

CA – FOUNDATION – DEC'23-GRAND TEST-1
Paper- 4 Business Economics and Business and Commercial Knowledge

FD23

Date: 12th Dec, 2023

Max. Marks: 100 Marks

Time Allowed – 120min.

ANSWER THE FOLLOWING

1. The management of a business unit generally needs to make strategic, tactical and operational decisions. The statement is _____
 (a) **True** (b) False
2. Product pricing, Consumer behaviour, Factor pricing etc. studied under:
 (a) Macro Economics (b) **Micro economics**
 (c) Market demand (d) Demand schedule
3. Business Economics is _____ in its approach as it tackles practical problems which the firms face in the real world
 (a) **Pragmatic** (b) Theoretical
 (c) Either A or B (d) None of the above
4. Economics in which value judgements are given _____
 (a) **Normative science statements** (b) Positive science statements
 (c) Both A and B (d) None of the above
5. If $MR < 0$, then the TR will be:
 (a) Rising (b) Highest (c) **Falling** (d) Zero
6. Which of the following is a fundamental feature of capitalism?
 (a) Inequality in the income wealth (b) Profit motive
 (c) **Right to private property** (d) All of the above
7. Under a _____, production and distribution of goods are aimed at maximizing the welfare of the community as a whole:
 (a) **Socialist economy** (b) Capitalist economy (c) Mixed economy (d) All of the above
8. Private enterprise may be regulated by the government directly and/or indirectly by a number of policy instruments in _____
 (a) Socialist economy (b) Capitalist economy (c) **Mixed economy** (d) All of the above
9. Wants may arise due to _____ causes.
 (a) Elementary (b) Psychological (c) **Both A and B** (d) Technological
10. Man requires something more than the necessities of life to maintain longevity, energy and efficiency of work, such as nourishing food, adequate clothing, clean water, comfortable dwelling, education, recreation etc. These are:
 (a) **Necessaries for efficiency** (b) Necessaries of life
 (c) Conventional necessities (d) All of the above
11. The basic behavioural principle which apply to all market conditions –
 (a) A firm should produce only if its $TR \geq TVC$
 (b) A firm should maximise profits at a level where its $MC = MR$
 (c) At equilibrium, MC curve cuts the MR curve from below.
 (d) **All of the above**
12. Total utility rises as long as MU is positive, but at _____ because MU is diminishing.
 (a) **A diminishing rate** (b) An increasing rate
 (c) Increasing rate and diminishing rate (d) All of the above
13. Hobbies and Rare Collections, Abnormal Persons, Indivisible Goods are:
 (a) Reasons to LDMU (b) **Exceptions to LDMU**
 (c) Reasons to Law of demand (d) Exceptions to Law of demand
14. Which of the following Uses/Importance of the consumer surplus concept?
 (a) Helpful in Price Discrimination (b) Useful in Investment decisions
 (c) Useful in Pricing Decisions (d) **All of the above**
15. MRS would _____ if two goods they could substitute one another perfectly.
 (a) **Remain constant** (b) Increases (c) Decreases (d) Zero

16. The quantity demanded is always expressed at _____
 (a) Various prices (b) **A given price** (c) A given person (d) Any of the above
17. An individual's demand for LCD/LED television may be affected by his seeing one in his neighbour's or friend's house, either because he likes what he sees or because he figures out that if his neighbour or friend can afford it, he too can. This is _____
 (a) **Demonstration effect** (b) Veblen effect (c) Giffen effect (d) Any of the above
18. A fall in price of a commodity leads to _____.
 (a) A shift in demand curve (b) A rise in consumer's real income
 (c) A rise in quantity demanded (d) **Both B and C**
19. When the price of a substitute of good 'X' falls, the demand for good 'X' _____
 (a) Rises (b) **Falls** (c) Remains unchanged (d) None of these
20. If quantity demanded of good 'X' is plotted against the price of its substitute good 'Y', the demand curve will be-
 (a) Vertical Straight line (b) **Positively sloped**
 (c) Horizontal Straight line (d) Negatively sloped

