



ECONOMICS MOCK TEST PAPER



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<u>MTP TOPIC</u>	<u>Pg. No.</u>
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Test Series: October, 2019

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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

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- (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

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- (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, it 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

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- (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

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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 200 units and units of variable factor are 8, average product will be –
- (a) 25
 - (b) 1600

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- (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

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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

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- (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

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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

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- (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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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

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PAPER – 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART I : BUSINESS ECONOMICS

Max. Marks : 60

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

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

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

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

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

Use the following data to answer questions 29-31

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

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

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

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

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

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

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

Test Series: October, 2020

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

ANSWERS

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

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Test Series: March, 2021

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. The Book "The Wealth of Nations "is written by:
 - (a) Adam Smith
 - (b) Arthur Pigou
 - (c) Robinson
 - (d) Ragnar Nurske
2. The Nature of Business Economics:
 - (a) Business Economics is a Science
 - (b) Incorporate elements of Macro Analysis
 - (c) Interdisciplinary in Nature
 - (d) All the above
3. Which of these country is a purely socialist economy?
 - (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
4. Rational decision making requires that:
 - (a) one's choice be arrived at logically and without error.
 - (b) one's choice be consistent with one's goal.
 - (c) one's choice never vary.
 - (d) the consumer plan's to attain the highest possible level of satisfaction.
5. The substitution effect will be stronger when:
 - (a) the goods are closer substitute
 - (b) there is lower cost of switching to the substitute good.
 - (c) there is lower inconvenience while switching to the substitute good.
 - (d) all the above
6. What are the internal causes of business cycle?
 - (a) fluctuations in effective demand.
 - (b) macroeconomic policies
 - (c) money Supply

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- (d) All the above
7. According to Hawtrey trade cycle is a _
- (a) monetary Phenomenon
 - (b) unplanned Phenomenon
 - (c) fiscal Phenomenon
 - (d) all the above
8. Which of the following describe a typical business cycle?
- (a) economic expansions are followed by contractions.
 - (b) inflation is followed by rising income and unemployment.
 - (c) economic expansion are followed by economic growth and development.
 - (d) stagflation is followed by Inflationary growth.
- (9) A relative price is:
- (a) price expressed in terms of money.
 - (b) the ratio of one money price to another
 - (c) equal to money price.
 - (d) none of these.
10. In case of substitute product:
- (a) demand curve slope upwards.
 - (b) demand curve slope downwards
 - (c) demand curve is perfectly elastic
 - (d) none of these.
11. A dealer sells only two brands of Motorcycle- Royal and Hero. It was observed that when the price of royal rises by 10% the demand for Hero increases by 15%. What is the cross elasticity of Hero against the Price of Royal?
- (a) + 1.5
 - (b) -1.5
 - (c) 2.5
 - (d) none of these
12. When $e = 0$, elasticity of demand is :
- (a) perfectly elastic
 - (b) unitary elastic
 - (c) inelastic
 - (d) perfectly inelastic demand
13. A rise in price will –
- (a) increase in consumer surplus
 - (b) decrease in consumer surplus
 - (c) no change in consumer surplus

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- (d) none of these
14. Marginal Product is the slope of –
- (a) marginal product curve
 - (b) average product curve
 - (c) total product curve
 - (d) implicit product curve
15. Law of Production does not include _
- (a) least cost combination of factors
 - (b) law of variable proportion
 - (c) law of diminishing returns to a factor
 - (d) return to scale
16. Which of the following statement is correct concerning the relationship among the firm's cost function:
- (a) $TC = TVC - TFC$
 - (b) $TFC = TC - TVC$
 - (c) $TC = TFC - TVC$
 - (d) $TVC = TFC - TC$
17. In the Cobb Douglas function the change in output due to increase in one additional unit of an input is called?
- (a) elasticity
 - (b) return to scale
 - (c) total product
 - (d) marginal revenue
18. The condition for pure competition to be fulfilled are –
- (a) large numbers of buyers and sellers
 - (b) products are homogeneous
 - (c) firms are free from entry and exit from the market
 - (d) all the above
19. When the firm is in the long run equilibrium in perfect competition which of the following is true –
- (a) $AC = MR$
 - (b) $TR = TC$
 - (c) the firm are earning supernormal profit
 - (d) None of these
20. The opportunity cost of a good is :
- (a) loss of interest in using savings
 - (b) time lost in finding it.
 - (c) quality of other goods sacrificed to get another unit of that good.
 - (d) none of these

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21. Which is not the characteristics of monopolistic competition:
- (a) large number of sellers
 - (b) homogeneous Product
 - (c) freedom of entry and exit
 - (d) non price discrimination
22. Demand Curve in the monopolistic competition is –
- (a) infinitely elastic
 - (b) downward sloping and highly inelastic
 - (c) downward sloping and more elastic demand curve.
 - (d) none of these.
23. The concept of price rigidity in Sweezy's model is related to which market form:
- (a) oligopoly market
 - (b) perfect competition market
 - (c) monopoly market
 - (d) monopolistic market
24. Which of the following statement is incorrect ?
- (a) there is no difference between a firm and an Industry
 - (b) monopolist may raise the price and restrict the output
 - (c) heterogeneous product are offered for sale in perfect competition
 - (d) in monopolistic competition product differentiation is peculiar.
25. Foreign Exchange market is an example of –
- (a) perfect competition
 - (b) oligopoly
 - (c) monopoly
 - (d) monopolistic competition
26. Under which market form price discrimination cannot persist –
- (a) oligopoly
 - (b) monopolistic competition
 - (c) monopoly
 - (d) perfect competition.
27. The Relationship between AR, MR and Price Elasticity –
- (a) $MR = AR \times e - 1 \div e$
 - (b) $AR = MR \times e - 1 \div e$
 - (c) $AR - MR = e - 1 \div e$
 - (d) None of these
28. The Price elasticity for Monopolistic Firm is :
- (a) $e > 1$

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- (b) $e < 1$
(c) $e = 1$
(d) none of these
29. Dynamic fare charged by Indian railways is an example of :
(a) pure monopoly
(b) discriminating monopoly
(c) perfect competition
(d) none of these
30. Price discrimination is possible when
(a) seller should have some control over the supply of the Product
(b) price elasticity of the product should be different in different submarket
(c) seller should be able to divide his market into two or more submarket
(d) none of these
31. When a small change in price leads to a large change in demand the demand is
(a) inelastic
(b) elastic
(c) stagnant
(d) fixed
32. The relationship between price and quantity supplied in law of supply is:
(a) proportionate
(b) homogenous
(c) inverse
(d) direct
33. The stages in law of variable proportion is :
(a) 1
(b) 2
(c) 3
(d) 4
34. Certain benefit an Industry gets when it expands its scale of production is known as:
(a) Internal economies
(b) diseconomies
(c) external economies
(d) profit
35. The Interest on own capital is:
(a) implicit cost
(b) future cost
(c) explicit cost

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- (d) past cost
36. The shape of TR curve of the monopolist is :
- (a) u shaped
 - (b) inverted u shaped
 - (c) downward sloping
 - (d) none of these.
37. The distinction between selling cost and production cost was made by:
- (a) Chamberlin
 - (b) Sweezy
 - (c) Mrs Joan Robinson
 - (d) None of these
38. The firm and industry are same in :
- (a) duopoly
 - (b) monopoly
 - (c) perfect competition
 - (d) none of these
39. For luxuries goods the income elasticity is :
- (a) $e > 1$
 - (b) $e < 1$
 - (c) $e = 0$
 - (d) none of these
40. Long run average cost (LAC) is :
- (a) u shaped
 - (b) is also called envelope curve
 - (c) both a and b
 - (d) none of these
41. Under perfect competition the supply curve is derived from :
- (a) MC curve
 - (b) AC curve
 - (c) TC Curve
 - (d) none of these.
42. When goods are complementary the indifference curve is :
- (a) is a straight line
 - (b) is convex to the origin
 - (c) consist of two straight line with a right angle bent.
 - (d) none of these

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43. The Consumer is in equilibrium when:
- (a) the budget line is tangent to the indifference curve
 - (b) marginal rate of substitution of one good for another must be equal to the price ratio of the two goods
 - (c) either a or b
 - (d) none of these
44. When average cost is equal to average revenue of a firm, it gets _____.
- (a) sub normal profit
 - (b) normal profit
 - (c) abnormal profit
 - (d) super profit
45. Demand for factor of production is
- (a) supplementary demand
 - (b) intermediate goods
 - (c) derived demand
 - (d) complementary demand
46. The producer's demand for a factor of production is governed by the ____ of that factor.
- (a) price
 - (b) marginal productivity
 - (c) availability
 - (d) profitability
47. A rise in supply and demand in equal proportion will result in
- (a) increase in equilibrium price and decrease in equilibrium quantity
 - (b) decrease in equilibrium price and increase in equilibrium quantity
 - (c) no change in equilibrium price and increase in equilibrium quantity
 - (d) increase in equilibrium price and no change in equilibrium quantity
48. The slope of isoquant is :
- (a) upward to the left
 - (b) downward to the right
 - (c) downward to the left
 - (d) upward to the right
49. The cross elasticity between tea and coffee is :
- (a) infinite
 - (b) positive
 - (c) zero
 - (d) negative

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50. When the output increases from 20 to 30 units and TR increases from Rs 400 to Rs 500 then MR is
- (a) 20
 - (b) 10
 - (c) 15
 - (d) none of these
51. In case of diminishing return to a factor:
- (a) marginal product diminishes
 - (b) total product increase at increasing rate
 - (c) total product increases at diminishing rate
 - (d) both a and b
52. Break even point indicate which of the following ?
- (a) $TR = TC$
 - (b) $TR > TC$
 - (c) $TR = TVC$
 - (d) none of these
53. Negative return sets in at the stage when:
- (a) MP is negative
 - (b) MP is diminishing
 - (c) MP is rising
 - (d) none of these
54. The problem what to produce relates to:
- (a) choice of goods and services
 - (b) distribution of Income
 - (c) choice of technique
 - (d) market value of goods and services
55. When violation of law of demand occurs:
- (a) substitution effect is negative
 - (b) income effect is negative
 - (c) negative income effect is less than substitution effect
 - (d) negative income effect is greater than substitution effect
56. Average revenue curve is more elastic under monopolistic competition than monopoly due to
- (a) low degree of governmental control
 - (b) lack of close substitute
 - (c) availability of close substitute
 - (d) none of these

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57. The producer reduces supply from 100 units to 50 units. When the price falls from Rs 20 to Rs 10, the price elasticity of supply will be :
- 1
 - 2
 - 4
 - none of these
58. The Government offer minimum assured price to the farmers to purchase their output is called:
- market Price
 - support Price
 - equilibrium Price
 - ceiling Price
59. The price in collusive oligopoly is decided by:
- firm
 - price leader
 - industry
 - none of these
60. The marginal utility from last unit consumed of commodity Y = 50 Units and $MU_m = 10$. The consumer is in equilibrium and consuming commodity y only. Find the Price of Commodity Y—
- 5
 - 10
 - 40
 - None of these

Test Series: March, 2021

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

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

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MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. An Applied Economics that fills the gap between economic theory and business practice:
 - (a) Business Economics
 - (b) Macro Economics
 - (c) Welfare Economics
 - (d) None of these
2. Administered price are determined in socialism by:
 - (a) Market Forces
 - (b) Government
 - (c) Both (a) and (b)
 - (d) None of these
3. Exception to the law of demand
 - (a) Speculative effect
 - (b) Fear of Shortage
 - (c) Ignorance
 - (d) All the above
4. The Shape of TC Curve of the monopolist is ____
 - (a) U Shape
 - (b) S Shape
 - (c) Inverse S Shape
 - (d) None of these
5. Unique supply curve in monopoly is not due to ____
 - (a) $P > MC$
 - (b) $P < MC$
 - (c) $P = MC$
 - (d) None of these
6. Shampoo manufactures is an example of :
 - (a) Perfect Competition
 - (b) Monopolistic Competition

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- (c) Monopoly
 - (d) None of these
7. Reliance Jio can be described as part of which form to market structure:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Duopoly
 - (d) Perfect Competition
8. Price Elasticity of demand of a firm is infinite in _____
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Oligopoly
 - (d) Monopolistic Competition
9. Price Discrimination cannot be implemented?
- (a) When there is perfect competition in the market.
 - (b) Elasticity of demand must be different in both the market.
 - (c) Two or more market which can be separated and can be kept separate.
 - (d) All the above
10. Raw materials and other factors of production is not monopolised, and labour is not unionised in which form of market structure:
- (a) Monopoly
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) Oligopoly
11. AR is different from MR under:
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect Competition
 - (d) Both a and b
12. Wild Animals had destroyed the entire crops of a farmer what effect it will have on the price in perfect competition:
- (a) Price will remain constant
 - (b) Price will decrease
 - (c) Price will increase
 - (d) None of these

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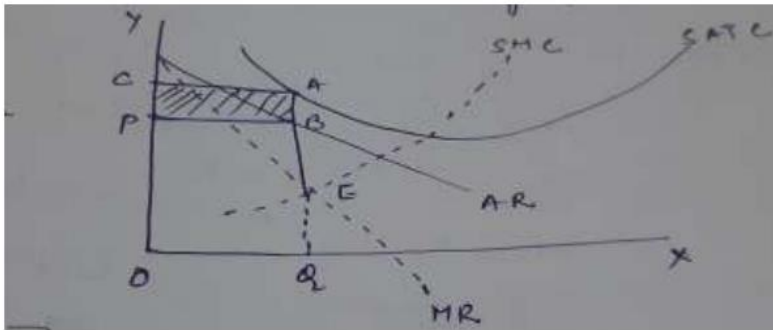


