

**MOCK TEST PAPER 1**

**FOUNDATION COURSE**

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

**PART- I: BUSINESS ECONOMICS**

**QUESTIONS**

- 1 Business Economics is a :
  - (a) Normative Science
  - (b) Interdisciplinary
  - (c) Pragmatic
  - (d) All of these
- 2 Rationale of the law of demand is:
  - (a) Price effect of a fall in price
  - (b) Different uses
  - (c) Arrival of new consumers
  - (d) All of these
3. Methods of demand forecasting are:
  - (a) Survey of Buyer's intension
  - (b) Collective opinion Method
  - (c) Both (a) and (b)
  - (d) None of these
4. Entrepreneur has its most important function as \_\_\_\_\_
  - (a) Bear the sense of responsibility
  - (b) Earn profit
  - (c) Innovate
  - (d) None of these
5. Pears, Liril & Dove are example of
  - (a) Perfect Competition
  - (b) Monopoly
  - (c) Monopolistic Competition
  - (d) None of these
6. Monopolist Charges different price for his commodity in discriminating monopoly implies:
  - (a) At different places
  - (b) For different uses
  - (c) From different group of consumers
  - (d) Any of the above
7. Variables that change before the real output changes are called:
  - (a) Lagging indicator

- (b) Leading Indicator
  - (c) Concurrent Indicator
  - (d) None of these
8. Supply is the -
- (a) Limited resources-that are available within the seller
  - (b) Cost of Producing a good
  - (c) Entire-relationship between the quantity supplied and the price of good.
  - (d) Willingness to produce a good if the technology to produce it becomes available
9. Economy's historical performance was reflected by:
- (a) Lagging indicating
  - (b) Leading indicating
  - (c) Either (a) or (b)
  - (d) None of these
10. Contraction of demand is the result of
- (a) Decrease in the number of Consumers
  - (b) Increase in the price of the good concerned
  - (c) Price of related products
  - (d) None of these
11. Cost of living increase when business cycle is operating at its
- (a) Lowest point
  - (b) Peak
  - (c) Contracting
  - (d) Expanding
12. In the beginning economics was named as:
- (a) Political Economy
  - (b) Welfare Economics
  - (c) Economies of Wealth
  - (d) None of these
13. The market price cannot be influenced by a seller under:
- (a) Monopolistic Competition
  - (b) Monopoly
  - (c) Perfect Competition
  - (d) All the above
14. Time elements was conceived by :
- (a) Paul Sweezy
  - (b) Hicks
  - (c) Marshall
  - (d) Simon Kuznets

15. The Pure monopolist in the long run can make pure profit due to :
- (a) High Selling Price
  - (b) Advertising
  - (c) Low LAC Cost
  - (d) Blocked entry
16. Law of variable proportion is related to :
- (a) Long Run
  - (b) Short Run
  - (c) Both (a) and (b)
  - (d) None of these
17. What are the Central Problem of an economy:
- (a) What to Produce
  - (b) What provisions are to be made for economic growth?
  - (c) How to Produce
  - (d) All the above
18. Which of the following is not the demerit of Capitalism:
- (a) There is usually high degree of operative efficiency under the capitalist system
  - (b) Under Capitalism there is precedence of property right over human rights
  - (c) Due to income inequality the pattern of demand does not represent the real needs of the society.
  - (d) Capitalism leads to the formation of monopolies
19. Macroeconomics is also called\_\_\_\_\_economics.
- (a) experimental
  - (b) aggregate
  - (c) applied.
  - (d) none of these
20. The Substitution effect will be stronger when:
- (a) there is lower inconvenience while switching to the Substitute good
  - (b) the goods are closer substitute.
  - (c) there is lower cost of switching to the substitute good
  - (d) All of the above
21. Which of the following is the exception to the law of demand:
- (a) Speculative goods
  - (b) Conspicuous necessities
  - (c) Future expectation about prices
  - (d) Income effect
22. If the price of A rises by 10% and the demand for B increases by 15% then the Cross elasticity will be:
- (a) 1.5
  - (b) 1.5
  - (c) 2