Refer the following demand equation for question no: 21

$$Q_x = 12 - 2(P_x)$$

21. What would be the price when quantity demanded is zero?
 (a) Rs. 8 (b) Rs. 4 (c) Rs. 5 (d) **Rs. 6**
22. For goods with perfectly inelastic demand _____ from following
 (a) **$\Delta q = 0$** (b) $\Delta q < \Delta p$ (c) $\Delta q = \Delta p$ (d) $\Delta p = 0$
23. On typical straight line demand curve, the elasticity of demand at a point where it meets the price axis is-
 (a) 2 (b) 0.75 (c) 1 (d) **Infinite**
24. A consumer spends ₹ 40 on a good at a price of ₹ 1 per unit and ₹ 60 at a price of ₹ 2 per unit. The elasticity of demand is _____
 (a) **0.25** (b) 2.5 (c) 0.35 (d) 3.5
25. What happens to total expenditure on a commodity when its price falls and its demand is price elastic?
 (a) Total expenditure will remain constant (b) Total expenditure will fall
 (c) **Total expenditure will increase** (d) None of the above
26. Graphical presentation of supply curve of an individual firm in the market is called-
 (a) Producer's demand curve (b) Consumers demand curve
 (c) **Individual supply curve** (d) Market supply curve
27. Economic utilities may be created or added:
 (a) By changing the form of raw materials into finished goods
 (b) By transporting goods from one place to another
 (c) By making things available when they are required
 (d) **All the above**
28. Which factor loses its value if it cannot find a purchaser today?
 (a) Land (b) **Labour** (c) Capital (d) All the above
29. The reward of an entrepreneur i.e. profit is -
 (a) Predetermined income (b) **Residual income**
 (c) Constant income (d) None of the above
30. Cobb-Dauglas production function revealed that the increase in the manufacturing production was contributed by labour and capital respectively by:
 (a) **$\frac{3}{4}$ th and $\frac{1}{4}$ th** (b) $\frac{1}{4}$ th and $\frac{3}{4}$ th (c) $\frac{2}{3}$ rd and $\frac{1}{3}$ rd (d) None of the above
31. When there is a fixed factor and a variable factor, then the law would be:
 (a) Law of increasing returns to scale (b) Law of constant returns to scale
 (c) Law of decreasing returns to scale (d) **Law of variable proportions**
32. The change in TP resulting from the employment of an additional unit of a variable factor is called:
 (a) Total Product (b) **Marginal Product** (c) Average Product (d) All the above
33. In the LVP, the stage of production where the marginal product is greater than the average product is:
 (a) **Stage of increasing returns** (b) Stage of diminishing returns

