



**FOUNDATION EXAMINATION
PRACTICE TEST PAPER
PAPER - 4**

**Syllabus - 2022
TERM- JUNE 2026**

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	In economics goods includes material things which ...		
	(a)	can be transferred	O
	(b)	can be visible	O
	(c)	both A & B	O
	(d)	None	O
2.	If PPF is linear it implies ...		
	(a)	constant opportunity cost	O
	(b)	diminishing apart cost	O
	(c)	Increasing opportunity cost	O
	(d)	none	O
3.	Variable factor means those factors of production-		
	(a)	Which can be never be changed	O
	(b)	Which can be changed in the short run?	O
	(c)	Which can be only changed in the long run?	O
	(d)	Both (a) & (b) correct	O
4.	All factor of production become variable in –		
	(a)	Medium – run	O
	(b)	Long run	O
	(c)	Short- run	O
	(d)	none of the above	O
5.	Modes of production was propounded by		
	(a)	Karl Marx	O
	(b)	David Ricardo	O
	(c)	Adam Smith	O
	(d)	Alfred Marshall	O



6.	Capitalistic economy means where the wealth and income of the country are owned by the	
(a)	landowners	O
(b)	state	O
(c)	bourgeoises	O
(d)	state and public	O
7.	Which is not the scope of macroeconomics.	
(a)	Theory of Economic welfare	O
(b)	Theory of Economic Growth	O
(c)	Theory of Trade cycles.	O
(d)	Theory of Inflation	O
8.	Which of the following is/are an essential feature of the market	
(a)	Buyers	O
(b)	Price	O
(c)	Sellers	O
(d)	All the three	O
9.	In the long run price is governed by	
(a)	Cost of Production	O
(b)	Demand supply forces	O
(c)	Marginal utility	O
(d)	None	O
10.	Oligopoly means	
(a)	Single seller	O
(b)	Few sellers	O
(c)	Large numbers of sellers	O
(d)	No buyers	O
11.	The AR curve and industry demand curve are identical	
(a)	In case of monopoly	O
(b)	In case of oligopoly	O



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	(c)	In case of monopolistic competition	O
	(d)	In case of perfect competition	O
12.	Which of the following does not characterize monopolistic competition?		
	(a)	Product differentiation	O
	(b)	Many producers	O
	(c)	Partial control over price	O
	(d)	Absence of advertising	O
13.	Which is the first order condition for the profit of a firm be maximum		
	(a)	$AC=MR$	O
	(b)	$MC=MR$	O
	(c)	$MR = AR$	O
	(d)	$AC= AR$	O
14.	Means absence of competition		
	(a)	Perfect Competition	O
	(b)	Monopoly	O
	(c)	Imperfect Competition	O
	(d)	Discrimination	O
15.	In a duopoly market structure:		
	(a)	There are exactly two sellers dominating the market.	O
	(b)	There is only one seller.	O
	(c)	Many sellers compete with differentiated products.	O
	(d)	There are a few (more than two) sellers dominating the market.	O
16.	Which statement is true regarding the relationship between duopoly and oligopoly?		
	(a)	Oligopoly is a special case of duopoly.	O
	(b)	A duopoly is not related to oligopoly.	O
	(c)	A duopoly is a special case of oligopoly (with just two firms)	O



	(d)	They are the same thing with no difference.	O
17.	Which of the following statements is not correct about Pigou's classification of price discrimination?		
	(a)	Third-degree price discrimination is only possible when consumers cannot be grouped by demand elasticity.	O
	(b)	First-degree price discrimination leaves consumers with zero consumer surplus.	O
	(c)	Second-degree price discrimination is also known as block pricing.	O
	(d)	These types require the firm to have some monopoly power and to be able to prevent resale between segments.	O
18.	which Indian money aggregate covers only Currency + Demand deposits + Other deposits?		
	(a)	M 1	O
	(b)	M 2	O
	(c)	M 3	O
	(d)	M 4	O
19.	Which is not the secondary functions of money ?		
	(a)	Medium of Exchange	O
	(b)	Standard of deferred payments	O
	(c)	Store of value	O
	(d)	Transfer of money	O
20.	If the country is passing through recession, the RBI would		
	(a)	Buy bonds	O
	(b)	Reduce CRR	O
	(c)	Ease out bank rate	O
	(d)	All or any of the above three	O
21.	Deficit financing means		
	(a)	Financing budgetary deficit by borrowing	O
	(b)	Financing budgetary deficit by printing money	O
	(c)	Both	O
	(d)	None	O



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22.	Reverse Repo transaction means		
	(a)	Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date	O
	(b)	Sale or purchase of securities by the holder to the investor with the commitment to sell or purchase them at a predetermined rate and date	O
	(c)	Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date	O
	(d)	Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate	O
23.	Certificate of deposits are issued by the banks to		
	(a)	individual	O
	(b)	companies	O
	(c)	P.S.U.S	O
	(d)	All the above	O
24.	Cost push inflation arises due to		
	(a)	Increase in price of precious metal	O
	(b)	Combine phenomena of demand pull and cost-push inflation.	O
	(c)	Mismatch between demand and supply of commodities	O
	(d)	Persist entries in factor cost	O
25.	Inflationary conditions may co-exist with which of the following situation		
	(a)	Increase in factor cost	O
	(b)	Increase in employment opportunities	O
	(c)	Growth in GDP and exports	O
	(d)	All the three	O
26.	Repo transaction means		
	(a)	Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date	O
	(b)	Sale of securities by the holder to the investor with the agreement to purchase	O