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13. Cross elasticity of Product in Monopoly is:
- Zero
 - High
 - Infinity
 - None of these
14. In the following diagram the Monopolist is incurring -----



- Losses
 - Profit
 - Super normal profit
 - None of these
15. The dilemma faced by a Monopolistic is setting ____.
- Price
 - Output
 - Both a and b
 - Either a or b
16. Innovation theory is propounded by :
- Schumpeter
 - Nicholas Kaldor
 - Keynes
 - None of these
17. Fluctuations in Economic activities are due to:
- Aggregate demand
 - Aggregate effective demand
 - Effective demand
 - None of these
18. During expansion phase of business cycle which of the following does not occur:
- Business profits and business confidence tend to increase

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- (b) Demand for labour increases as employment increases.
 - (c) Purchase of all types of goods is increased by consumer.
 - (d) None of these
19. Phase of business cycle are ____
- (a) Expansion, peak, contraction, and trough
 - (b) Contraction, expansion, trough, and boom.
 - (c) Expansion, contraction, peak and trough
 - (d) Peak, depression, bust and boom
20. External causes of business Cycle are:
- (a) Money Supply
 - (b) Fluctuations in Investment
 - (c) Technological Shock
 - (d) None of these
21. Great Depression of 1930's is an example of:
- (a) Business cycle
 - (b) Consumer sovereignty
 - (c) Freedom of choice
 - (d) None of these
22. Which of the following is a normative statement?
- (a) Health care basic facilities to be provided to all citizens.
 - (b) With Industrialisation, unemployment rate decreases.
 - (c) On national defence India spent huge amount of money.
 - (d) None of these
23. Which of the following is not a demerit of Capitalism?
- (a) The pattern of demand does not represent the real need of the society.
 - (b) Strikes and lockdown are very common under capitalism
 - (c) Capitalism usually functions in a democratic framework.
 - (d) None of these
24. Socialist economy does have:
- (a) Right to work and minimum standard to living
 - (b) Absence of competition
 - (c) Right to private property
 - (d) Both a and b

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25. Scarcity of resources occurs due to:
- (a) High demand of resources
 - (b) Absence of Substitutes
 - (c) Mismanagement and inequality
 - (d) All of these
26. In case of inferior goods:
- (a) Income effect and substitution effect work in opposite direction
 - (b) Income effect and substitution effect work in same direction
 - (c) It leads consumer to purchase less of a good and more of the substitute
 - (d) None of these
27. If $MU_x = 30$, $P_x = 5$, $MU_y = 40$ the value of P_y will be
- (a) 10
 - (b) 15
 - (c) 6
 - (d) None of these
28. When the demand curve is parallel to Y axis the elasticity of demand will be _____
- (a) Zero
 - (b) Utility
 - (c) Less than Unity
 - (d) None of these
29. A rise in sale of which type of good is expected in the case of recession:
- (a) Luxury
 - (b) Necessity
 - (c) Inferior
 - (d) Normal
30. If price of both goods fall how would the budget line be affected?
- (a) The budget line will shift to left.
 - (b) The budget line will shift to right
 - (c) The budget line will not change
 - (d) The new budget line will have the same slope as the original so long as the price of both goods change in the same proportion.
31. When price of a good rises from Rs. 20 to Rs. 30 the producer supplies 20 percent more the Price elasticity of supply is
- (a) 0.5
 - (b) 0.4

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- (c) 1
- (d) None of these
32. Cartels can be formed in which form of market:
- (a) Perfect competition
- (b) Monopoly
- (c) Oligopoly
- (d) None of these
33. Average revenue curve is more elastic under monopolistic competition than under monopoly due to:
- (a) Government control
- (b) Availability of close substitute
- (c) Lack of no substitute
- (d) None of these
34. From the following demand curve determine the elasticity at the given price
- $Q = 1200 - 10P$
- When $P = 5$, $dQ/dP = 10$
- (a) Elastic
- (b) Inelastic
- (c) Unitary elastic
- (d) None of these
35. The Delphi process is a technique of:
- (a) Budget Analysis
- (b) Demand forecasting
- (c) Cost Analysis
- (d) None of these
36. If the Price of Thumps Up increase the demand curve of Pepsi will:
- (a) Remain at the same level
- (b) Shift towards right
- (c) Shift towards left
- (d) None of those
37. Consumer surplus means:
- (a) Area between the average revenue and marginal revenue curve.
- (b) Area inside the budget line above the price of the commodity.
- (c) Difference between the market price and the surplus curve.
- (d) Difference between the maximum amount a person is willing to pay for a good and its maximum price

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38. Which of the following is a variable cost in the short run?
- (a) Rent
 - (b) Wages
 - (c) Internal payments on borrowed financial capital
 - (d) None of these
39. Linear homogeneous function means:
- (a) Input and output increases by same proportions.
 - (b) Input increases by some proportions and output increase more than proportionately
 - (c) Input increase by some proportion and output less than the proportionately
 - (d) None of these
40. When output of a firm increases in the short run, its average fixed cost:
- (a) Decreases
 - (b) Increases
 - (c) Remain constant
 - (d) First rises then decline
41. If a very small factory were to expand its scale of operations in the long run it is likely that it would initially experience:
- (a) Constant returns to scale
 - (b) Diseconomies of scale
 - (c) Economies of scale
 - (d) None of these
42. Entry of firms is barred in which form of market structure:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Monopolistic Competition
43. In the absence of competition the monopolist:
- (a) The monopolist need not produce at the optimal level
 - (b) Produce at the optimal level
 - (c) Either a or b
 - (d) None of these
44. The firm's Cost function is not a determinant of:
- (a) The price of the labour
 - (b) The price of the firm's output
 - (c) Taxes
 - (d) The production functions

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45. Normal profit is part of :
- (a) Implicit Costs
 - (b) Average Cost
 - (c) Explicit Cost
 - (d) None of these
46. Monopoly market and Monopsony market when in combination caused:
- (a) Monopolistic market
 - (b) Oligopoly market
 - (c) Bilateral Monopoly market
 - (d) Duopoly market.
47. What will be the shape of indifference curve in case of two perfect substitutes:
- (a) C Shaped
 - (b) L Shaped
 - (c) U Shaped
 - (d) Straight line
48. The Turning point of business cycle is practiced by :
- (a) Leading Indicator
 - (b) Coincident
 - (c) Lagging indicator
 - (d) All the above
49. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism:
- (a) Pigou
 - (b) Schumpeter
 - (c) Hawtrey
 - (d) Keynes
50. Which of the following statement is correct?
- (a) An industry consists of many firms.
 - (b) Price rigidity is an important feature of monopoly.
 - (c) Under perfect competition factors of production do not move freely
 - (d) Selling cost are possible under perfect competition.
51. Which of the Statement is correct: -
- (a) Isoquant slopes downwards from left to right
 - (b) No two Isoquant can intersect each other
 - (c) Isoquants are convex to the origin
 - (d) All the above

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52. Suppose production function is given by:

$$Q_2 = 15\sqrt{LK} \text{ what type of return does it exhibit?}$$

- (a) Constant return
- (b) Increasing return
- (c) Decreasing return
- (d) None of these

53. The slope of Isocost line is

- (a) w/r
- (b) r/w
- (c) $r \times w$
- (d) None of these

54. Relative price of goods reflects their:

- (a) Opportunity Cost
- (b) Fixed Cost
- (c) Average Cost
- (d) None of these

55. A mfg. company has $TFC = 120$ lakhs, $TVC = 100Q + 7Q^2 + 0.25Q^3$
Calculate the MC?

- (a) $100 + 1.4Q + 0.75Q^2$
- (b) $120 + 7Q^2 + 0.25Q^3$
- (c) $100 + 7Q^2 + 0.25Q^3$
- (d) None of these

56. Marketing Planning is based on:

- (a) Demand forecasting
- (b) Demand function
- (c) Demand estimation
- (d) Demand Analysis

57. Monopolistic Competition theory architect was :

- (a) Roden
- (b) Marx
- (c) J R Hicks
- (d) Chamberlin

58. Production function in short run is called:

- (a) Production possibility frontier
- (b) Return to Scale

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- (c) Laws of variable
(d) None of these
59. Which markets form has features or selling cost :
- (a) Oligopoly
(b) Monopolistic Competition
(c) Monopoly
(d) None of these
60. Cinema Halls, Telephone bills etc are following
- (a) Differential Pricing
(b) Full cost pricing
(c) Marginal Cost Pricing
(d) None of these

Test Series: April, 2021

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

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

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Test Series: October, 2021

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

Max. Marks: 60 Marks

1. In mixed economy the feature include existence of
 - (a) Private Sector
 - (b) Public Sector
 - (c) Combined Sector
 - (d) All of these
2. Which of the following is demerit of Capitalism:
 - (a) There is precedence of property rights over human right
 - (b) It functions in a domestic framework
 - (c) High degree of operative efficiency
 - (d) None of these
3. Which of the following is included in study of Micro economics:
 - (a) Product Pricing
 - (b) Factor Pricing
 - (c) Both (a) and (b)
 - (d) None of these
4. Scarcity definition is economics is given by
 - (a) Lipsey
 - (b) Adam Smith
 - (c) J B Say
 - (d) Robinson
5. 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

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6. Which of the following are the determinant of price elasticity of demand:
- (a) Availability of substitutes
 - (b) Time period
 - (c) Tied demand
 - (d) All of these
7. If the cross elasticity is only- slightly below zero which of the following is correct?
- (a) They are weak complements
 - (b) Negative and very high they are strong complements
 - (c) Both (a) and (b)
 - (d) None of these
8. Indifference Curve Analysis was proposed by _____
- (a) J. R Hicks and R.G.D Allen
 - (b) Alfred Marshall
 - (c) Jeremy Bentham
 - (d) None of these
9. 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
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. Business Economics in its approach is
- (a) Pragmatic
 - (b) Idealistic
 - (c) Normative
 - (d) None of these
12. After identifying the markets the enterprise has to make decision regarding 4Ps which one of the following is not one of those 4Ps :
- (a) Promotion

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- (b) Population
 - (c) Place
 - (d) Produce
13. The kinked demand curve of Oligopoly is useful in explaining
- (a) The process by which oligopolistic merge
 - (b) How the collusion work
 - (c) Price and output are sensitive to change in marginal cost.
 - (d) Why oligopolistic price might charge only infrequently
14. Cost of living increase when business cycle is operating at its
- (a) Lowest point
 - (b) Peak
 - (c) Contracting
 - (d) Expanding
15. Which is more prone to the adverse effects of the business cycle _____
- (a) Services
 - (b) Industries
 - (c) Agriculture
 - (d) None of these
16. To influence spending the monetary policy is directed at directly influencing in the short run :
- (a) Interest Rate
 - (b) Unemployment
 - (c) Inflation Rate
 - (d) Growth Rate
17. Long Run Period normal price for a competitive firm will be :
- (a) Equal MC of Production only
 - (b) Equal TC of Production only
 - (c) Equal AC and MC of Production
 - (d) None of these
18. Monopolistic Competition has features of
- (a) Monopoly and competition with features of monopoly predominating
 - (b) Monopoly and competition with feature of Competition predominating
 - (c) Monopoly but not competition

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- (d) None of these
19. Increasing return of scale is applied in
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
20. If regardless of change in the price the quantity demanded of a good remains unchanged then the demand curve for the good will be –
- (a) Vertical
 - (b) Horizontal
 - (c) Negatively sloped
 - (d) None of these
21. The industrialization and economic development of the USA Great Britain and other Western European Countries here taken place under the condition of _____
- (a) Capitalism and Laissez Faire
 - (b) Mixed Economic Structure
 - (c) Socialism and Planned Structure
 - (d) None of these
22. In the beginning economics was named as
- (a) Political Economy
 - (b) Welfare Economics
 - (c) Economies of Wealth
 - (d) None of these
23. If the price of a commodity raised by 12% and E_d is $(-) 0.63$ the expenditure made on the commodity by the consumer will _____
- (a) Remain the same
 - (b) Decrease
 - (c) Increase
 - (d) Can't say
24. During lockdown due to Covid19 a consumer finds the vegetable vendors selling vegetables in the streets have raised the prices of vegetable than usual prices. She will buy _____ vegetable than/as her usual demand showing the demand of vegetable is _____
- (a) Same; Elastic Demand
 - (b) Same; Inelastic Demand

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- (c) Less; Elastic Demand
(d) More; Inelastic Demand
25. Supply and Stock are _____
(a) Different
(b) Same thing
(c) Having no comparison
(d) Both (a) and (c)
26. Marginal Cost can be directly derived from
(a) Total Variable Cost
(b) Total Fixed Cost
(c) Average Cost
(d) Average Fixed Cost
27. A firm normal profit earned are included in ____
(a) Explicit Cost
(b) Implicit Cost
(c) Variable Cost
(d) Fixed Cost
28. Curve which are intersected by marginal cost curve at their minimum points is
(a) AVC and AFC
(b) AC and AVC
(c) AC and AFC
(d) AC and TVC
29. In case of Perfect Competition how much selling cost are incurred:
(a) Negligible
(b) Zero
(c) Very high
(d) Very less
30. Marginal revenue is equal to price in which form of market:
(a) Perfect competition
(b) Monopoly
(c) Oligopoly
(d) Monopolistic Competition