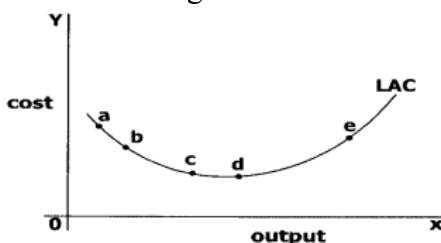
(c) Stage of negative returns

(d) Stage of constant returns

Units of Labour Employed:	1	2	3	4	5	6
MP	20	22	18	16	14	6

Use the above data to answer questions 34 and 35

34. The total product when 5 units of labour are employed is-
 (a) 60 (b) 76 (c) **90** (d) 96
35. The average product of 3rd unit of labour is:
 (a) 21 (b) **20** (c) 19 (d) 18
36. When TP is maximum, the slope of TP curve is _____
 (a) Rising (b) Falling (c) Constant (d) **Zero**
37. External economies accrue when:
 (a) Firm expands (b) An individual progress (c) **An industry expands** (d) Trade expands
38. Isoquant is also called as _____
 (a) Production indifference curve (b) ISO-product curve
 (c) Equal-product curve (d) **All the above**
39. Theory of costs is restatement of the theory of _____ in monetary terms
 (a) Demand (b) Consumer's behaviour
 (c) **Production** (d) All the above
40. Wages paid to labourers, cost of raw-materials purchase, interest on the money borrowed, etc. are examples of _____ cost.
 (i) Accounting (ii) Implicit (iii) Economic (iv) Explicit
 (a) i and ii (b) iii and iv (c) ii and iii (d) **i and iv**
41. Which of the following are implicit costs?
 (i) A shop taken on rent by entrepreneur
 (ii) Savings invested to start business
 (iii) An individual is both owner and manager of business
 (iv) A farmer takes a farm on rent
 (a) i and ii (b) iii and iv (c) **ii and iii** (d) i and iv
42. If you give up a full-time job to go to college, the major cost is –
 (a) Tuition fees (b) Room and board
 (c) **The income you could have earned from job** (d) Social expenses
43. Which of the following indicates fixed costs?
 (a) Electricity Bill (b) Wages to daily labourers
 (c) Expenses on transportation (d) **Interest on borrowed capital**
44. Average Total Cost equals to:
 (a) $\frac{\text{Total cost}}{\text{Total Quantity of Output}}$
 (b) $\frac{TFC}{Q} + \frac{TVC}{Q}$
 (c) AFC + AVC
 (d) All the above
45. Consider the figure and answer which region represents diseconomies.



- (a) Region ‘C’ to ‘D’ (b) Region ‘A’ to ‘B’
 (c) **Region ‘D’ to ‘E’** (d) Region ‘B’ to ‘D’

Use the following data to answer questions 46 to 52:

Output	0	1	2	3	4
Total Cost ₹	90	135	174	216	264

46. The total variable cost of the 3rd unit is-
 (a) 216 (b) 84 (c) **126** (d) 174
47. The marginal cost of the 2nd unit is-
 (a) 0 (b) 45 (c) **39** (d) 42
48. The average variable cost at the 3rd unit of output is-
 (a) **42** (b) 32 (c) 22 (d) None of these
49. If increase in demand is more than increase in supply, then:
 (a) Equilibrium price will fall but equilibrium quantity will increase
 (b) Equilibrium price will increase but equilibrium quantity will decrease
 (c) **Both equilibrium price and equilibrium quantity will increase**
 (d) Both equilibrium price and equilibrium quantity will decrease
50. In the short period, a perfectly competitive firm earns either:
 (a) $AR=AC$ (b) $AR>AC$
 (c) $AR<AC$ (d) **Any of the above**
51. There is no difference between firm and industry in case of –
 (a) **Monopoly** (b) Oligopoly
 (c) Duopoly (d) Perfect competition
52. Highly elastic negatively sloped demand curve is related to –
 (a) Monopoly (b) **Monopolistic competition**
 (c) Perfect competition (d) Both (a) and (b)
53. According to kinked demand curve theory, the upper segment of the demand curve is ____
 (a) **Highly elastic** (b) Highly inelastic
 (c) Unitary elastic (d) Perfectly inelastic

Use the following data to answer Q. no: 54 – 55

Outputs (Units):	1	2	3
AR (₹):	10	8	6

54. The total revenue of 2 units would be:
 (a) ₹ 10 (b) **₹ 16** (c) ₹ 18 (d) cannot be determined
55. The marginal revenue of 3rd unit would be:
 (a) ₹ 10 (b) ₹ 6 (c) ₹ 4 (d) **₹ 2**
56. A monopolist can determine ____
 (a) Price (b) Output (c) Either price or output (d) **Both price and output**
57. In Business cycles concept, Expansion phase all but one of the following characteristics.
 (a) Increase in national output (b) Increase in consumer spending
 (c) **Excess production capacity of industries**
 (d) Expansion of bank credit
58. The turning points of the business cycle are
 (a) Expansion and Peak (b) Peak and Contraction
 (c) Contraction and Trough (d) **Peak and Trough**
59. Which of the following is not the features of business cycle?
 (a) **Business cycle follow perfectly timed cycle**
 (b) Business cycle vary in intensity
 (c) Business cycle vary in length
 (d) Business cycle have no set pattern

