

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.

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) 102nd
 - (b) 82nd
 - (c) 52nd
 - (d) 22nd
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 service and prosper.
- (a) Identify, appraise
 - (b) Monitor, adapt
 - (c) Identify, monitor
 - (d) Monitor, appraise
27. Which company ranked 1st 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) 2nd
 - (b) 8th
 - (c) 4th
 - (d) 6th
40. Identify the sector where, FDI is NOT permitted:
- (a) Automobile
 - (b) Infrastructure
 - (c) Textile
 - (d) Atomic energy

**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) |