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31. In Oligopoly the demand curve is :
- (a) Indeterminate
 - (b) Highly Elastic
 - (c) Less Elastic
 - (d) Perfectly Elastic
32. Price elasticity of demand under monopoly is _____
- (a) Infinity
 - (b) Equal to one
 - (c) Less than one
 - (d) None of these
33. There is an inverse relation between price and demand for the products of a firm under:
- (a) Monopoly only
 - (b) Monopolistic Competition only
 - (c) Both Monopoly and Monopolistic Competition
 - (d) Perfect competition
34. The market price cannot be influenced by a seller under :
- (a) Monopolistic Competition
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) All the above
35. Entry of new firm in monopoly is :
- (a) Possible only in the long run
 - (b) Possible only in the Short run
 - (c) Restricted at all times
 - (d) Both (a) and (b)
36. The law of demand is :
- (a) Irreversible in nature
 - (b) Reversible in nature
 - (c) Both (a) and (b)
 - (d) None of these
37. During recession what will be the market demand for new cars?
- (a) Demand Curve will shift to the right

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- (b) Demand curve will shift to the left
 - (c) Demand will not shift but the quantity of cars sold per month will decrease
 - (d) Demand will not shift but the quantity of cars sold per month will increase
38. 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
39. Nuclear Power represents which type of market structure :
- (a) Government Monopoly
 - (b) Perfect Competition
 - (c) Monopolistic Competition
 - (d) Oligopoly
40. Monopoly Market and Monopsony market combination is called :
- (a) Duopoly Market
 - (b) Oligopoly Market
 - (c) Bilateral Monopoly Market
 - (d) Monopolistic Market
41. Price discrimination cannot persist under which of the market form:
- (a) Monopolistic
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Oligopoly
42. Time elements was conceived by :
- (a) Paul Sweezy
 - (b) Hicks
 - (c) Marshall
 - (d) Simon Kuznets
43. A decrease in the demand for mobile phone other things remaining the same will _____
- (a) Increase purchase the number of mobile phone bought
 - (b) Decrease the price but increase the number of mobile phone
 - (c) Decrease in quantity of mobile phone demanded

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- (d) Decrease the price and decrease in the number of Mobile Phone bought
44. Will there be any change in price charged by the monopolistic if elasticity of demand – 2 :
- (a) Yes
 - (b) No
 - (c) Neutral
 - (d) None of these
45. Price discrimination is desirable as :
- (a) It promotes equity
 - (b) It makes production feasible
 - (c) Both (a) and (b)
 - (d) None of these
46. Reason for operating the law of diminishing returns is ____
- (a) Imperfect Substitution between factors
 - (b) Scarcity of factors
 - (c) Both (a) and (b)
 - (d) None of these
47. A Rational Producer operates in short run production in which stage?
- (a) First Stage
 - (b) Second Stage
 - (c) Third Stage
 - (d) None of these
48. Law of variable proportion is related to :
- (a) Long Run
 - (b) Short Run
 - (c) Both (a) and (b)
 - (d) None of these
49. Which of the following can be classified as Oligopoly Market :
- (a) Wheat Farming
 - (b) Clothing Industry
 - (c) Restaurant Industry
 - (d) Long distance Telephone Service

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50. Marginal Revenue Curve lies _____ its demand curve in monopolistic competition due to _____
- (a) Below ; Product differentiation
 - (b) Above - ; Barriers to entry
 - (c) Above ; Product – differentiation
 - (d) None of these
51. A firm maximizes profit in the short run in Perfect Competition by deciding :
- (a) What Price to charge
 - (b) How much output to produce
 - (c) To enter a market or not
 - (d) None of these
52. Normative economics can be explained through :
- (a) Fairness to tax
 - (b) Incidence to tax
 - (c) Effect of tax on incentives to work
 - (d) None of these
53. Demand for a commodity with negative income elasticity indicate that as income falls the amount of the commodity purchased
- (a) falls
 - (b) rises
 - (c) remain unchanged
 - (d) None of these
54. For Giffen good the angle Curve is :
- (a) Vertical
 - (b) Horizontal
 - (c) Negatively Sloped
 - (d) Positively Sloped
55. Isoquant in the relevant range are:
- (a) Convex to the Origin
 - (b) Negatively Sloped
 - (c) Cannot cross
 - (d) All of the Above
56. If the Long Run Average Cost Curve falls as output expands is due to :
- (a) The law of diminishing return

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- (b) Diseconomies of scale
 - (c) Economies of scale
 - (d) None of these
57. What will be the situation if factor prices and factor quantities move in the same direction
- (a) A decreasing Cost Industry
 - (b) Increasing Cost Industry
 - (c) Constants Cost Industry
 - (d) All of these
58. 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
59. In kinked demand curve model the Oligopolist :
- (a) Do not collude
 - (b) Recognise their independence
 - (c) Tend to keep price constant
 - (d) All the above
60. Comforts lies between
- (a) Luxuries and Inferior goods
 - (b) Interior goods and necessities
 - (c) Necessaries and Luxuries
 - (d) None of these

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MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

ANSWER

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

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 AMAN AGARWAL 327	 KRISHNA AGARWAL 325	 SAHELI MUKHERJEE 324	 KESHAV JAIN 324	 RAHUL RANJAN 324	 ABHAY GUPTA 323	 ANCHAL JAIN 323



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Test Series: November, 2021

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS (60 Marks)

QUESTIONS

Time Allowed – 3 Hours

Maximum Marks – 100

1. Which of the following is not a characteristics of capitalist economy:
 - (a) Right to Private Property
 - (b) Freedom of Enterprise
 - (c) Consumer Sovereignty
 - (d) Combined Sector
2. Which are the areas that come under Macro economics ____
 - (a) External Value of currency
 - (b) The general price level and interest rate
 - (c) Location of the industry
 - (d) National Income and National Output
3. Business Economics is a :
 - (a) Normative Science
 - (b) Interdisciplinary
 - (c) Pragmatic
 - (d) All of these
4. Scarcity of resource has to be dealt in:
 - (a) Capitalist Economy
 - (b) Socialist Economy
 - (c) Mixed Economy
 - (d) All of these
5. Large number of ____ goods would lead to higher production in future:
 - (a) Capital Goods
 - (b) Public Goods
 - (c) Consumer Goods
 - (d) None of these

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6. In case of Interior goods:
 - (a) Income effect and substitution effect work in same direction.
 - (b) Income effect are substitution effect work in opposite direction
 - (c) Either (a) or (b)
 - (d) None of these
7. 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
8. The cross elasticity between two goods will be:
 - (a) Positive
 - (b) Negative
 - (c) Either (a) or (b)
 - (d) None of these
9. Demand for complementary goods are:
 - (a) Derived Demand
 - (b) Autonomous demand
 - (c) Aggregate Demand
 - (d) None of these
10. Methods of demand forecasting are:
 - (a) Survey of Buyer's intension
 - (b) Collective opinion Method
 - (c) Both (a) and (b)
 - (d) None of these
11. A Vertical supply curve parallel to Y axis implies that the elasticity of supply is:
 - (a) Infinity
 - (b) Equal to One
 - (c) Zero
 - (d) Greater than one but less than Infinity
12. When total demand for a commodity whose price has fallen increases it is due to:
 - (a) Price effect
 - (b) Income effect

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- (c) Substitution effect
 - (d) Complementary effect
13. In the quality supplied is exactly equal to the relative change in price then the elasticity of supply is:
- (a) Greater than one
 - (b) Less than one
 - (c) One
 - (d) None of these
14. Production is the organized activity of transforming resource into finished products in the form of goods and services and the objective of production is to satisfy the demand of such transformed resources:
- (a) James Bates and J.R Parteinson
 - (b) Malthus
 - (c) Walras
 - (d) Lipsey
15. What are the assumptions of Production Function:
- (a) Relationship between inputs and output exists for a specific period of time.
 - (b) There is a given 'state of the art' in the production technology.
 - (c) Both (a) and (b)
 - (d) None of these
16. Envelope curve is also called:
- (a) Long Run Average Cost curve
 - (b) Short Run Average Cost curve
 - (c) Average Fixed Cost
 - (d) None of these
17. Diminishing marginal returns inputs:
- (a) Increasing Marginal Costs
 - (b) Decreasing Marginal Costs
 - (c) Decreasing Average Variable Costs
 - (d) None of these
18. Entrepreneur has its most important function as _____
- (a) Bear the sense of responsibility
 - (b) Earn profit
 - (c) Innovate
 - (d) None of these

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19. Elasticity of substitution in cobb Douglas Function is:
- (a) Less than 1
 - (b) Equal to 1
 - (c) More than 1
 - (d) Infinity
20. Perfect Competition is closely represented by:
- (a) Stock Market
 - (b) Wheat Market
 - (c) Soft Drinks Market
 - (d) None of these
21. The budget line is also known as:
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
22. When will a firm decides to exit the industry:
- (a) Total curve starts rising
 - (b) Marginal cost starts rising
 - (c) Average cost starts rising
 - (d) Price is less than LAC
23. The Average Product of labour is maximized when marginal product of labour:
- (a) Equals Zero
 - (b) Is maximized
 - (c) Equal the average product of labour
 - (d) None of those
24. If $e < 1$ the marginal revenue will be:
- (a) Positive
 - (b) Negative
 - (c) Zero
 - (d) None of these
25. If $ATC > AR$ the monopolist will be incurring ____
- (a) Losses
 - (b) Profit

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- (c) Neutral
- (d) None of these
26. Electricity Companies sells electricity at a cheaper rate in rural areas than for industrial use due to :
- (a) Price Discrimination
- (b) Perfect Competition
- (c) Monopolistic Competition
- (d) None of these
27. Pears, Liril & Dove are example of
- (a) Perfect Competition
- (b) Monopoly
- (c) Monopolistic Competition
- (d) None of these
28. Which of the following is not the characteristic of Oligopoly market:
- (a) Strategic Independence
- (b) Importance of advertising and selling cost
- (c) Group behaviour
- (d) Regional Market
29. The element of market are:
- (a) Buyers and Sellers
- (b) A Product or Service
- (c) Geographical Area
- (d) Bargaining for a price
30. U Shaped Cost Curve is never represented as:
- (a) Average Fixed Cost Curve
- (b) Marginal Cost Curve
- (c) Average Cost Curve
- (d) Average Variable Cost Curve
31. For a Price taking firm:
- (a) Marginal revenue is less than Price
- (b) Marginal revenue is equal to Price
- (c) The relationship between behavior marginal revenue and Price is indeterminate
- (d) Marginal revenue is greater than price
32. Monopolist Charges different price for his commodity in discriminating monopoly implies:
- (a) At different places

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- (b) For different uses
 - (c) From different group of consumers
 - (d) Any of the above
33. Full capacity is utilized only when there is:
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) Price discrimination
34. Coincident indicator is not indicated as:
- (a) Inflation
 - (b) Industrial Production
 - (c) Retail Sales
 - (d) New order for Plant and equipment
35. Which of the following is not an external causes of Business Cycle:
- (a) Technology Shock
 - (b) Fluctuations in Investment
 - (c) Natural Factors
 - (d) Population Growth
36. According to whom fluctuations in economic activities are due to fluctuations in aggregate effective demand:
- (a) Scumpeter
 - (b) Pigou
 - (c) Keynes
 - (d) Hawtrey
37. Collectively peaks and troughs together is known as:
- (a) Turning Points
 - (b) Contraction
 - (c) Expansion
 - (d) A trough
38. Variables that change before the real output changes are called:
- (a) Lagging indicator
 - (b) Leading Indicator
 - (c) Concurrent Indicator
 - (d) None of these

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39. 'Competition among the few' is also referred as:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
40. The slope of budget line is:
- (a) P_x/P_y
 - (b) P_y/P_x
 - (c) $P_x \cdot P_y$
 - (d) None of these
41. Indifference Curve analysis is superior to utility analysis:
- (a) It dispenses with the assumption of measurability
 - (b) It segregates income effect and substitution effect
 - (c) It does not assume constancy of marginal utility of money
 - (d) All of the above
42. The shape of the Cost curve depends upon:
- (a) Cost function
 - (b) Factor of Production
 - (c) Outlay
 - (d) None of these
43. Allocation of resources is dealt in:
- (a) Macro Economic
 - (b) Micro Economics
 - (c) Public Finance
 - (d) None of these
44. All Giffen goods are:
- (a) Inferior goods
 - (b) Non Inferior goods
 - (c) Normal Goods
 - (d) None of these
45. For Substitute products the demand is:
- (a) Downward sloping
 - (b) Horizontal

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- (c) Upward Sloping
(d) None of these
46. Delphi technique was developed by:
(a) Robinson
(b) Olaf Helmer
(c) Amartya Sen
(d) None of these
47. Indifference Curve analysis of demand is based on:
(a) Cardinal Utility approach
(b) Marginal Utility approach
(c) Ordinal Utility approach
(d) None of these
48. The Product under Pure Monopoly Is:
(a) Homogenous
(b) Differentiated
(c) Unrelated
(d) None of these
49. Perfectly Competitive firm and industry are both in long run equilibrium when:
(a) $P = MR = SMC = LMC$
(b) $P = MR =$ Lowest point on the LAC
(c) $P = MR = SAC = LAC$
(d) All of the above
50. When $\alpha = 3/5$ and $\beta = 2/5$ the return to scale for Cobb Douglas Production function are:
(a) Increasing
(b) Decreasing
(c) Constant
(d) First decreasing and then increasing
51. A market refers to _____
(a) Meeting place of buyer and seller
(b) Does not necessarily refer to meeting place between buyer and seller
(c) Extends over a city
(d) Extends over the entire nation.
52. An economic profit is earned by a perfectly competitive firm when:
(a) $MR < MC$

