
1	15
2	30
3	45
4	60
5	75

The above data is an example of:

- (a) Constant returns to scale.
- (b) Decreasing returns to scale
- (c) Increasing returns to scale
- (d) Globalization

The following Table provides cost and price information for a firm called Comfy Cushions (CC). The firm produces and sells cushions using a fixed amount of capital equipment but can change the level of inputs such a labour and materials. Read the Table and answer questions 52-58

Production (Q)	Price per unit (P)	Total Cost (TC)	Average Total Cost (ATC)	Marginal Cost (MC)	Total Revenue (TR)	Marginal Revenue (per unit) (MR)
0	250	500				
1	240	730				
2	230	870				
3	220	950				
4	210	1010				
5	200	1090				
6	190	1230				
7	180	1470				
8	170	1850				
9	160	2410				

52. What is the value of fixed cost incurred by CC?
- (a) ₹ 252  
 (b) ₹ 730  
 (c) ₹ 500  
 (d) cannot be determined
53. What is the average total cost when 5 units are produced?
- (a) ₹ 218  
 (b) ₹ 1090  
 (c) ₹ 730  
 (d) ₹ 210
54. What is the marginal revenue (per unit) when production increase from 7 units to 8 units?
- (a) 160  
 (b) 140  
 (c) 120  
 (d) 100
55. What is the marginal cost when production increase from 3 to 4 units?
- (a) 140  
 (b) 80  
 (c) 60  
 (d) 240

56. To maximize its profit or minimize its loss, what level of production should CC choose?
- (a) 7 units
  - (b) 6 units
  - (c) 4 units
  - (d) 8 units
57. At the profit maximizing level, what price should be charged?
- (a) ₹ 190
  - (b) ₹ 200
  - (c) ₹ 210
  - (d) ₹ 220
58. Calculate CC's maximum profit or minimum loss.
- (a) Loss of ₹ 100
  - (b) Loss of ₹ 60
  - (c) Profit of ₹ 90
  - (d) Loss of ₹ 90
59. A significant decline in general economic activity extending over a period of time is \_\_\_\_\_
- (a) Business cycle
  - (b) Contraction phase
  - (c) Recession
  - (d) Recovery
60. Economic recession shares all of these features except :
- (a) Fall in the level of investment, employment
  - (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services
  - (c) Investor confidence is adversely affected and new investments may not be forthcoming
  - (d) Increase in the price of inputs due to increase in demand for inputs.



Test Series: March, 2018

**FOUNDATION COURSE  
MOCK TEST PAPER  
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**ANSWERS**

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

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