60. While _____ indicators forecast economic fluctuation, _____ indicators confirm the trends.
 (a) Lagging; leading (b) Lagging; coincident
 (c) Coincident; leading (d) **Leading; lagging**
61. Business cycles appear due to present fluctuations in prices affecting the output and employment in future is _____
 (a) **Cobweb theory by Nicholas Kaldor** (b) Ordinal theory by Allen & Hicks
 (c) Cobweb theory by J.M. Keynes (d) None of the above
62. Understanding the business cycle is important for business managers because _____
 (a) They affect the demand for their products
 (b) They affect their profits
 (c) To frame appropriate policies and forward planning
 (d) **All the above**
63. State Bank of India was originally known as _____
 (a) Centurion Bank (b) United Bank of India
 (c) **Imperial Bank** (d) None of the Above
64. Which banking company is known worldwide for its credit cards?
 (a) Axis Bank (b) ICICI Bank (c) HDFC Bank (d) **American Express**
65. Which company is world's largest multi brand retailer?
 (a) Shoppers Stop (b) Smart (c) Spencer (d) **Walmart**
66. Bajaj Auto was founded at:
 (a) Mumbai (b) Kolkata (c) **Pune** (d) Bengaluru
67. Bharat Petroleum operates the following refineries except:
 (a) Mumbai (b) **Kolkata** (c) Kochi (d) Bina refinery
68. Whose vision is to become "Amazon of India"?
 (a) Spencer's (b) **Flipkart** (c) Zabong (d) Myntra
69. Which of the following public sector company got 'Golden Peacock Award for Sustainability' 2019, during the 19th International Conference on Corporate Governance & Sustainability held in London (U.K).
 (a) Coal India Limited (b) **NTPC Ltd**
 (c) ONGC (d) GAIL
70. Usually non-economic activities are driven by the reasons:
 (a) Emotional (b) Sentimental
 (c) Altruism (d) **Any of the above**
71. 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**
72. Transfer of interest is possible in:
 (a) **Business** (b) Profession (c) Employment (d) All of the above
73. HUF can comprise members of a _____ except:
 (a) Hindu family (b) **Parsi family**
 (c) Buddhist family (d) Sikh family
74. The agreement between partners must be:
 (a) Verbal only (b) Written only
 (c) **May be verbal or written** (d) In electronic form only.
75. When is FERA converted into a FEMA?
 (a) 1934 (b) 1928 (c) **1999** (d) 1997
76. What is the minimum number of directors in case of public companies?
 (a) 01 (b) 02 (c) 03 (d) **07**
77. Which of the following is an element of micro environment?
 (a) Customers (b) Competitors (c) Suppliers (d) **All of the above**
78. _____ put a curb on business growth lest it should become detrimental to the interest of the consumers and public at large.