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- (b) $P < ATC$
 - (c) $P > AVC$
 - (d) $P > ATC$
53. When the output increased by more than double if firm doubles its input is known as:
- (a) Constant return to scale
 - (b) Economies to scale
 - (c) Diseconomies of scale
 - (d) Violation of the law of diminishing return
54. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
 - (b) Prisoner dilemma for buyers
 - (c) To raise the price of the good they offer
 - (d) None of these
55. In which of the market firm price discrimination cannot persist:
- (a) Monopoly
 - (b) Oligopoly
 - (c) Monopolistic Competition
 - (d) Perfect Competition
56. Short run production function is explained by:
- (a) Returns to scale
 - (b) Law of variable proportion
 - (c) Law of demand
 - (d) None of these
57. In monopoly and monopolistic Competition:
- (a) Average Revenue $>$ Marginal Revenue
 - (b) Average Revenue $<$ Marginal Revenue
 - (c) Average Revenue = Marginal Revenue
 - (d) None of these
58. Factor of Production which is active:
- (a) Labour
 - (b) Land
 - (c) Capital
 - (d) None of these

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59. How to Produce is related to:
- Product's Choice
 - Choice of technique
 - Either (a) or (b)
 - None of these
60. Economy's historical performance was reflected by:
- Lagging indicating
 - Leading indicating
 - Either (a) or (b)
 - None of these

Test Series: November, 2021

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

Answer Key

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

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Test Series: March, 2022

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 are the characteristics of Business Economics:
 - (a) It is a normative Science
 - (b) It is inter disciplinary
 - (c) Pragmatic in Nature
 - (d) All of the above
2. Which branch of economic theory deals with allocation of resources:
 - (a) Macro economic
 - (b) Micro economic
 - (c) Economic Growth
 - (d) None of these
3. Under which system Freedom of choice is an advantage:-
 - (a) Capitalism
 - (b) Mixed economy
 - (c) Socialism
 - (d) None of these
4. Taxation involves which aspects of normative economics:
 - (a) Incidence
 - (b) Fairness
 - (c) Incentive to work
 - (d) All of the above
5. Suppose we are drawing a supply curve of a farmer which of the following will be held constant. :
 - (a) Price of Inputs
 - (b) Weather Conditions
 - (c) Technology
 - (d) The price of the Commodity under consideration
6. A fall in the price of a commodity where everything else is held constant is referred to as:
 - (a) An increase in quantity demand
 - (b) A decrease in demand
 - (c) An increase in demand
 - (d) None of these

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7. For Giffen good the Engel curve is:
 - (a) Positive sloped
 - (b) Vertical
 - (c) horizontal
 - (d) Negative sloped
8. A theory is :
 - (a) An assumption
 - (b) A hypothesis
 - (c) A validated hypothesis
 - (d) None of these
9. The Coefficient of Price elasticity of demand between two points on a demand curve is _____.
 - (a) Arc elasticity
 - (b) Point elasticity
 - (c) Price elasticity
 - (d) None of these
10. When the demand curve is a rectangular hyperbola an increase in the price of the commodity causes the total expenditure of consumers of the commodity to:
 - (a) Remain unchanged
 - (b) Increase
 - (c) Decrease
 - (d) Any of the above
11. A movement along a curve rather than a shift in the curve can be measured by:-
 - (a) Cross elasticity of demand
 - (b) Income elasticity of demand
 - (c) Price elasticity of demand & Price elasticity of Supply
 - (d) None of these
12. The most important function of an entrepreneur is to _____.
 - (a) Bear the sense of responsibility
 - (b) Finance
 - (c) Innovate
 - (d) None of these
13. How do the TVC curve behaves when the law of diminishing return begins to operate-
 - (a) Rise at a decreasing rate
 - (b) Fall at an increasing rate
 - (c) Fall at a decreasing rate
 - (d) Rise at an increasing rate
14. In the Short run level of output the firm at the optimum will be:
 - (a) Minimizing total losses

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- (b) Maximizing total profit
 - (c) Either maximizing total profit or minimizing total losses
 - (d) None of these
15. If both factor prices and quantity moves in the same direction then it is called _____
- (a) Decreasing Cost Industry
 - (b) Increasing Cost Industry
 - (c) Constant Cost Industry
 - (d) None of these
16. If the monopolist incur 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
17. A cartel which is market sharing will reach the monopoly situation :
- (a) Always when the product is homogenous
 - (b) Always when the product is differentiated
 - (c) Sometime
 - (d) None of these
18. The Substitution effect will be stronger when-
- (a) The goods are closer substitutes
 - (b) There is lower cost of switching to the substitute good
 - (c) There is lower inconvenience while switching to the substitute good.
 - (d) All of these
19. Increasing return to scale applies to:
- (a) Long run
 - (b) Short run
 - (c) Either (a) or (b)
 - (d) None of these
20. Isoquant are also called:
- (a) Equal product curves
 - (b) Production Indifference curves
 - (c) ISO product curves
 - (d) All of the above
21. Who describes production function as the relationship between the maximum amount of output can be produced and the input required to make that output :
- (a) Samuelson
 - (b) Malthas
 - (c) Hicks

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- (d) None of these
22. The concept of marginal cost is closely related with-
- (a) Variable Cost
 - (b) Fixed Cost
 - (c) Opportunity Cost
 - (d) Economic Cost
23. When the average product of labour is maximized the marginal product of labour:
- (a) Equal zero
 - (b) is maximized
 - (c) Equal AP_L
 - (d) None of these
24. 'Time' element in market was conceived by :
- (a) Alfred Marshall
 - (b) Pigou
 - (c) Allen
 - (d) None of these
25. Cross elasticity of demand for the monopolist's product or any other product is _____
- (a) Zero
 - (b) Very small
 - (c) High
 - (d) Either (a) or (b)
26. In a monopolistically competitive market:
- (a) Firm face a perfectly elastic demand for its product
 - (b) Does not face a perfectly elastic demand for its product
 - (c) Cannot be determined
 - (d) None of these
27. Price discrimination to be profitable elasticity of demand in different sub market will be _____
- (a) Different
 - (b) Uniform
 - (c) Zero
 - (d) None of these
28. Supply Schedule in a purely competitive firm in the short run is determined by :
- (a) Marginal revenue
 - (b) Average revenue
 - (c) Marginal cost curve
 - (d) None of these
29. The Turning point of business cycle is predicted by :
- (a) Lagging Indicator

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- (b) Leading Indicator
(c) Coincident
(d) All of the above
30. Fluctuation in Economic activities are due to :
(a) Change in money supply
(b) Profitability
(c) Fluctuation in aggregate demand
(d) None of these
31. Between two perfect substitute the elasticity of Substitution is _____
(a) $< \text{Zero}$
(b) $> \text{Zero}$
(c) $< \text{Infinity}$
(d) Infinity
32. Variable that change after real output change are:
(a) Leading Indicator
(b) Lagging Indicator
(c) Concurrent Indicator
(d) None of these
33. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism is opined by____
(a) Pigou
(b) Keynes
(c) Hawtrey
(d) None of these
34. Businesses whose fortunes are closely linked to the rate of economic growth is referred to as :
(a) Cyclical
(b) Counter Cyclical
(c) Fiscal Policy
(d) None of these
35. The Concept of Price rigidity in market is explained in which form of market:
(a) Monopolistic Market
(b) Perfect Competition
(c) Oligopoly
(d) Monopoly
36. Globalization indicate rapid ____ between Countries :
(a) Competition
(b) Investment
(c) Integration

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- (d) None of these
37. "Supply creates its own demand" statement is given by _____
- (a) Marshall
 - (b) J B Say
 - (c) Ricardo
 - (d) Kuznets
38. According to Hicks and Allen the demand curve slope downwards due to _____
- (a) Law of diminishing marginal utility
 - (b) Income effect and substitution effect
 - (c) Either (a) or (b)
 - (d) None of these
39. A rise in price of a good:
- (a) Reduce Consumer Surplus
 - (b) Increase in Consumer Surplus
 - (c) It will not change
 - (d) None of these
40. When two goods are perfect substitute for each other:
- (a) Indifference curve for these two goods are straight parallel line with a constant slope along the curve
 - (b) Indifference curve has a constant MRS
 - (c) Concave to the Origin
 - (d) Both (a) and (b)
41. Behavior of Supply depends upon:
- (a) Phenomenon Considered
 - (b) Degree of possible adjustment in supply
 - (c) Time Period under Consideration
 - (d) All the above
42. What are the main assumption of Production Function:
- (a) Relationship between inputs and output exists for a specific period of time
 - (b) There is a given state of the art in production Technology.
 - (c) Input consideration Included in a particular function output resulting from their utilization is at the maximum level.
 - (d) All the above
43. A rational producer will always produce in which stage of law of variable proportion:
- (a) Stage I
 - (b) Stage II
 - (c) Stage III
 - (d) None of these

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44. The rising part of the long run average cost curve is due to:
- (a) Increasing return
 - (b) Diseconomies of scale
 - (c) Increase in productivity due to Specialization
 - (d) None of these
45. The vertical difference between TVC and TC is _____
- (a) Total Fixed Cost
 - (b) Marginal Cost
 - (c) Average Variable Cost
 - (d) None of these
46. The price elasticity for demand for monopolist's product is :
- (a) <1
 - (b) >1
 - (c) $=0$
 - (d) None of these
47. What are the determinant of Price elasticity of demand:
- (a) Time Period
 - (b) Tied Demand
 - (c) Price range
 - (d) All the above
48. Contraction of demand is the result of _____
- (a) Increase in the price of other goods
 - (b) Increase in the price of the good.
 - (c) Decrease in the income of purchases
 - (d) None of these
49. Full Capacity is utilized in the which market condition _____
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
50. If increasing railway fare increases revenue and decreasing then decrease revenue then the demand for railway travel has a price elasticity of _____
- (a) Greater than 1
 - (b) 1
 - (c) Greater than 0 but less than 1
 - (d) None of these

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51. Which of the following statements is correct?
- (a) In a two-good economy, the production possibilities frontier reflects the maximum amount of one good that can be produced when a given amount of the other good is produced.
 - (b) Microeconomics is the study of the behavior of the economy as a whole.
 - (c) Positive economics focuses on welfare of the people of a society
 - (d) None of the above
52. Which of the following is not part of the opportunity cost of going on holiday?
- (a) The money you spent on a theatre show
 - (b) The money you could have made if you had stayed at home and worked
 - (c) The money you spent on airline tickets
 - (d) The money you spent on food
53. Net domestic expenditure is consumption expenditure plus _____
- (a) Net foreign investment
 - (b) Net foreign investment plus net domestic investment
 - (c) Net domestic investment
 - (d) Replacement expenditure
54. 'No matter what the price of coffee is, Ram always spend a total of exactly 100 per week on coffee.' The statement implies that;
- (a) Ram is very fond coffee and therefore he has an inelastic demand for coffee
 - (b) Ram has elastic demand for coffee
 - (c) Ram's demand for coffee is relatively less elastic
 - (d) Ram's demand for coffee is unit elastic
55. After reaching the saturation point, consumption of additional units of the commodity cause:
- (a) Total utility to fall and marginal utility to increase
 - (b) Total utility and marginal utility both to increase
 - (c) Total utility to full and marginal utility to become negative
 - (d) Total utility to become negative and marginal utility to fall
56. The law of variable proportions come into being when _____
- (a) There are only two variable factors
 - (b) There is a fixed factor and a variable factor
 - (c) All factors are variable
 - (d) Variable factors yield less.
57. Demand for electricity is elastic because _____
- (a) It is very expensive
 - (b) It has a number of close substitutes
 - (c) It has alternative uses
 - (d) None of the above

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58. Elasticity of supply to the degree of responsiveness of supply of a good to changes in its;
- Demand
 - Price
 - Cost of production
 - State of technology
59. Which of the following statements is false in respect of fixed cost of a firm?
- As the fixed inputs for a firm cannot to changed in the short run, the TFC are constant, except when the prices of the fixed inputs change.
 - TFC continue to exist even when production is stopped in the short run, but they exist in the long run even when production is not stopped.
 - Total Fixed Costs (TFC) can be defined as the total sum of the cost of all the fixed inputs associated with production in the short run.
 - In the short run, a firm's fixed cost cannot be escaped even when production is stopped.
60. For a price taking firm:
- Marginal revenue is less than price
 - Marginal revenue is equal to price
 - Marginal revenue is great than price.
 - The relationship between marginal revenue and price is indeterminate.