- (d) None of these
23. What are the limitation of Consumer Surplus:
- (a) Consumer surplus cannot be measured precisely
  - (b) The Consumer surplus derived from a commodity is affected by availability of substitute
  - (c) Both (a) & (b)
  - (d) None of these
24. Which of the following is not the characteristic of land:
- (a) It is a passive factor
  - (b) It has multiple uses
  - (c) It's supply is fixed
  - (d) It is a active factor
25. Accounting costs are also called:
- (a) Explicit cost
  - (b) Implicit Cost
  - (c) Either a or b
  - (d) None of these
26. The Vertical difference between TVC and TC is equal to :
- (a) Marginal Cost
  - (b) Average variable cost
  - (c) Total fixed Cost
  - (d) None of these.
27. The classification of market is made on the basis of :
- (a) Geographical Area
  - (b) Time
  - (c) Volume of business
  - (d) All the above
28. How do monopoly arises:
- (a) Strategic Control over scarce resources
  - (b) Governments granting exclusive rights to produce and sell a good or a service
  - (c) Stringent legal and regulatory requirements effectively discourages entry of new firms without being specifically prohibited
  - (d) All of the above
29. Which of the following involve a trade-off ?
- (a) Taking a nap
  - (b) Going to University
  - (c) Watching a football game on Saturday afternoon
  - (d) All of these
30. The indifference curve of two substitute will be:
- (a) Straight line

- (b) U- Shaped
  - (c) C Shaped
  - (d) L shaped
31. Sweezy's Model is related to which market form :
- (a) Oligopoly market
  - (b) Perfect Competition market
  - (c) Monopoly market
  - (d) None of these
32. Price discrimination cannot persist Under which market form –
- (a) Perfect competition
  - (b) Monopolistic Competition
  - (c) Monopoly
  - (d) None of these
33. In law of variable proportion how many stages are there:
- (a) 1
  - (b) 3
  - (c) 5
  - (d) None of these
34. At the stage when Negative Return sets in :
- (a) MP is negative
  - (b) MP is diminishing
  - (c) Either a or b
  - (d) none of these
35. Minimum assured price to the farmers to purchase their output by the government is called:
- (a) Market Price
  - (b) Equilibrium Price
  - (c) Support Price
  - (d) Ceiling Price
36. The income elasticity For Luxuries goods is:
- (a)  $E > 1$
  - (b)  $E < 1$
  - (c)  $E = 0$
  - (d) None of these
37. Unique supply curve is monopoly is not due to \_\_\_\_\_
- (a)  $P > MC$
  - (b)  $P < MC$
  - (c)  $P = MC$
  - (d) None of these

38. AR is different from MR under which form of market :
- (a) Monopoly
  - (b) Monopolistic competition
  - (c) Perfect Competition
  - (d) Both a and b
39. In Monopoly Cross elasticity of Product is :
- (a) Zero
  - (b) High
  - (c) Infinity
  - (d) None of these
40. Innovation theory is propounded by :
- (a) Schumpeter
  - (b) Nicholas Kaldor
  - (c) Keynes
  - (d) None of these
41. Information Technology bubble burst of 2000 is an example of :
- (a) Business Cycle
  - (b) Consumer Sovereignty
  - (c) Freedom of choice
  - (d) None of these
42. In which form of market Cartels can be formed:
- (a) Perfect competition
  - (b) Monopoly
  - (c) Oligopoly
  - (d) None of these
43. Monopolistic Competition theory architect was
- (a) Roden
  - (b) Marx
  - (c) J R Hicks
  - (d) Chamberlin
44. Snob effect is explained as \_\_\_\_\_
- (a) It is a function of consumption of others
  - (b) It is a function of price
  - (c) Both (a) and (b)
  - (d) None of these
45. The rate at which the consumer is prepared to exchange-good x and y is :
- (a) Marginal rate of substitution
  - (b) Elasticity of Substitution
  - (c) Diminishing Marginal Utility

- (d) None of these
46. Cost of living increase when business cycle is operating at :
- (a) Lowest point
  - (b) Peak
  - (c) Contracting
  - (d) Expanding
47. Supply and Stock are \_\_\_\_\_
- (a) Same thing
  - (b) Different
  - (c) Having no comparison
  - (d) Both (a) and (c)
48. Economic indicator required to predict the turning point of business cycle is :
- (a) Leading indicator
  - (b) Lagging indicator
  - (c) Coincident
  - (d) All of the above
49. Normative economics can be best explained through:
- (a) Fairness to tax
  - (b) Incidence to tax
  - (c) Effect of tax on incentives to work
  - (d) None of these
50. For Giffen good the Engel curve is:
- (a) Positive sloped
  - (b) Vertical
  - (c) horizontal
  - (d) Negative sloped
51. If the monopolist incurs losses in the short run then in the long run:
- (a) It will stay in the business
  - (b) Go out of business
  - (c) Will break even
  - (d) Any of the above is possible
52. Globalization indicate rapid \_\_\_\_ between Countries :
- (a) Competition
  - (b) Investment
  - (c) Integration
  - (d) None of these
53. Elasticity of supply to the degree of responsiveness of supply of a good to changes in its;
- (a) Demand
  - (b) Price