		them at market driven rate.	
	(c)	Sale of securities by the holder to the investor with the agreement to resell them at a predetermined rate and date.	O
	(d)	Sale of securities by the bolder to the investor with the agreement to purchase them at a predetermined rate and date	O
27.		Manipulation in CRR enables the RBI to	
	(a)	Increase GDP	O
	(b)	Check poverty	O
	(c)	Check unemployment growth	O
	(d)	Influence the lending ability of the commercial banks	O
28.		In which scenario would it make sense for a business to use both PESTEL analysis and Porter's Five Forces together?	
	(a)	To analyse macro-environmental trends and the competitive structure of the industry	O
	(b)	To only evaluate the internal capabilities of the firm	O
	(c)	To forecast the exact future price of the firm's product	O
	(d)	To set production levels based solely on short-run cost curves	O
29.		According to Porter's Five Forces model, if suppliers have strong bargaining power, then:	
	(a)	The threat of new entrants is automatically eliminated	O
	(b)	Substitutes are eradicated	O
	(c)	The firm may face higher costs or reduced margins	O
	(d)	Industry profitability is likely to increase	O
30.		Which of the following factors is not included in the PESTEL framework?	
	(a)	Legal	O
	(b)	Technological	O
	(c)	Environmental	O
	(d)	Competitive rivalry	O
31.		The components of micro business environment are-	
	(a)	Firms and consumers	O
	(b)	Market & competitors	O



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	(c)	Organization	O
	(d)	All	O
32.	The micro business environment does not include		
	(a)	Firms and consumers	O
	(b)	market and competitors	O
	(c)	Economy	O
	(d)	both(A) and (B)	O
33.	Porter's Five Forces Model does not include		
	(a)	Rival sellers	O
	(b)	substitute products	O
	(c)	Bargaining power of employees	O
	(d)	bargaining power of suppliers	O
34.	Uncertainty means.....		
	(a)	Lack of mind	O
	(b)	Lock of clarity	O
	(c)	Lack of charity	O
	(d)	None	O
35.	When a situation cannot be clearly interpreted, such situation termed as.....		
	(a)	Volatility	O
	(b)	Uncertainty	O
	(c)	complexity	O
	(d)	Ambiguity	O
36.	Which of the following is listed as a method employed for on-the-job training?		
	(a)	Classroom lectures	O
	(b)	Vestibule training	O
	(c)	Case study method	O
	(d)	Role-playing	O
37.	Communication is essential for the accomplishment of which of the following managerial functions?		



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	(a)	Planning, organising, directing and controlling	O
	(b)	Accounting and reporting	O
	(c)	Budgeting and auditing	O
	(d)	Forecasting and investing	O
38.	“Perceptual distortion” and “fallacies” are common results of which communication barrier?		
	(a)	Emotional barrier	O
	(b)	Language barrier	O
	(c)	Filtering	O
	(d)	Selective perception	O
39.	Motivation may be financial or non-financial. Which of the following is a non-financial incentive?		
	(a)	Allowances	O
	(b)	Recognition and praise	O
	(c)	Bonus	O
	(d)	Pay	O
40.	Which of the following is NOT a characteristic of motivation?		
	(a)	Motivation causes goal-directed behaviour	O
	(b)	Motivation is a one-time process	O
	(c)	Motivation is a psychological concept	O
	(d)	Motivation is continuous	O
41.	Decentralization refers to:		
	(a)	Systematic delegation of authority throughout the organization	O
	(b)	Dispersion of physical resources	O
	(c)	Absolute control by top management	O
	(d)	Concentration of authority at central points	O
42.	The importance of motivation in an organization is that:		
	(a)	It ensures proper utilization of organizational facilities	O
	(b)	It guarantees high profits	O
	(c)	It eliminates the need for management	O
	(d)	It determines employee attendance	O
43.	Herzberg’s theory is also known as:		



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	(a)	ERG Theory	O
	(b)	Equity Theory	O
	(c)	Expectancy Theory	O
	(d)	Motivation-Hygiene Theory or Two-Factor Theory	O
44.	Effective decentralization requires:		
	(a)	Elimination of central authority	O
	(b)	Complete control by top management	O
	(c)	Balance between dispersal of authority and adequate control	O
	(d)	Full freedom without any control	O
45.	Which factor is emphasized by the situational approach as influencing leadership effectiveness?		
	(a)	Only the leader's traits	O
	(b)	Organizational profits	O
	(c)	Employee salary structure	O
	(d)	Leader, followers, and task situation	O
46.	The process of decision-making in organizations is described as:		
	(a)	Unnecessary in modern management	O
	(b)	Simple and routine	O
	(c)	Only financial planning	O
	(d)	Complex and involving professionals of different expertise	O
47.	Which of the following are the three key elements of delegation?		
	(a)	Responsibility, leadership, and communication	O
	(b)	Authority, responsibility, and accountability	O
	(c)	Authority, skill, and decision-making	O
	(d)	Authority, delegation, and supervision	O
48.	Staffing function is performed by managers to build an organisation through _____.		
	(a)	Supervision and direction	O
	(b)	Planning and controlling	O
	(c)	Motivation and communication	O



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	(d)	Recruitment, selection, and development of individuals	O
49.	Which of the following is considered an investment in human resources?		
	(a)	Training and development programs	O
	(b)	Planning	O
	(c)	Delegation	O
	(d)	Recruitment	O
50.	In management, human beings are considered the most dynamic elements because:		
	(a)	They are easier to control than other factors of production	O
	(b)	Machinery and capital are more important than humans	O
	(c)	They require no supervision	O
	(d)	Management gets things done through others, while other factors remain dormant	O