Test Series: March, 2022

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

Answer Key

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

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321



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318



SRISHTI BINDAL

318



ROHIT JAIN

318



NAHAR AGARWAL

317



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320



SNEHA SHAW

318



Chandan Chaudhary

316



PRATIK KUMAR
BHAWSINGHKA

316



SACHIN KUMAR ROY

316



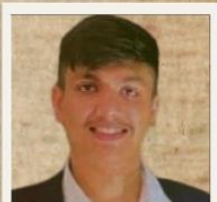
ANKIT GUPTA

312



SATWIKA
SRIVASTAVA

312



BARUN AGARWAL

312



PRIYAL KEDIA

312



UJJWAL KUMAR
GUPTA

310



PRIYANSHU PAWAN

310

Test Series: June, 2022

MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. Most of the economic problems are of _____ nature and are affected by _____.
 - (a) Complex, Several forces
 - (b) Simple, Several forces
 - (c) Simple, single factor
 - (d) Complex, Single factor
2. The survival and success of any business depends on sound _____.
 - (a) Mind
 - (b) Environment
 - (c) Decisions
 - (d) None of these
3. Management of the firm _____ control over macro-economic factors.
 - (a) has
 - (b) has no
 - (c) has partial
 - (d) None of these
4. In a planned or command economy all the economic decisions are taken by the _____.
 - (a) Workers
 - (b) Consumers
 - (c) Voters
 - (d) Government
5. The regulatory mechanism of the market system is-
 - (a) Self interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
6. Which of the following statements is/are correct about mixed economic system?
 - (a) Mixed economic system depends on both markets and governments for allocation of resources
 - (b) Mixed economy is not always a golden path between capitalism and socialism.
 - (c) It is very difficult to maintain a proper balance between private and public sectors.
 - (d) All of the above

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7. After reaching the saturation point, consumption of additional units of the commodity cause -.
 - (a) Total utility to fall and marginal utility to increase.
 - (b) Total and marginal utility both to increase.
 - (c) Total utility to fall and marginal utility to become negative.
 - (d) Marginal utility to fall and total utility to become negative.
8. The substitution effect works to encourage a consumer to purchase more of a product when the price of that product is falling because -
 - (a) The consumer's real income has increased.
 - (b) The consumer's real income has decreased.
 - (c) The product is now relatively less expensive than before.
 - (d) Other products are now less expensive than before.
9. Which of the following statements is correct?
 - (a) When the slope of the demand curve is zero, demand is infinitely elastic and when the slope is infinite, elasticity is zero.
 - (b) When the slope of the demand curve is zero, the elasticity is also zero and when the slope is infinite, elasticity is also infinite.
 - (c) When the slope of the demand curve is zero, the elasticity is unity and also when the slope is infinite, elasticity is unity.
 - (d) None of these
10. Diminishing marginal utility implies that the
 - (a) marginal utility of a good diminishes over time.
 - (b) total utility is negative.
 - (c) last unit of a good consumed will contribute most to the consumer's satisfaction.
 - (d) first unit of a good consumed will contribute most to the consumer's satisfaction.
11. The law of diminishing marginal utility states that
 - (a) total utility is maximized when a consumer obtain the same amount of utility per unit of each product consumed
 - (b) beyond some point additional units of a product will yield less and less extra satisfaction to a consumer.
 - (c) price must be lowered to induce firms to supply more of a product.
 - (d) it will take larger and larger amounts of resources beyond some point to produce successive units of a product.
12. Marshallian theory of consumer's behavior is based on
 - (a) Hypothesis of additive utilities.
 - (b) Hypothesis of independent utilities.
 - (c) Both (A) and (B)
 - (d) Weak ordering
13. Demand and _____ are the forces that make market economies work.
 - (a) Elasticity of demand
 - (b) Quantity demanded

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- (c) Supply
(d) Quantity supplied
14. Computers and computer software are _____
- (a) Substitute goods
(b) Complementary goods
(c) Independent goods
(d) Normal goods
15. Let slope of supply curve is 0.6, calculate elasticity of demand when initial price is \$ 30 per unit and initial quantity is 100 units of the commodity.
- (a) 0.5
(b) 5.55
(c) (-) 0.5
(d) (-) 0.18
16. Demonstration effect, a term coined by _____
- (a) Adam Smith
(b) James Duesenberry
(c) Alfred Marshall
(d) None of these
17. Consider the following statements and select the correct answer from the given options.
Assertion (A): Demand curve is vertical when elasticity of demand is zero.
Reason (R): Marginal utility of a product is increasing
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true but (R) is false
(d) (A) is false but (R) is true
18. A rise in price of a good _____ consumer surplus.
- (a) Reduces
(b) Increases
(c) Either (A) and (B)
(d) Doesn't effect
19. A consumer is in equilibrium when s/he is deriving _____ satisfaction from the goods.
- (a) maximum
(b) possible
(c) maximum possible
(d) None of these
20. Which one of the following statements is true regarding Indifference Curve?
- (a) Two ICs can never be parallel to each other
(b) Two ICs are always parallel to each other

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- (c) Two ICs may not intersect each other
(d) Two ICs may be parallel to each other
21. Law of Equi-marginal Utility can be expressed as-
- (a) $MU_X/P_X = Q_X$
(b) $P_X Q_X = MU_M$
(c) $MU_X/P_X = MU_Y/P_Y = MU_M$
(d) $MU_X = MU_M$
22. Consider the following statements and select the correct answer from the given options.
Assertion (A): Consumer surplus is the difference between the potential price and actual price.
Reason (R): There exists an inverse relationship between the price and consumer surplus.
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true but (R) is false
(d) (A) is false but (R) is true
23. For substitutes, cross elasticity of demand is-
- (a) Positive
(b) Negative
(c) Zero
(d) Always less than one
24. The oldest approach to the theory of demand is _____.
- (a) the total utility approach
(b) the cardinal utility approach
(c) the ordinal utility approach
(d) None of these
25. "Returns to a factor" refers to the effect on total output of changes in
- (a) One factor only
(b) Various inputs separately
(c) All the inputs simultaneously
(d) None of the above
26. A factor of production is said to be superior if its expenditure elasticity
- (a) is negative
(b) lies in unit interval
(c) exceeds unity
(d) is zero
27. Which of the following is correct regarding long run cost?
1. It is least cost of producing each level of output
 2. LAC curve is envelope of SAC curves.
 3. LAC is U-shaped

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- (a) 1 & 2 only
(b) 2 & 3 only
(c) 1 & 3 only
(d) 1, 2 & 3
28. The law of diminishing returns only applies in cases where
- (a) There is increasing scarcity of factors of production
(b) The price of extra unit of a factor is increasing
(c) There is atleast one fixed factor of production
(d) Capital is a variable input
29. Economies and diseconomies of scale explain why the
- (a) short run average fixed cost curve declines so long as output increases.
(b) marginal cost curve must intersect the minimum point the firm's average variable cost curve.
(c) long run average cost curve is typically U-shaped.
(d) short run average total cost curve is U-shaped.
30. Production function: $Q = 4L^{1/2}K^{2/3}$ exhibits-
- (a) increasing returns to scale
(b) decreasing returns to scale
(c) constant returns to scale
(d) increasing returns to a factor
31. Which of the following is correct regarding the slope of iso-cost line?
- Slope of iso-cost line can change due to
1. Change in factor(s) price(s)
2. Change in total outlay or total cost.
- (a) 1 only
(b) 2 only
(c) 1 & 2 both
(d) None of these
32. Which one of the following is not an internal economies of scale?
- (a) Technical economies
(b) Financial economies
(c) Economies due to localization of industries
(d) Marketing economies
33. Isoquant word is made up of two words i.e., Iso & Quant. Where Iso means equal then Quant means-
- (a) Quantity sold
(b) Output
(c) Quantity demanded
(d) Quantity supplied

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34. Which one of the following cost curve is not in U-shape?
- (a) AC
 - (b) MC
 - (c) AFC
 - (d) AVC
35. Given $TC = 2000 + 15Q - 6Q^2 + Q^3$, How much is TFC at $Q = 2000$?
- (a) 2000
 - (b) 975
 - (c) 30,000
 - (d) Can't be determined
36. Marginal Revenue of a monopoly firm is less than the price because
- (a) Demand curve has a positive slope.
 - (b) Demand curve has a negative slope.
 - (c) Monopolist incurs losses.
 - (d) Monopolist is in equilibrium.
37. Consider the following statements and select the correct answer from the given options.
- Assertion (A):** Although a monopolist can charge any price he likes, but does not charge a higher price than his equilibrium price.
- Reason (R):** Higher price means fall in total revenue.
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 - (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (c) (A) is true but (R) is false
 - (d) (A) is false but (R) is true
38. The share of the tax borne by seller will be larger
- (a) If the demand for the product is less elastic.
 - (b) If the demand for the product is inelastic.
 - (c) If the demand for the product has greater elasticity.
 - (d) If the elasticity of supply of the product is larger.
39. Oligopolistic industries
- (a) are characterized by a relatively large number of small firms.
 - (b) may produce either standardized or differentiated products.
 - (c) always produce differentiated products.
 - (d) always produce stan products.
40. When total revenue is increasing
- (a) Marginal revenue may be either positive or negative.
 - (b) The demand curve is relatively inelastic.
 - (c) Marginal revenue is positive.
 - (d) Marginal revenue is negative.

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41. Total revenue along with Total cost helps to determine
- (a) Profit maximizing output
 - (b) Profit/unit
 - (c) Price/unit
 - (d) Total revenue
42. In economics, we are concerned with
- (a) Value in use only
 - (b) Exchange value only
 - (c) Both value in use and exchange value
 - (d) None of the above
43. Exchange value is determined in
- (a) the monopoly market
 - (b) the oligopoly market
 - (c) in the market where exchange of goods and services takes place
 - (d) None of these
44. In economics, generally the classification of the markets is made on the basis of
- (a) Time
 - (b) Geographic area
 - (c) Volume of business
 - (d) All of these
45. If a firm's total revenue is not enough to make good even the _____, it is better for firm to shut down.
- (a) Total fixed cost
 - (b) Marginal cost
 - (c) Average fixed cost
 - (d) Total variable cost
46. Price of goods express their
- (a) Value in use
 - (b) Exchange value
 - (c) Economic value
 - (d) Both (B) and (C)
47. When demand increases and supply decreases,
- (a) the equilibrium price and quantity both rise
 - (b) the equilibrium price and quantity both fall
 - (c) the equilibrium price rises but nothing certain can be said about the change in equilibrium quantity.
 - (d) the equilibrium quantity rises but nothing certain can be said about the change in equilibrium price.

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48. Marginal revenue is equal to the price under
- (a) Monopoly market structure
 - (b) Oligopoly form of market
 - (c) Monopolistically competitive market
 - (d) Perfect competition
49. The short run supply curve of a perfectly competitive firm is equal to
- (a) That portion of the short run marginal cost curve that is above the average variable cost curve
 - (b) That portion of the short run marginal cost curve that is above the average total cost curve
 - (c) That portion of the short run average total cost curve that is above the average variable cost curve
 - (d) None of the above is correct.
50. The market demand curve for a perfectly competitive industry is: $Q_d = 12 - 2P$ and the market supply curve is: $Q_s = 3 + P$. The market will be in equilibrium if
- (a) $P = 6$ and $Q = 9$
 - (b) $P = 5$ and $Q = 2$
 - (c) $P = 4$ and $Q = 4$
 - (d) $P = 3$ and $Q = 6$
51. If the market demand curve for a commodity has a negative slope then the market structure must be:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Imperfect competition
 - (d) The market structure cannot be determined as the information is insufficient
52. Which of the following is a differentiated product?
- (a) A hamburger
 - (b) A shirt
 - (c) An automobile
 - (d) All of the above
53. Which one of the following is not an internal cause of business cycles?
- (a) Money supply
 - (b) Technology shocks
 - (c) Psychological factors
 - (d) Fluctuations in investment
54. Peak is the _____ stage of expansion.
- (a) Later
 - (b) Earlier
 - (c) Either (A) or (B)
 - (d) None of the above

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55. Different business cycles _____ in duration and intensity.
- (a) differ
 - (b) similar
 - (c) consistent
 - (d) Can't say
56. Repercussions of business cycles get _____ felt on nearly all economic variables.
- (a) alternatively
 - (b) simultaneously
 - (c) one by one
 - (d) All of the above
57. Nicholas Kaldor propounded _____
- (a) Nocholas theory
 - (b) Kaldor Theory
 - (c) Cobweb theory
 - (d) Cobb-douglas theory
58. During business cycles the opposite of a peak is _____.
- (a) an inflation
 - (b) a hyperinflation
 - (c) a trend
 - (d) a trough
59. Decrease in input demand _____.
- (a) Doesn't affect inputs prices
 - (b) Pushes inputs prices up
 - (c) Pulls inputs prices down
 - (d) Either (B) or (C)
60. Which of the following statements is correct regarding business cycles?
- (a) Business cycles are contagious and international in character.
 - (b) Business cycles begin in one country and spread to other countries through trade relations.
 - (c) Business cycles have serious consequences on well being of the societies.
 - (d) All of the above

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MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

Answer Key

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

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MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

1. Which of the following statements is true?
 - (a) The study of economics ensures that all problems will be appropriately tackled.
 - (b) The study of economics cannot ensure that all problems will be appropriately tackled.
 - (c) The study of economics does not enable a student to examine a problem in its right perspective.
 - (d) None of these
2. Business economics is____
 - (a) A science
 - (b) An art
 - (c) Both science and art
 - (d) None of these
3. A rational person does not act unless____
 - (a) The action is ethical.
 - (b) The action produces marginal cost that exceeds marginal revenue.
 - (c) The action produces marginal benefits that exceed marginal costs.
 - (d) The action makes money for the person.
4. Opportunity cost is _____.
 - (a) A cost that cannot be avoided.
 - (b) The cost incurred in the past before we make a decision about what to do in the future.
 - (c) That which we forgo or give up when we make a choice or a decision.
 - (d) The additional benefit of buying an additional unit of a product.
5. The regulatory mechanism of the market system is-
 - (a) Self-interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
6. Which one of the following countries does not follow Capitalist economic system?
 - (a) USA
 - (b) UK
 - (c) Germany
 - (d) India
7. The price which a consumer would be willing to pay for a commodity equals to his-.
 - (a) Total utility

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- (b) Marginal utility
(c) Average utility
(d) Does not have any relation to any of these
8. Diminishing marginal utility implies that the
(a) marginal utility of a good diminishes over time.
(b) total utility is negative.
(c) last unit of a good consumed will contribute most to the consumer's satisfaction.
(d) first unit of a good consumed will contribute most to the consumer's satisfaction.
9. The buyers in the market include
(a) Consumers
(b) Businesses
(c) Government
(d) All of the above
10. "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as _____
(a) Veblen effect
(b) Bandwagon effect
(c) Snob effect
(d) Demonstration effect
11. A rise in price of a good _____ consumer surplus.
(a) Reduces
(b) Increases
(c) Either (a) and (b)
(d) Doesn't affect
12. All desires, tastes and motives of human beings are called _____ in economics.
(a) Willingness
(b) Demand
(c) Wants
(d) None of these