- (c) Cost of production
  - (d) State of technology
54. Monopsony market and monopoly market when combined is called:
- (a) Oligopoly market
  - (b) Monopolistic market
  - (c) Duopoly market
  - (d) Bilateral Money Market
55. Consumer under Income effect:
- (a) Always purchase higher quantities of both the commodities
  - (b) moves to higher or lower indifference curve
  - (c) moves along the original indifference Curve.
  - (d) None of these
56. Which is not the External Causes of business cycle:
- (a) Technology shock
  - (b) Population Growth
  - (c) Money Supply
  - (d) Technology Shock
57. Which is the feature of monopolistic Competition:
- (a) Large number of sellers
  - (b) Product differentiation
  - (c) Freedom of entry and exit
  - (d) All of the above
58. Total Utility is maximum when:
- (a) Marginal Utility is negative
  - (b) Marginal Utility is zero
  - (c) Marginal Utility is at its highest point.
  - (d) None of these
59. Stock Exchange is an example of \_\_\_
- (a) Forward market
  - (b) Regulated market
  - (c) Spot market
  - (d) None of these
60. Which of the following is not a characteristic of monopolistic competition?
- (a) Ease of entry into the industry
  - (b) Product differentiation
  - (c) A homogeneous Product
  - (d) A relatively large number of sellers



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

**QUESTIONS**

**Max. Marks: 40**

61. A company which may be created for a future project or to hold an asset or intellectual property and has no significant accounting transaction called--
- (a) One Person Company (OPC)
  - (b) Small company
  - (c) Dormant company
  - (d) Banking company
62. Which of the following is NOT a correct statement?
- (a) 'Make in India' campaign is an example of political- legal environment.
  - (b) Changes in corporate tax is an example of political — legal environment.
  - (c) Increase in GDP is an example of economic environment.
  - (d) Reliance Jio as a competitor of BSNL is an example of internal environment.
63. Which one of the following is NOT related to funds transfer in banks?
- (a) RTGS
  - (b) NEFT
  - (c) IFSC
  - (d) CRR and SLR
64. Which of the following is NOT meant by liberalization?
- (a) Decontrol
  - (b) Disinvestment of PSU
  - (c) Freedom to do business
  - (d) Deregulation
65. High beta value stocks are-
- (a) Less volatile
  - (b) Defensive
  - (c) Less defensive
  - (d) More volatile
66. The vision "Be a model corporate entity with social responsibility committed to energizing lives through sustainable development" belongs to-
- (a) ONGC
  - (b) IOC
  - (c) BPCL
  - (d) HPCL
67. Which of the following is NOT correct?
- (a) In Bullish market prices of security increase
  - (b) In Bearish market prices of security fall
  - (c) In Bearish market the investors are optimist

- (d) In Bullish market the investors are optimist.
68. Which one the following is NOT the strategic response to the environment?
- (a) Administrative response
  - (b) Competitive response
  - (c) Collective response
  - (d) Political response
69. Which of the following is NOT a regulatory institution?
- (a) ARC
  - (b) RBI
  - (c) IRDA
  - (d) SEBI
70. Which of the following sectors prohibited under FDI?
- (a) Textiles
  - (b) Atomic energy
  - (c) Automobiles
  - (d) Insurance
71. Maximum number of members in a Private limited company are:
- (a) 50
  - (b) 200
  - (c) 20
  - (d) 500
72. Which bank provides the digital service Payzapp?
- (a) Axis Bank Limited
  - (b) HDFC Bank Limited
  - (c) ICICI Bank Limited
  - (d) SBI
73. ----- implies contractual co-ownership of a business.
- (a) HUF
  - (b) Sole proprietorship
  - (c) Partnership
  - (d) Private Limited Company
74. Emergence of a strong new competitors in the industry is an example of-
- (a) Strength
  - (b) Weakness
  - (c) Opportunity
  - (d) Threat
75. Regulation of forex transactions is done by the\_\_\_\_\_
- (a) RBI