79. _____ means to remove or loosen restrictions. This happens via dismantling of licensing and permits, deregulation, easing of approvals and systematic loosening of legislative and administrative controls over business.
- (a) Restrictive policies (b) Regulatory policies
(c) Facilitative policies (d) Any of the above
80. _____ is an essentially effective tool for rapid restructuring and reforming the public sector enterprises.
- (a) Privatisation (b) Liberalisation
(c) Globalisation (d) Any of the above
81. _____ refers to Government keeps hold of responsibility and private enterprise handles fully or partly the delivery of product and services. There is active involvement by government.
- (a) Divestment (b) Disinvestment
(c) Displacement (d) Delegation
82. _____ may be described as a flow of capital investment to an enterprise in a nation by another enterprise located in a different nation by capturing a majority stake in ownership in a company in the target country or by expanding operations of an existing business in that country.
- (a) Foreign Direct Investment (FDI) (b) Foreign Portfolio Investment (FPI)
(c) Both A and B (d) Disinvestment
83. Here are a few sectors where FDI is prohibited under both the Government Route as well as the Automatic Route except:
- (a) Atomic Energy, Lottery Business, Gambling and Betting
(b) Business of Chit Fund, Nidhi Company
(c) Trading in Transferable Development Rights (TDRs)
(d) Defence sector
84. The basic challenge for any company (or, for that matter, for any living thing) is survival. And to survive over the long term, a company must have _____ capabilities:
- (a) The ability to prosper (b) The ability to change
(c) Both A and B (d) None of the above
85. The relationship between the organization and its environment may be discussed in terms of interactions between them in several major areas which are for _____:
- (a) Exchange of information (b) Exchange of resources
(c) Exchange of influence and power (d) All of the above
86. _____ include the formation or clarification of the organization’s mission; the development of objectives, policies, and budgets; or the creation of scanning units. These responses can be either proactive or reactive and are aimed at defining the organization’s purpose and key tasks in relationship to particular environments.
- (a) Administrative response (b) Competitive response
(c) Collective response (d) Any of the above
87. _____ are grouping of similar or related events that tend to move in a given direction, increasing or decreasing in strength of frequency of observation; usually suggests a pattern of change in a particular area.
- (a) Trends (b) Events (c) Issues (d) Expectations
88. _____ is a favourable condition in the organization's environment which enables it to consolidate and strengthen its position
- (a) Strength (b) Weakness (c) Opportunity (d) Threat
89. According to Peter Drucker, the aim of business is to _____
- (a) Create customer (b) Retain Customer
(c) Both A and B (d) None of the above

90. _____ helps create and grow young businesses by providing them with necessary support and financial and technical services; and a _____ helps a budding business quickly launch a product and put it in the fast lane of commercial success;
- (a) A business incubator and Business dealer
(b) A business incubator and Business accelerator
 (c) **Business accelerator and A business incubator**
 (d) None of the above
91. Which of the following is a principal function of RBI?
- (a) Creation of credit (b) **Controller of credit**
 (c) Both A and B (d) None of the above
92. Which of the following are quantitative credit controlling measures of RBI?
- (a) REPO rate (b) Re-Repo rate (c) CRR and SLR (d) **All of the above**
93. The rate at which banks borrow money from the RBI against pledging or sale of government securities to RBI is known as
- (a) Reverse Repo Rate (b) **Repo Rate**
 (c) Bank rate (d) Any of the above
94. The SEBI Act, 1992 has come into force with effect from:
- (a) 30th January, 1993 (b) **30th January, 1992**
 (c) 1st January, 1992 (d) None of the above
95. IRDAI set-up (incorporation) in the year of _____
- (a) 1999 (b) **2000** (c) 2001 (d) None of the above
96. _____ is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets.
- (a) Amortization (b) Brokerage
(c) Arbitrage (d) Business risk
97. _____ are shares of large, well established and financially sound companies with an impressive record of earnings and dividends. Generally, these shares provide low to moderate current yield and moderate to high capital gains yield. The price volatility of such shares is moderate.
- (a) Blue Chips** (b) Bear market shares
 (c) Defensive Stock (d) Low yield shares
98. _____ is a loan where the time and cash flow between a short term loan and a long term loan is filled up.
- (a) Gap financing (b) Bear market shares
 (c) Bridge financing **(d) Both A and C**
99. _____ is a form of private equity and a type of financing that investors provide to startup companies and small business that are believed to have long term growth potential.
- (a) Venture Capital** (b) Brokers
 (c) Investment dealers (d) None of the above
100. _____ is a customer benefit that no other product can claim.
- (a) A unique selling proposition** (b) Customer loyalty
 (c) Customer taste and preference (d) Sales promotion

*****All The Best*****

KEY

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

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