13. Match the following

LIST-I

- (a) Two perfect substitute goods
(b) Two perfect complementary goods
(c) Indifference curve is always
(d) Higher IC gives higher level of satisfaction

LIST - II

1. Linear Indifference Curve
2. Monotonic Preference
3. L-Shape Indifference Curve
4. Convex to the origin

Codes:

	a	b	c	d
(a)	1	2	3	4
(b)	3	1	4	2

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- (c) 1 3 4 2
(d) 1 3 2 4
14. In the Cobb-Douglas production function given as: $Q = AL^aK^{1-a}$ the share of labour in total production is
(a) a
(b) $1 - a$
(c) A
(d) aL
15. Match the following
- | LIST-I | | LIST- II | |
|---------------------|--|------------------|--|
| (a) Tea and Coffee | | 1. Veblen goods | |
| (b) Car and Petrol | | 2. Substitutes | |
| (c) Gold & Diamond | | 3. Giffen goods | |
| (d) Ragi and Bajara | | 4. Complementary | |
- Codes: a b c d
- | | | | | |
|-----|---|---|---|---|
| (a) | 1 | 2 | 3 | 4 |
| (b) | 2 | 4 | 1 | 3 |
| (c) | 1 | 3 | 4 | 2 |
| (d) | 1 | 3 | 2 | 4 |
16. "Returns to a factor" refers to the effect on total output of changes in:
(a) One factor only
(b) Various inputs separately
(c) All the inputs simultaneously
(d) None of the above
17. Which one of the following cost curve is not in U-shape?
(a) AC
(b) MC
(c) AFC
(d) AVC
18. Given $TC = 2000 + 15Q - 6Q^2 + Q^3$, How much is TFC at $Q = 2000$?
(a) 2000
(b) 975
(c) 30,000
(d) Can't be determined
19. A point of 'Kink' in the kinked demand curve indicates
I. Price rigidity
II. Quantity rigidity
III. Price flexibility
IV. Quantity flexibility

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- (a) I & II are correct
(b) II & III are correct
(c) III & IV are correct
(d) I & IV are correct
20. When total revenue is increasing :
- (a) Marginal revenue may be either positive or negative.
(b) The demand curve is relatively inelastic.
(c) Marginal revenue is positive.
(d) Marginal revenue is negative.
21. Value in exchange is also known as
- (a) Value in use
(b) Economic value
(c) Both (a) and (b)
(d) None of these
22. Which one of the following features of the term market is incorrect?
- (a) Market is the collection of buyers and sellers with the potential to trade.
(b) A market need not be a formal.
(c) A market need not to be held in a particular place.
(d) A market must be formal or to be held in a particular place.
23. If a firm's total revenue is not enough to make good even the _____, it is better for firm to shut down.
- (a) Total fixed cost
(b) Marginal cost
(c) Average fixed cost
(d) Total variable cost
24. The study of demand and supply model is useful in explaining
- (a) How government works
(b) How markets work
(c) How consumers behave
(d) None of these
25. A monopolized market is in long run equilibrium when
- (a) Zero economic profit is earned by the monopolist
(b) Production takes place where price is equal to long run MC and AC
(c) Production takes place where long run MC is equal to MR and price is not below the long run average cost.
(d) All of the above are correct
26. If a firm sells its output on a market that is characterized by few sellers and many buyers and limited long run resource mobility, then the firm is
- (a) A monopolist

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- (b) An oligopolist
 - (c) A perfect competitor
 - (d) A monopolistic competitor
27. Which of the following is a differentiated product?
- (a) A hamburger
 - (b) A shirt
 - (c) An automobile
 - (d) All of the above
28. Decrease in input demand _____
- (a) Doesn't affect inputs prices
 - (b) Pushes inputs prices up
 - (c) Pulls inputs prices down
 - (d) Either (b) or (c)
29. Different business cycles _____ in duration and intensity.
- (a) differ
 - (b) similar
 - (c) consistent
 - (d) Can't say
30. In order to influence spending on the goods and services in the short run, _____ is directed at directly influencing interest rate.
- (a) fiscal policy
 - (b) budgetary policy
 - (c) monetary policy
 - (d) economic policy
31. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
32. The greater the inequalities in the distribution of money incomes, the _____ the inequalities in the distribution of national output.
- (a) greater
 - (b) lesser
 - (c) (a) or (b)
 - (d) None of these
33. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has _____
- (a) more of one of the goods
 - (b) less of at least one of the goods

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- (c) more of at least one of the goods and less of the other good.
(d) more of at least one of the goods and no less of the other good.
34. Law of diminishing marginal rate of substitution is associated with
(a) Marshall
(b) Hicks
(c) Slutsky
(d) Keynes
35. Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.
(a) (A) is true and (R) is false
(b) Both (A) and (R) are true & (R) is the correct explanation of (A)
(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
(d) (A) is false and (R) is true
36. Consider the following statements about the relationship between cost and production-
1. When AP rises, AVC falls
 2. When AP reaches at maximum, AVC is minimum
 3. When AP falls, AVC rises
- Which of the above statements is correct?
- (a) 1 & 2
(b) 3 only
(c) 1, 2 & 3
(d) 2 & 3
37. An industry comprised of a very large number of sellers producing a standardized product is known as
(a) Monopolistic competition
(b) Oligopoly
(c) Pure monopoly
(d) Pure competition
38. The monopolistically competitive seller's demand curve will become more elastic, the
(a) more significant the barriers to entering the industry.
(b) greater the degree of product differentiation.
(c) larger the number of competitors.
(d) smaller the number of competitors.
39. Excess capacity is not found under _____
(a) Monopoly
(b) Monopolistic competition
(c) Perfect competition.
(d) Oligopoly

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40. 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
41. A necessity is defined as a good having:
- (a) A positive income elasticity of demand
 - (b) A negative income elasticity of demand
 - (c) An income elasticity of demand between zero and 1.
 - (d) An income elasticity of more than 1.
42. 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.
43. 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.
44. The producer is in equilibrium at a point where the cost line is:
- (a) above the isoquant
 - (b) below the isoquant
 - (c) cutting the isoquant
 - (d) Tangent to isoquant
45. 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
46. An example of positive economic analysis would be:
- (a) an analysis of the relationship between the price of food and quantity purchased
 - (b) determining how much income each person should be granted
 - (c) determining the fair price for food
 - (d) deciding how to distribute the output of the economy

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47. 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
48. Contraction of demand is the result of:
- (a) Decrease in the number of consumers
 - (b) Increase in the price of the goods concerned
 - (c) Increase in the price of other goods
 - (d) Decrease in the income of purchases.
49. All the following are the features of monopoly except
- (a) There is a single seller
 - (b) The firm is a price taker
 - (c) The firm produces a unique product
 - (d) The existence of some advertising
50. The other name of the Budget line is:
- (a) Demand line
 - (b) Price line
 - (c) Supply line
 - (d) None of the above
51. _____ expressed the view the "Economics is neutral between end"
- (a) Robbins
 - (b) Marshall
 - (c) Pigou
 - (d) Adam Smith
52. 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
53. 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
54. If two goods are totally unrelated, then cross elasticity between them is:
- (a) Zero
 - (b) One

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- (c) Infinite
(d) None of the above
55. 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
56. 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
57. 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) $MR = AR \times [e/e - 1]$
58. 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.
59. _____ 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
60. 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

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MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

Answer Key

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

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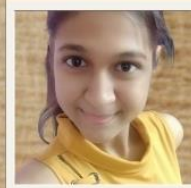
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308



RITIK JAIN

308



AAYESHA
AGARWAL

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RAUNAK BAGARIA

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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

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- (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

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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

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- (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

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- (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

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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

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- (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

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- (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

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PAPER – 4A PART I: BUSINESS ECONOMICS

ANSWERS

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

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FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. "The wealth of Nation" Considered as the first modern work of Economics was written by :
 - (a) Marx
 - (b) Adam-Smith
 - (c) Lipsey
 - (d) Allen
2. Business Economics is:
 - (a) Normative Science
 - (b) Interdisciplinary
 - (c) Pragmatic in approach
 - (d) All the above
3. The Central Economic Problem is:
 - (a) What to Produce?
 - (b) What Provision (if any) are to be made for economic growth?
 - (c) How to Produce?
 - (d) All the above
4. The 'communist Manifesto' was published in:
 - (a) 1848
 - (b) 1905
 - (c) 1952
 - (d) None of these.
5. Which of the following is not within the scope of Business Economies?
 - (a) Risk Analysis
 - (b) Accounting Standards
 - (c) Capital Budgeting
 - (d) All the Above
6. The allocation of resources in a free-market economy is determined by :
 - (a) Level of Profits of firms
 - (b) Consumer Preferences

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- (c) Central Planning Authority
(d) None of these
7. Which of the following exhibit direct price demand relationship:
(a) Substitute goods
(b) Complementary goods
(c) Giffen goods
(d) None of these.
8. Which of the following is a variable case for a firm?
(a) Interest on Loan
(b) Monthly rent
(c) Insurance Premium
(d) Wages to Employees
9. A firm's average fixed cost (AFC) is Rs. 20 at Six Units of output. What will be AFC at four Units of Output?
(a) Rs. 20
(b) Rs. 30
(c) Rs. 40
(d) Rs. 50
10. X,Y and Z are confused with the formula for defining TC
(a) X Says : $TC = TVC + TFC$
(b) Y Says: $TC = AC \times \text{output}$
(c) Z Says: $TC = ZMC + TFC$
Identify who amongst them is correct
(a) X
(b) Y
(c) Z
(d) All of them
11. Which two curves are intersected by MC Curve at their minimum points:
(a) AC and AVC
(b) AC and AFC
(c) AC and TVE
(d) AVC and AFC
12. There will be ----- in the demand Curve of cars with an incase in the Price of Petrol
(a) Leftward shift

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- (b) Rightward Shift
 - (c) Upward Movement
 - (d) Downward Movement
13. The Consumer surplus is derived from:
- (a) Law of diminishing marginal utility
 - (b) Marginal rate of substitution.
 - (c) Budget line
 - (d) None of these
14. Income elasticity in the case of Inferior good will be :
- (a) Zero
 - (b) Positive
 - (c) Negative
 - (d) Infinite
15. What are the determinant of Price elasticity of demand?
- (a) Availability of Substitute
 - (b) Tied demand.
 - (c) Time period
 - (d) All of these
16. When the two goods are complementary to each other the cross elasticity between them is:
- (a) Negative
 - (b) Positive
 - (c) Either of these
 - (d) None of these
17. According to Hicks and Allen the demand curve slopes downwards due to :
- (a) Income and substitution effect
 - (b) Diminishing marginal utility
 - (c) Price elasticity
 - (d) None of these
18. The heavy advance order for Capital goods is an example of
- (a) Lagging Indicator
 - (b) Leading Indicator
 - (c) Coincidental Indicator
 - (d) None of these

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19. The commonly available technique of demand forecasting are:
- (a) Survey of buyer's intention
 - (b) Expert opinion method
 - (c) Least Square method
 - (d) All of these
20. If the price of both goods fall how would that budget line, be affected?
- (a) The budget line will be shifting to the left.
 - (b) The budget line would not shift.
 - (c) So long as the prices of both goods change in the same proportion the new budget line will have same slope.
 - (d) None of these.
21. Two Suppliers and many buyers are in ----- market.
- (a) Duopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Oligopoly
22. Interest on own capital is a ----
- (a) Explicit Cost
 - (b) Implicit Cost
 - (c) Future Cost
 - (d) None of these
23. The transformation of physical inputs into output is known as ----
- (a) Supply
 - (b) Demand
 - (c) Cost
 - (d) Production
24. When $e = 0$ elasticity of demand is
- (a) Unitary
 - (b) Inelastic
 - (c) Perfectly inelastic demand
 - (d) None of these.
25. Which curve is not affected by fixed cost?
- (a) MC Curve
 - (b) TC Curve
 - (c) AC Curve

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- (d) AFC Curve
26. Which two curves are intersected by MC curve at their minimum points:
- (a) AC and AVC
 - (b) AVC and AFC
 - (c) AC and AFC
 - (d) AC and TVC
27. Which of the following is an example of "Implicit cost"?
- (a) Interest that could have been earned on retained earnings used by the firm to finance expansion
 - (b) Payment of Rent by the Firm
 - (c) Interest Payment made by the Firm for funds borrowed from a Bank
 - (d) Payment of Wages by the Firm
28. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-axis. It happens because:
- (a) Selling costs are zero
 - (b) There is freedom of entry and exit
 - (c) Firm is a price-taker
 - (d) None of these
29. Under which market form, the demand curve is steeper as compared to monopolistic competition?
- (a) Monopoly
 - (b) Oligopoly
 - (c) Perfect Competition
 - (d) None of these
30. Firms cooperate with each other in determining price or output or both. It is a feature of:
- (a) Pure Oligopoly
 - (b) Non-Collusive Oligopoly
 - (c) Imperfect Oligopoly
 - (d) Collusive Oligopoly
31. Consumers get maximum variety of goods under:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Monopoly
 - (d) Pure Competition
32. 'A few big sellers' is a characteristics of:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) None of the above

