



FOUNDATION EXAMINATION

MODEL QUESTION PAPER

TERM – DEC 2023

PAPER - 4

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	The technique for observing the behaviour of a system under several alternative conditions in an artificial setting is known as	
(a)	Game theory	O
(b)	Simulation	O
(c)	Probability Decision Theory	O
(d)	None of the above	O
2.	Which of the following is not a function of managers?	
(a)	Designing	O
(b)	Organizing	O
(c)	Leading	O
(d)	Planning	O
3.	A systematic evaluation of the functioning, performance and effectiveness of management of organization is known as:	
(a)	Management Information System	O
(b)	Management Audit	O
(c)	Internal Audit	O
(d)	None of the above	O
4.	The technique that involves use of the brain to find different ideas which can solve a critical problem is	
(a)	Participative technique	O
(b)	Heuristic technique	O
(c)	Creative technique	O
(d)	All of the above	O
5.	A _____ organizational structure is the simplest form and has clear lines of authority and ease of decision making	
(a)	Horizontal	O
(b)	Line	O
(c)	Vertical	O
(d)	Staff	O



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6.	Decisions into programmed decisions and non-programmed decisions is adopted by	
(a)	Peter Drucker	O
(b)	Herbert Simon	O
(c)	M. Lopez	O
(d)	John Mc Donald	O
7.	Which of the following is not an external source of recruitment?	
(a)	advertisement	O
(b)	casual callers	O
(c)	promotions	O
(d)	recommendations of employees	O
8.	_____ means dispersal of authority throughout the organization.	
(a)	Centralisation	O
(b)	Delegation of Authority	O
(c)	Decentralisation	O
(d)	None of the above	O
9.	_____ developed a continuum of four system of management.	
(a)	George Terry	O
(b)	Prof. Bernard	O
(c)	F.W. Taylor	O
(d)	Rensis Likert	O
10.	_____ Leadership Style may be appropriate when subordinates are uneducated, unskilled and submissive.	
(a)	Participative Leadership	O
(b)	Autocratic Leadership	O
(c)	Free-rein Leadership	O
(d)	None of the above	O
11.	Which of these is associated with a monopolistic competitive market –	
(a)	Product differentiation	O
(b)	Homogeneous Product	O



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	(c)	Normal in short run	O
	(d)	Single buyer	O
12.		The internal business environment includes factors such as	
	(a)	business philosophy & business priorities	O
	(b)	management structure	O
	(c)	capital structure	O
	(d)	All	O
13.		Who was the father of Economics	
	(a)	Marshall	O
	(b)	Adam smith	O
	(c)	Robbins	O
	(d)	Keynes	O
14.		In the long run a firm in perfect competition earns	
	(a)	Normal Profit only	O
	(b)	Abnormal profit	O
	(c)	Average profit of past five years	O
	(d)	12.33% profits on capital employed	O
15.		EXIM Bank is authorized to raise loan from	
	(a)	Staffing	O
	(b)	Selection	O
	(c)	Recruitment	O
	(d)	Training	O
16.		Who conducted an extensive survey of management style and patterns in large number of organizations?	
	(a)	Rensis Likert and his associates	O
	(b)	George Terry	O
	(c)	Prof. Bernard	O
	(d)	F.W. Taylor	O
17.		What strategic factors should a manager has to consider while evaluating the alternatives?	



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	(a)	Tangible	O
	(b)	Intangible	O
	(c)	Both (a) and (b)	O
	(d)	Either (a) or (b)	O
18.	PERT represents which of the following term?		
	(a)	Project Execution Review Technique	O
	(b)	Planning Execution Response Technique	O
	(c)	Program Enhancement Report Technique	O
	(d)	Program Evaluation Review Technique	O
19.	The first step in the decision making process is -		
	(a)	The analysis of the problem	O
	(b)	Selecting the alternative course of action	O
	(c)	The evaluation of each alternative	O
	(d)	The identification of the problem	O
20.	The _____ relate to policy matters and so require a thorough fact finding and analysis of the possible alternatives.		
	(a)	Strategic decisions	O
	(b)	Basic decisions	O
	(c)	Tactical or Routine decisions	O
	(d)	(A) or (B)	O
21.	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
22.	Assuming two markets where the price discriminating monopolist sells his product, the equilibrium condition in such a situation will be		
	(a)	$MR_1 = MR_2 > MC$	O
	(b)	$MR_1 < MC > MR_2$	O
	(c)	$MR_1 = MR_2 = MC$	O
	(d)	$MC = MR_1 > MR_2$	O