- (b) Ministry of Finance
  - (c) SEBI
  - (d) World Bank
76. Monetary policy does NOT concentrate upon-
- (a) Interest rate
  - (b) Credit control
  - (c) Liquidity adjustment
  - (d) Disposable income
77. Which of the following is the correct statement?
- (a) FDI has strong speculative effect in stock market.
  - (b) FII have strong speculative effect in stock market.
  - (c) FDI is also called portfolio investment.
  - (d) FDI is short term investment.
78. 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 create for that purpose.
  - (c) Potential liability arising from a past transaction or a subsequent event.
  - (d) Cost that can be attributed clearly to the activity you are considering.
79. Which of the following is NOT true about a Limited Liability Partnership (LLP)?
- (a) Separate legal entity
  - (b) Incorporation not mandatory like normal partnership
  - (c) Designated Partners
  - (d) Hybrid Form of Business Organisation
80. Which of the following is NOT part of internal environment of a business organisation?
- (a) Labor Unions
  - (b) Corporate Culture
  - (c) Customers
  - (d) Organisational Structure
81. To be the leading provider of financial services in India and a major global bank is in the vision of which Indian Commercial Bank?
- (a) ICICI Bank
  - (b) HDFC Bank
  - (c) State Bank of India
  - (d) Axis Bank Limited
82. Economic Activities are based on the concept of?
- (a) Altruism
  - (b) Rationality

- (c) Sentimental value creation
  - (d) Emotional Reasons
83. Amazon in India has its registered office at?
- (a) Bengaluru
  - (b) Hyderabad
  - (c) Singapore
  - (d) Mauritius
84. A company is said to undergo \_\_\_\_\_ when its assets are sold off piecemeal rather than one single operating entity?
- (a) Acquisition
  - (b) Merger
  - (c) Liquidation
  - (d) Sale off
85. Marketing, Finance, Operations, Human Behaviour, Law and Policy, Economics, all together derive BCK. What does it tell us about BCK's domains?
- (a) BCK is Vast
  - (b) BCK is Expanding
  - (c) BCK is Eclectic
  - (d) BCK is Vague
86. Gain for one is a loss for someone else - this concept can be understood by which of the characteristics of Business Environment?
- (a) It is dynamic
  - (b) It has far reaching impact
  - (c) It is multi-faceted
  - (d) It is complex
87. Indian LPG is the product of which enterprises in India?
- (a) IOCL
  - (b) NTPC
  - (c) ONGC
  - (d) PGCIL
88. For a business, Inflation as an indicator of policy shall be most detrimental if?
- (a) It is Extremely Low
  - (b) It is Extremely High
  - (c) It is Moderate
  - (d) It is Rising
89. Which of the following is NOT a function of RBI?
- (a) Promotion of Banking
  - (b) Collection of Foreign Institutional Data
  - (c) Banker to Government

- (d) Funding NABARD
90. The exchange rate of a country is-
- (a) No. of units of a given currency that can be purchased for one unit of another currency.
  - (b) Equity shares exchanged for number of bonus shares.
  - (c) Dividend paid out of profits.
  - (d) Current ratio
91. Which of the following is NOT a feature of Private company?
- (a) There are no restrictions on transfer of shares.
  - (b) Minimum number of directors are 2.
  - (c) Private companies are exempted from deputing various committees of Board of Directors.
  - (d) It can start business upon incorporation.
92. A strategic response where businesses are very passive in their behaviour is called as-
- (a) Least resistance
  - (b) Proceed with caution
  - (c) Dynamic response
  - (d) Strategic action
93. Where is the India's only port-led multi-product SEZ?
- (a) Kochi
  - (b) Mumbai
  - (c) Surat
  - (d) Mundra
94. Which of the following is one of the most significant macro policy indicators that impact business?
- (a) Trade policy
  - (b) International trade
  - (c) Tax rates
  - (d) Rural policy
95. RBI's role does NOT include-
- (a) Friend, Philosopher and Guide to Government
  - (b) Maintain legal stability
  - (c) Regulate inflation
  - (d) Guide all commercial banks
96. Dividing consumer into groups based on different consumer characteristics, to deliver specially designed advertisements that meet these characteristics as closely as possible, is known as-
- (a) Mass marketing
  - (b) Market targeting
  - (c) Market segmentation
  - (d) Marketing plan

97. Which of the following is NOT an economic activity?
- (a) Eating food at a restaurant
  - (b) Selling food at subsidised prices
  - (c) Making cloth material for retail
  - (d) Cleaning the road in front of your house yourself
98. External factors affecting a business environment is also referred to as factors?
- (a) Controllable
  - (b) Relevant
  - (c) Global
  - (d) Uncontrollable
99. Spreading fixed costs over large number of units to reduce the per unit cost is called?
- (a) Diversification
  - (b) Forecasting
  - (c) Budgeting
  - (d) Economies of Scale
100. SEBI is the apex authority for setting rules for-
- (a) Money market
  - (b) Capital market
  - (c) Non-Financial markets
  - (d) Market for insurance products