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33. Ceteris paribus means:
- (a) Holding supply constant
 - (b) Holding demand constant
 - (c) Price being constant
 - (d) other factors being constant.
34. Who defined Business economics in terms of the use of economic analysis in the formulation of business policies?
- (a) Adam Smith
 - (b) Robbins
 - (c) Joel Dean
 - (d) Alfred Marshall
35. A rational person does not act unless____
- (a) The action is ethical.
 - (b) The action produces marginal cost that exceeds marginal revenue.
 - (c) The action produces marginal benefits that exceed marginal costs.
 - (d) The action makes money for the person.
36. Which one of the following countries does not follow Capitalist economic system?
- (a) USA
 - (b) UK
 - (c) Germany
 - (d) India
37. "The increase in demand of a commodity due to the fact that others are also consuming the same commodity" is known as_____
- (a) Veblen effect
 - (b) Bandwagon effect
 - (c) Snob effect
 - (d) Demonstration effect
38. In the Cobb-Douglas production function given as: $Q = A L^a K^{1-a}$ the share of labour in total production is
- (a) a
 - (b) 1 - a
 - (c) A
 - (d) a .L
39. Assertion (A): Investment has also a supply effect.
Reason (R): Because it raises capacity to produce.
- (a) (A) is true and (R) is false
 - (b) Both (A) and (R) are true & (R) is the correct explanation of (A)
 - (c) Both (A) and (R) are true & (R) is not the correct explanation of (A) (
 - (d) (A) is false and (R) is true

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40. Which of the following statement is incorrect?
- (a) Kinked Demand Curve is related to Oligopolistic market
 - (b) Even a monopolistic firm can incur losses
 - (c) Firms are price takers in perfectly competitive market
 - (d) It is always beneficial for a firm in a perfectly competitive market to discriminate prices
41. In economics, generally the classification of the markets is made on the basis of
- (a) Time
 - (b) Geographic area
 - (c) Volume of business
 - (d) All of these
42. Peak is the _____ stage of expansion.
- (a) Later
 - (b) Earlier
 - (c) Either (A) or (B)
 - (d) None of the above
43. Coincident economic indicators are also called _____.
- (a) Concurrent indicators
 - (b) Compound indicators
 - (c) Coexist indicators
 - (d) Random indicators
44. Demand for complementary goods are:
- (a) Derived Demand
 - (b) Autonomous demand
 - (c) Aggregate Demand
 - (d) None of these
45. The budget line is also known as:
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
46. Allocation of resources is dealt in:
- (a) Macro Economic
 - (b) Microeconomics
 - (c) Public Finance
 - (d) None of these
47. The Product under Pure Monopoly is:
- (a) Homogenous
 - (b) Differentiated

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- (c) Unrelated
 - (d) None of these
48. Demand for Electricity is elastic because
- (a) it is very expensive
 - (b) it has alternative uses
 - (c) it has a number of close Substitute.
 - (d) None of these
49. Fluctuation in economic activities according to Keynes are due to :
- (a) Innovations
 - (b) changes in money supply
 - (c) Fluctuation in aggregate effective demand
 - (d) Fluctuation in government spending
50. In business cycle peaks and troughs are collectively known as:
- (a) Turning Points
 - (b) Equilibrium Points'
 - (c) Real business cycle events'
 - (d) None of these
51. Price Rigidity explained by Sweezy's model is related to which market form:
- (a) Monopoly
 - (b) Oligopoly
 - (c) Monopolistic competition
 - (d) None of these
52. Secular Period is also known as :
- (a) Short Period
 - (b) Very Long Period
 - (c) long Period
 - (d) Very short Period
53. Which of the following is correct about Cartel?
- (a) There are few firms
 - (b) All of which are similar in size
 - (c) Most Cartels have only a Subset of producers
 - (d) All of the above
54. Which of the following is not a determinant of the firm's cost function?
- (a) Taxes
 - (b) The Production Function
 - (c) The Price of the firm's output
 - (d) None of these

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55. Comfort lie between:
- (a) inferior goods and necessities
 - (b) luxuries and inferior goods
 - (c) necessities and luxury
 - (d) None of these
56. Inequality and Exploitation is minimal under:
- (a) Mixed economy
 - (b) Capitalism
 - (c) Socialism
 - (d) None of these
57. A vertical supply curve parallel to Y axis implies that the elasticity of supply is :
- (a) Infinity
 - (b) Zero
 - (c) Greater than zero but less than infinity
 - (d) Equal to one
58. When the Output of the firm increases in the Short run , its average fixed cost :
- (a) Decreases
 - (b) Increases
 - (c) First decline and then rise
 - (d) remains constant
59. Price discrimination will be profitable only if the elasticity of demand in different sub market is :
- (a) different
 - (b) uniform
 - (c) zero
 - (d) less
60. When $e > 1$ the MR is
- (a) One
 - (b) Negative
 - (c) Positive
 - (d) Zero

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MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PAPER – 4A PART I: BUSINESS ECONOMICS

ANSWERS

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

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MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. 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
2. An example of positive economic analysis would be:
 - (a) an analysis of the relationship between the price of food and quantity purchased
 - (b) determining how much income each person should be granted
 - (c) determining the fair price for food
 - (d) deciding how to distribute the output of the economy
3. The kinked demand curve model of oligopoly assumes that:
 - (a) Response to a price increase is less than the response to a price decrease
 - (b) Response to a price increase is more than the response to a price decrease
 - (c) Elasticity of demand is constant regardless of whether price increases or decreases
 - (d) Elasticity of demand is perfectly elastic if price increases and perfectly inelastic if price decreases
4. The Cobb-Douglas homogeneous production function given as: $Q = L^{1/2} K^{1/2}$ exhibits:
 - (a) Constant returns to scale
 - (b) Decreasing returns to scale
 - (c) Increasing returns to scale
 - (d) All of the above at various level of output
5. Business cycle emerge in _____.
 - (a) Socialist economy
 - (b) Free market economy
 - (c) Mixed economic system
 - (d) None of the above
6. With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as:
 - (a) Substitution Effect

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- (b) Income Effect
 - (c) Law of Demand
 - (d) Law of diminishing Returns
7. Normal Profits earned by a firm are included in:
- (a) Implicit cost
 - (b) Explicit cost
 - (c) Fixed cost
 - (d) Variable cost
8. In the short run, total cost curve starts from:
- (a) Origin
 - (b) Positive vertical intercept
 - (c) Positive horizontal intercept
 - (d) None of these
9. If a resource can be put only to a particular use, then opportunity cost is:
- (a) Applicable and quantifiable
 - (b) Applicable but not quantifiable
 - (c) Not applicable at all
 - (d) None of these
10. Demand curve in case of Monopolistic competition is more elastic as compared to demand curve under Monopoly due to:
- (a) Huge Selling Costs
 - (b) Freedom of Entry and Exit
 - (c) Presence of Close Substitutes
 - (d) Large Number of Firms
11. Scarcity definition of Economics is given by:
- (a) Adam Smith
 - (b) Robinson
 - (c) Samuelson
 - (d) Alfred Marshall
12. Demonstration effect a term coined by:
- (a) James Dusenbery
 - (b) Milton
 - (c) Kuznets
 - (d) Hicks

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13. The Substitution effect will be stronger when –
- (a) The goods are closer Substitutes
 - (b) There is lower cost of switching to the Substitute goods
 - (c) There is lower inconvenience while switching to the Substitute goods
 - (d) All the above
14. The objective of advertisement and all other sales promotion activities by any firm is to :
- (a) Shift the demand curve to the right.
 - (b) Shift the demand curve to the left
 - (c) will not influence the demand curve
 - (d) None of these
15. A rise in price of a good _____ consumer Surplus.
- (a) Increases
 - (b) Decreases
 - (c) Remain constant.
 - (d) None of these
16. If the firms are not working to full capacity the supply will be:
- (a) inelastic
 - (b) elastic
 - (c) constant
 - (d) None of these
17. At higher prices people demand more of certain goods not for their worth but for their prestige value, this is called:
- (a) Veblen effect
 - (b) Giffen Paradox
 - (c) Speculative effect
 - (d) None of these
18. Which is not a characteristic of land:
- (a) land is a passive factor
 - (b) It is immobile
 - (c) It is heterogenous
 - (d) All the above
19. The negatively sloped part of the long run average total cost is due to which of the following:
- (a) Diminishing return
 - (b) Diseconomies of scale

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- (c) the difficulties encountered in coordinating the many activities of a large firm.
 - (d) The increase in productivity that results from Specialization
20. Law of Production does not include:
- (a) least cost combination of factors
 - (b) return to Scale
 - (c) law of diminishing returns to a factor
 - (d) Law of variable proportion
21. Example of Third-Degree Price Discrimination:
- (a) Dumping
 - (b) charging different prices for domestic and commercial uses
 - (c) lower prices in railways for senior citizen
 - (d) All of the above
22. The market structure in which many firms sell products that are similar but not identical is known as:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) None of these
23. Lagging Indicators are:
- (a) unemployment
 - (b) Corporate Profits
 - (c) Interest rate
 - (d) All of the above
24. Internal causes of business cycle:
- (a) Money Supply
 - (b) Psychological factors
 - (c) Macroeconomic Policies
 - (d) All of the above
25. Factors affecting demand for Non-Durable Consumer goods:
- (a) Disposable Income
 - (b) Price
 - (c) Demography
 - (d) All of the above
26. Which is the statistical method of demand forecasting:
- (a) Trend Projection Method

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- (b) Expert Opinion Method
 - (c) Collective opinion method
 - (d) None of these
27. In Monopoly entry of new firms:
- (a) is restricted at all the times
 - (b) is possible only in the long run
 - (c) is possible in the short run
 - (d) Both (b) and (c)
28. Theory of Group Behavior is related to:
- (a) Monopoly
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) Perfect Competition
29. Allocation of resources is dealt in:
- (a) Macro Economic
 - (b) Microeconomics
 - (c) Public Finance
 - (d) None of these
30. U Shaped Cost Curve is never represented as :
- (a) Average Fixed Cost Curve
 - (b) Marginal Cost Curve
 - (c) Average Cost Curve
 - (d) Average Variable Cost Curve
31. The budget line is also known as :
- (a) Production Possibility Curve
 - (b) Consumption Possibility Curve
 - (c) Iso Utility Curve
 - (d) None of these
32. All Giffen goods are:
- (a) Inferior goods
 - (b) Non Inferior goods
 - (c) Normal Goods
 - (d) None of these

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33. The study of demand and supply model is useful in explaining
- (a) How government works
 - (b) How markets work
 - (c) How consumers behave
 - (d) None of these
34. _____ is concerned with welfare proposition.
- (a) Normative Economics
 - (b) Positive Economics
 - (c) Both (a) and (b)
 - (d) None of these
35. Excess capacity is not found under _____
- (a) Monopoly
 - (b) Monopolistic competition
 - (c) Perfect competition.
 - (d) Oligopoly
36. The regulatory mechanism of the market system is-
- (a) Self interest
 - (b) Private property
 - (c) Competition
 - (d) Specialization
37. Nicholas Kaldor propounded _____
- (a) Nocholas theory
 - (b) Kaldor Theory
 - (c) Cobweb theory
 - (d) Cobb-douglas theory
38. During business cycles the opposite of a peak is _____.
- (a) an inflation
 - (b) a hyperinflation
 - (c) a trend
 - (d) a trough
39. If the market demand curve for a commodity has a negative slope, then the market structure must be:
- (a) Perfect competition
 - (b) Monopoly
 - (c) Imperfect competition

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- (d) The market structure cannot be determined as the information is insufficient
40. What is 'price ceiling'
- (a) Minimum price that can be charged for a good
 - (b) Maximum price that can be charged for a good
 - (c) Minimum support price
 - (d) Both (a) and (b)
41. Utility is a____
- (a) Qualitative
 - (b) Quantitative
 - (c) Both (a) and (b)
 - (d) None of these
42. Huge selling costs are incurred in which form of market?
- (a) Monopolistic competition
 - (b) Perfect competition
 - (c) Monopoly
 - (d) None of these
43. Which one of the following is not an internal economies of scale?
- (a) Technical economies
 - (b) Financial economies
 - (c) Economies due to localization of industries
 - (d) Marketing economies
44. In Monopoly Cross elasticity of Product is:
- (a) Zero
 - (b) High
 - (c) Infinity
 - (d) None of these
45. 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.
46. A necessity is defined as a good having:
- (a) A positive income elasticity of demand
 - (b) A negative income elasticity of demand

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- (c) An income elasticity of demand between zero and 1
- (d) An income elasticity of more than 1.
47. 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
48. Coincident indicator is not indicated as:
- (a) Inflation
- (b) Industrial Production
- (c) Retail Sales
- (d) New order for Plant and equipment
49. An economic profit is earned by a perfectly competitive firm when:
- (a) $MR < MC$
- (b) $P < ATC$
- (c) $P > AVC$
- (d) $P > ATC$
50. With fall in price of commodity, demand of the commodity increases as it becomes relatively cheaper in comparison to other commodities. This effect is known as:
- (a) Substitution Effect
- (b) Income Effect
- (c) Law of Demand
- (d) Law of diminishing Returns
51. Normal Profits earned by a firm are included in:
- (a) Implicit cost
- (b) Explicit cost
- (c) Fixed cost
- (d) Variable cost
52. Goods are Perfect Complements when:
- (a) A consumer is interested in consuming only in fixed proportion
- (b) The Indifference Curve will consist of two straight lines
- (c) Both a and b are correct
- (d) None of these