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23.	Which of these will have highly inelastic supply?	
(a)	Perishable goods	O
(b)	Consumer durables goods	O
(c)	Items of elite class consumption	O
(d)	All the three	O
24.	In a competitive market is the price maker	
(a)	Firm	O
(b)	Industry	O
(c)	Consumer	O
(d)	Trade Association	O
25.	Manipulation in CRR enables the RBI to	
(a)	Influence the lending ability of the commercial banks	O
(b)	Check unemployment growth	O
(c)	Check poverty	O
(d)	Increase GDP	O
26.	The term 'S' in PESTEL stands for-	
(a)	Strength	O
(b)	Socio-economic	O
(c)	Sustainability	O
(d)	None	O
27.	Perfect competition and monopolistic competition are having a common assumption. Find out which one of the following is the appropriate common assumption	
(a)	The product is homogeneous	O
(b)	Perfect knowledge	O
(c)	Existence of selling cost	O
(d)	Free entry and free exit	O
28.	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



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	(b)	Sale of securities by the holder to the investor with the agreement to resell 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
29.		A firm that makes profit in excess of normal profit is earning	
	(a)	Economic profit	O
	(b)	Costing profit	O
	(c)	Normal profit	O
	(d)	Super normal profit	O
30.		Given a reserve ratio of 20% in initial deposit of ₹ 1000 in a banking system would create secondary deposit of `	
	(a)	₹ 3,000	O
	(b)	₹ 5,000	O
	(c)	₹ 4,000	O
	(d)	₹ 6,000	O
31.		The supply function of a product x is as $S_x = 5p_x + 3$. Where p_x stand for price. The quantity supplied corresponding to price of ₹ 2 will be	
	(a)	18	O
	(b)	13	O
	(c)	15	O
	(d)	23	O
32.		Which of the following is not a dimension of VUCAFU?	
	(a)	Versatility	O
	(b)	Ambiguity	O
	(c)	Uncertainty	O
	(d)	Complexity	O
33.		Profit is the difference between.....	
	(a)	Total cost and total revenue	O
	(b)	Total revenue and total cost	O
	(c)	both A & B	O
	(d)	None	O



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34.	RBI was nationalized in	
(a)	June 1947	O
(b)	Jan. 1949	O
(c)	March 1954	O
(d)	April 1936	O
35.	If the price of burger rises from ₹ 12 per piece to ₹ 20 per piece as a result of which the daily sales decrease from 300 to 200 pieces per day. The price elasticity of demand can be estimated as:	
(a)	0.5	O
(b)	0.8	O
(c)	0.25	O
(d)	2.10	O
36.	FERA has been replaced by	
(a)	FINA	O
(b)	FEMA	O
(c)	FENA	O
(d)	M RTP	O
37.	An increase in price will result in an increase in total revenue if	
(a)	percentage change in quantity demanded is greater than the percentage change in price	O
(b)	percentage change in quantity demanded is less than the percentage change in price	O
(c)	percentage change in quantity demanded is equal to the percentage change in price	O
(d)	none	O
38.	RBI check inflation by	
(a)	Increasing bank rate	O
(b)	Increasing CRR	O
(c)	Both	O
(d)	None	O
39.	A U-shaped long-run average cost curve represents?	
(a)	economies and diseconomies of scale	O



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	(b)	average fixed costs and average variable costs	O
	(c)	increasing and decreasing marginal product	O
	(d)	fixed costs and variable costs	O
40.	Commercial papers, as money market instruments, are issued by		
	(a)	RBI	O
	(b)	SBI	O
	(c)	Highly rated corporate bodies	O
	(d)	None of the above	O
41.	The term 'T' in SWOT Analysis is		
	(a)	Transparency	O
	(b)	Total revenue	O
	(c)	Threat	O
	(d)	Transaction	O
42.	A Monopoly demand curve is		
	(a)	Same as its average revenue curve	O
	(b)	Same as its supply curve	O
	(c)	Same as its average cost curve	O
	(d)	Same as its marginal cost curve	O
43.	Which one of the following oligopolistic model insists on co-operation?		
	(a)	Cournot's model	O
	(b)	Bertrand model	O
	(c)	Collusive oligopoly model	O
	(d)	Edgeworth model	O
44.	If the price elasticity of demand for wine is estimated to be -6, then a 20% increase in price of wine will lead to in quantity demanded of wine at that price		
	(a)	12% increase	O
	(b)	12% decrease	O
	(c)	19.6% increase	O
	(d)	20.6% decrease	O



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45.	The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as		
	(a)	Oligopoly	O
	(b)	Duopoly	O
	(c)	Monopoly	O
	(d)	Monopolistic competition	O
46.	Which of the following is an objective of business?		
	(a)	Sales maximization	O
	(b)	Customer Satisfaction	O
	(c)	Financial Solvency	O
	(d)	All of the above	O
47.	Which is the apex bank for agricultural credit in India?		
	(a)	RBI	O
	(b)	SIDBI	O
	(c)	NABARD	O
	(d)	IDBI	O
48.	The components of micro business environment are		
	(a)	Firms and consumers	O
	(b)	Market & competitors	O
	(c)	Organization	O
	(d)	All	O
49.	Modes of production was propounded by		
	(a)	Adam Smith	O
	(b)	Karl Marx	O
	(c)	David Ricardo	O
	(d)	Alfred Marshall	O
50.	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



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Answer:

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