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53. If the Price of both goods fell how the budget will be affected:
- (a) The Budget line would not shift.
 - (b) The Budget line must be shifting to the left.
 - (c) The new budget line must be parallel to the old budget line.
 - (d) The new budget line will have the same slope as the original so long as the price of both goods changes in the same proportion.
54. Agricultural goods market depict characteristic close to:
- (a) Oligopoly
 - (b) Monopoly
 - (c) Perfect Competition
 - (d) Monopolistic Competition
55. Time element was conceived by:
- (a) Pigou
 - (b) Adam Smith
 - (c) Alfred Marshall
 - (d) Robinson
56. The efficient scale of production is the quantity of output that minimizes:
- (a) Average variable cost
 - (b) Average fixed cost
 - (c) Average total cost
 - (d) None of these
57. The Indian Government imposed heavy taxes on commodity to reduce its consumption by the public. Such heavy taxes will decrease the demand of the commodity only when:
- (a) $ed = 0$
 - (b) $ed > 1$
 - (c) $Ed < 1$
 - (d) $ed = 1$
58. The income elasticity of demand for inferior good is :
- (a) Infinite
 - (b) Positive
 - (c) Zero
 - (d) Negative
59. Marginal Cost is closely related to:
- (a) Opportunity Cost
 - (b) Variable Cost

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(c) Economic Cost

(d) None of these

60. Average Revenue Curve is also known as:

(a) Average Cost Curve

(b) Indifference Curve

(c) Demand Curve

(d) None of these

Test Series: November, 2023

MOCK TEST PAPER 1

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART - I: BUSINESS ECONOMICS

ANSWERS

Answer Key

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

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MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART- I: BUSINESS ECONOMICS

QUESTIONS

1. Which aspect of taxation involves Normative Economics?
 - (a) the incidence of the tax
 - (b) the effect of the tax on incentives to work
 - (c) the "fairness" of the tax
 - (d) all the above.
2. When the price of a substitute of commodity X falls, the demand for X:
 - (a) rises
 - (b) falls
 - (c) remains unchanged
 - (d) any of the above
3. If the quantity of a commodity demanded remains unchanged as its price changes, the coefficient of price elasticity of demand is:
 - (a) >1
 - (b) $= 1$
 - (c) < 1
 - (d) 0
4. A consumer who is below the personal budget line:
 - (a) is not spending all personal income
 - (b) is spending all personal income
 - (c) may be spending all personal income
 - (d) is in equilibrium
5. If the income elasticity of demand is greater than 1, the commodity is
 - (a) a necessity
 - (b) a luxury
 - (c) an inferior good
 - (d) a non-related good

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6. The substitution effect for a fall in the price of a commodity (*ceteris paribus*) is given by:
 - (a) a movement up a given IC
 - (b) a movement from a higher to a lower IC
 - (c) a movement down a given IC
 - (d) any of the above
7. If the MRTSLK equals 2, then the MPK/MPL is:
 - (a) 2
 - (b) 1
 - (c) 2
 - (d) 4
8. The MC curve reaches its minimum point before the AVC curve and the AC curve. In addition, the MC curve intersects the AVC curve and the AC curve at their lowest point. The above statements are both true:
 - (a) always
 - (b) never
 - (c) often
 - (d) sometimes
9. At the shut-down point:
 - (a) $P = AVC$
 - (b) $TR = TVC$
 - (c) the total losses of the firm equal TFC
 - (d) all of the above.
10. If the monopolist incurs losses in the short run, then in the long run:
 - (a) the monopolist will go out of business
 - (b) the monopolist will stay in business
 - (c) the monopolist will break even
 - (d) any of the above
11. In monopolistic competition, we have:
 - (a) few firms selling a differentiated product
 - (b) many firms selling a homogeneous product
 - (c) few firms selling a homogeneous product
 - (d) many firms selling a differentiated product
12. In both the Chamberlin and the kinked demand curve models, the oligopolists:
 - (a) recognize their interdependence
 - (b) do not collude

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- (c) tend to keep prices constant
 - (d) all of the above.
13. Who gave the theory of price discrimination?
- (a) Marshall
 - (b) Pigou
 - (c) Cournot
 - (d) Simon
14. If a good has a price elasticity of demand greater than 1, it is considered:
- (a) Price inelastic
 - (b) Price elastic
 - (c) Unit price elastic
 - (d) Price neutral
15. The income elasticity of demand measures:
- (a) The responsiveness of quantity demanded to changes in price
 - (b) The responsiveness of quantity demanded to changes in income
 - (c) The responsiveness of quantity supplied to changes in price
 - (d) The responsiveness of quantity supplied to changes in income
16. Which of the following factors does NOT influence supply?
- (a) Production costs
 - (b) Technological advancements
 - (c) Prices of inputs
 - (d) Consumer preferences
17. In a market economy, resource allocation is primarily determined by:
- (a) Central planning by the government
 - (b) Consumer demand and supply in the marketplace
 - (c) The decisions of a few large corporations
 - (d) international trade agreements
18. During a recession, the economy experiences:
- (a) A decrease in prices and inflation
 - (b) High levels of economic growth and expansion
 - (c) A decline in employment and economic activity
 - (d) Increased business investments and consumer spending
19. Which of the following policy measures is typically used by central banks to manage the business cycle?
- (a) Fiscal policy

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- (b) Monetary policy
 - (c) Trade policy
 - (d) Industrial policy
20. Which of the following is a lagging economic indicator?
- (a) Consumer confidence index
 - (b) Stock market performance
 - (c) Unemployment rate
 - (d) New housing starts
21. Price Elasticity of Demand of a good is $(-)$ 3. It shows that:
- (a) When price falls by 1%, demand rises by 3%
 - (b) When price rises by 1%, demand falls by 3%
 - (c) Either (a) or (b)
 - (d) Neither (a) nor (b)
22. 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) Proportionately large fall in quantity demanded
 - (b) No change in quantity demanded
 - (c) Proportionately small fall in quantity demanded
 - (d) Infinite change in quantity demanded
23. Which of the following is not a reason for operation of increasing returns to a factor?
- (a) Better utilisation of fixed factor
 - (b) Limitation of fixed factor
 - (c) Increase in efficiency of variable factor
 - (d) Indivisibility of fixed factor
24. At the Point of Inflexion:
- (a) Total Product is maximum
 - (b) Average Product is maximum
 - (c) Marginal Product is maximum
 - (d) Marginal Product is zero
25. Cost function is a _____ concept:
- (a) Economical
 - (b) Functional
 - (c) Financial
 - (d) Technical

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26. Demand curve of a firm under monopoly is:
- (a) Downward sloping
 - (b) Indeterminate
 - (c) Upward sloping
 - (d) Perfectly elastic
27. Demand curve under Oligopoly is:
- (a) Less elastic
 - (b) Perfectly elastic
 - (c) Highly elastic
 - (d) Indeterminate
28. In a commodity market, excess demand exists when:
- (a) market price is greater than equilibrium price
 - (b) equilibrium price is greater than market price
 - (c) equilibrium price is not equal to market price
 - (d) government fixes the price
29. A few Big sellers' is a Characteristics of:
- (a) Perfect Competition
 - (b) Monopolistic Competition
 - (c) Oligopoly
 - (d) None of the above
30. The cost curve, which is Inversely S-shaped is:
- (a) Average Cost Curve
 - (b) Total Fixed Cost Curve
 - (c) Total Variable Cost Curve
 - (d) Marginal Cost Curve
31. Which of the following is not an example of coincident indicator?
- (a) Inflation
 - (b) Industrial Production
 - (c) Retail Sales
 - (d) New order for Plant and equipment
32. The cost which is never zero even when production is stopped is known as:
- (a) Supplementary Cost
 - (b) Prime Cost
 - (c) Explicit cost

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- (d) None of these
33. Demand curve of perfectly competitive market form is a horizontal straight line parallel to X-Axis. It happens because:
- (a) Selling costs are zero
 - (b) There is freedom of entry and exit
 - (c) Firm is a price-taker
 - (d) None of these
34. Which of these country is a purely socialist economy?
- (a) USSR
 - (b) China
 - (c) Vietnam
 - (d) None of these
35. According to Hawtrey trade cycle is a ____
- (a) Monetary phenomenon
 - (b) Unplanned phenomenon
 - (c) Fiscal phenomenon
 - (d) All the above
36. Dynamic fare charged by Indian railways is an example of :
- (a) Pure Monopoly
 - (b) Discriminating Monopoly
 - (c) Perfect Competition
 - (d) None of these
37. The Interest on own capital is:
- (a) Implicit Cost
 - (b) Future Cost
 - (c) Explicit Cost
 - (d) None of these
38. The Firm and Industry are same in:
- (a) Duopoly
 - (b) Monopoly
 - (c) Oligopoly
 - (d) None of these
39. Opportunity Cost is ____.
- (a) A cost that cannot be avoided.

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- (b) The cost incurred in the past before we make a decision about what to do in the future.
- (c) That which we forgo or give up when we make a choice or a decision.
- (d) The additional benefit of buying an additional unit of a product.
40. Assertion (A): An iso-cost line is a straight line.
Reason (R): The market rate of exchange between the two inputs is constant.
- (a) (A) is true and (R) is false
- (b) Both (A) and (R) are true & (R) is the correct explanation of (A)
- (c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
- (d) (A) is false and (R) is true
41. If increasing air fares increases revenues and decreasing them decreases revenues, then the demand for air travel has a price elasticity of:
- (a) 0
- (b) > 0 but < 1
- (c) 1
- (d) > 1
42. _____ is concerned with welfare proposition.
- (a) Normative Economics
- (b) Positive Economics
- (c) Both (a) and (b)
- (d) None of these
43. Economy's historical performance was reflected by:
- (a) Lagging indicator
- (b) Leading indicator
- (c) Either (a) or (b)
- (d) None of these
44. Collectively peaks and troughs together is known as:
- (a) Turning Points
- (b) Contraction
- (c) Expansion
- (d) None of these
45. In Oligopoly the firms may collude in order to:
- (a) Increase Competition
- (b) Prisoner dilemma for buyers
- (c) To raise the price of the good they offer

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- (d) None of these
46. Successful business firms spend considerable time, energy, and efforts in analysing the _____ for their products.
- (a) Supply
(b) Price
(c) Demand
(d) None of these
47. By way of an optimal choice, a consumer tends to:
- (a) save money
(b) purchase large quantity
(c) None of these
(d) maximize satisfaction subject to constraints like tastes and preferences.
48. The economist's concept of demand is _____ as desire or need or choice or preference or order.
- (a) the same thing
(b) not the same thing
(c) (a) or (b)
(d) None of these
49. The demand for labour in response to the wage rate is _____ whereas the demand for same labour in response to the price of electronic goods where labour enters as an input is_____.
- (a) Derived demand, Direct demand
(b) Direct demand, Derived demand
(c) Individual demand, Market demand
(d) Company demand, Industry demand
50. Assertion (A): In the short run, a producer operates in only II stage of Law of Diminishing Returns Where average product of variable factor is declining.
Reason (R): In stage I and stage III the marginal product of the fixed and the variable factors respectively are negative.
- (a) (A) is true and (R) is false
(b) Both (A) and (R) are true & (R) is the correct explanation of (A)
(c) Both (A) and (R) are true & (R) is not the correct explanation of (A)
(d) (A) is false and (R) is true
51. Which of the following groups of goods have inelastic demand?
- (a) Salt, Smart phone
(b) School uniform, branded goggles and smart phone
(c) Salt, school uniform and medicine

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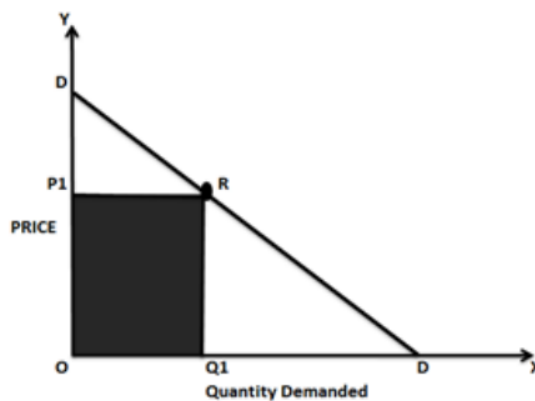


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- (d) Medicine, branded sports shoes and diamond ring
52. If the price of a commodity raised by 12% and E_d is $(-) 0.63$, the expenditure made on the commodity by a consumer will ____.
- decrease
 - Increase
 - remain same
 - can't Say
53. A consumer's preferences are monotonic if and only if between two bundles, the consumer prefers the bundle which has ____.
- more of one of the goods
 - less of at least one of the goods
 - more of at least one of the goods and less of the other good.
 - more of at least one of the goods and no less of the other good.
54. During lockdown due to COVID-19, a consumer finds the vegetable vendors selling vegetables in the street have raised the prices of vegetables than usual prices. She will buy _____ vegetables than/as her usual demand showing the demand of vegetables is ____.
- more, inelastic demand
 - less, elastic demand
 - same, inelastic demand
 - same, elastic demand
55. In the below figure, if DD is the demand curve and R is a given point on it then the area of shaded portion OP₁RQ₁ is ____.



- Total Revenue (TR)
- Marginal Revenue (MR)
- Total Cost (TC)
- None of these

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56. Price discrimination is related to:
- (a) Income
 - (b) Time
 - (c) Size of the purchase
 - (d) Any of the above
57. Secular Period is also known as:
- (a) long period
 - (b) Short period
 - (c) Very long period
 - (d) None of these
58. An Industry comprised of a very large number of sellers producing a standardized product is known as:
- (a) Pure competition
 - (b) Pure monopoly
 - (c) Monopolistic competition
 - (d) None of these
59. Cost Incurred which has no relevance to future planning is called:
- (a) Marginal cost
 - (b) Sunk cost
 - (c) Average cost
 - (d) None of these
60. Being ____ utility varies with different persons:
- (a) Subjective
 - (b) Absolute
 - (c) Objective
 - (d) None of these

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MOCK TEST PAPER 2

FOUNDATION COURSE

PAPER 4: BUSINESS ECONOMICS AND BUSINESS AND COMMERCIAL KNOWLEDGE

PART I: BUSINESS ECONOMICS

ANSWERS

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

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