FOUNDATION EXAMINATION **SET 2**

MODEL QUESTION PAPER **TERM DEC-2025**

PAPER - 4

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	Normative Economic theory deals with ____________		
	(a)	What to produce	O
	(b)	How to produce	O
	(c)	Whom to produce	O
	(d)	How the problem should be solved	O
2.	Luxury goods have ____ degree of elasticity.		
	(a)	High	O
	(b)	low	O
	(c)	Moderate	O
	(d)	none	O
3.	Identify the correct statement.		
	(a)	Average product is at its maximum when Marginal Product is equal to Average Product.	O
	(b)	Law of Increasing Returns to Scale relates to the effect of changes in factor proportions	O
	(c)	Economies of Scale arise only because of invisibilities of factor proportions.	O
	(d)	Internal Economies of scale can accrue only to the exporting sector.	O
4.	Normative Economic theory deals with ….		
	(a)	What to produce	O
	(b)	How to produce	O
	(c)	Whom to produce	O
	(d)	How the problem should be solved	O
5.	Which of the following is not a factor in market supply of a product?		
	(a)	cost of production	O
	(b)	number of buyers	O
	(c)	market price of the product	O
	(d)	price of related products	O

6.	Micro Economics theory deals with.		
	(a)	Economy as a whole	O
	(b)	Individual units	O
	(c)	Economic growth	O
	(d)	all the above	O
7.	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
8.	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
9.	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
10.	A firm faces the shut down situation when		
	(a)	Price is less than average variable cost	O
	(b)	Price is more than the average variable cost	O
	(c)	Price is equal to fixed cost	O
	(d)	Price is more than the average fixed cost	O
11.	Pricing for selling the same commodity at different selling prices is known as		
	(a)	Skimming Pricing	O
	(b)	Differential Pricing	O

	(c)	Penetration Pricing	O
	(d)	Cost-plus Pricing	O
12.	In which form of market do firms offer differentiated products but face low barriers to entry?		
	(a)	Perfect Competition	O
	(b)	Monopolistic Competition	O
	(c)	Oligopoly	O
	(d)	Monopoly	O
13.	On the basis of area, markets are classified into _____________ types		
	(a)	2	O
	(b)	3	O
	(c)	4	O
	(d)	5	O
14.	Penetration Pricing is adopted by following a		
	(a)	Low Price	O
	(b)	High Price	O
	(c)	Dual Price	O
	(d)	Support Price	O
15.	In which form of market does a firm operate as a price taker?		
	(a)	Monopoly	O
	(b)	Oligopoly	O
	(c)	Monopolistic Competition	O
	(d)	Perfect Competition	O
16.	A market structure characterized by a single seller with no close substitutes is known as:		
	(a)	Perfect Competition	O
	(b)	Monopoly	O
	(c)	Monopolistic Competition	O
	(d)	Oligopoly	O

17.	A few interdependent firms dominate the market and often avoid price competition due to mutual reaction. What form is this?		
	(a)	Monopoly	O
	(b)	Oligopoly	O
	(c)	Monopolistic Competition	O
	(d)	Perfect Competition	O
18.	A market dominated by exactly two firms is known as:		
	(a)	Monopoly	O
	(b)	Oligopoly	O
	(c)	Duopoly	O
	(d)	Monopsony	O
19.	RBI check inflation by		
	(a)	Increasing bank rate	O
	(b)	Increasing CRR	O
	(c)	Both	O
	(d)	None	O
20.	Optional money is a:		
	(a)	Legal tender money	O
	(b)	Non-legal tender money	O
	(c)	Limited legal tender money	O
	(d)	Full bodied money	O
21.	RBI was nationalized in:		
	(a)	June 1947	O
	(b)	Jan. 1949	O
	(c)	March 1954	O
	(d)	April 1936	O
22.	FERA has been replaced by:		
	(a)	FINA	O
	(b)	FEMA	O
	(c)	FENA	O
	(d)	MRTP	O

23.	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
24.	In April 1999 the government of India introduced the bills for the period of _________________		
	(a)	91 days	O
	(b)	182 days	O
	(c)	364 days	O
	(d)	None	O
25.	Which of the following function does money serve when used to measure the prices of different goods and services?		
	(a)	Store of value	O
	(b)	Medium of exchange	O
	(c)	Standard of value	O
	(d)	Display of power	O
26.	Under perfect competition, what happens to the demand curve for an individual firm?		
	(a)	Downward sloping	O
	(b)	Perfectly elastic (horizontal)	O
	(c)	Vertical	O
	(d)	Unitary elastic	O
27.	Which market type allows sustained supernormal profits even in the long run?		
	(a)	Monopoly	O
	(b)	Oligopoly	O
	(c)	Monopolistic Competition	O
	(d)	Perfect Competition	O
28.	Money market is controlled by ….		
	(a)	Government	O
	(b)	R. B. I	O

	(c)	S. B. I	O
	(d)	all the above	O
29.	The term 'T' in SWOT Analysis is		
	(a)	Transparency	O
	(b)	Total revenue	O
	(c)	Threat	O
	(d)	Transaction	O
30.	The term PESTEL does not include		
	(a)	Technological factors	O
	(b)	legal factors	O
	(c)	Economic factors	O
	(d)	population factors	O
31.	SWOT analysis does not include		
	(a)	Strength	O
	(b)	weaknesses	O
	(c)	opinions	O
	(d)	threats	O
32.	Volatility refers to the change of ……………..		
	(a)	Speed	O
	(b)	Volume	O
	(c)	Nature	O
	(d)	All the above	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.	Which project has been introduced in Indian budget 2022, to boost up the infrastructure?		
	(a)	P.M Gati-Shakti	O

	(b)	P.M.Kisan Yojana	O
	(c)	Make in India	O
	(d)	All the above.	O
35.	Under the high_____________, it is impossible to fully analyse the environment and come to rational conclusions.		
	(a)	Uncertainity	O
	(b)	Complexity	O
	(c)	Volatility	O
	(d)	Ambiguity	O
36.	Who contends that "Training is an act of increasing the knowledge and skill of an employee for doing a particular job"?		
	(a)	Edwin Flippo	O
	(b)	Michael J. Jucius	O
	(c)	O. Jeff Harris	O
	(d)	Andrew Carnegie	O
37.	Which of the following are the methods of off-the-job training?		
	(a)	Role playing	O
	(b)	Case studies	O
	(c)	Lectures, classroom instruction	O
	(d)	All of the above	O
38.	Selection is a process of rejection and hence it is called a _____ process:		
	(a)	Positive	O
	(b)	Negative	O
	(c)	Either (a) or (b)	O
	(d)	None of the above	O
39.	A manager has to exhibit the style of leadership depending on the :		
	(a)	Performance	O
	(b)	Time	O
	(c)	Situation	O
	(d)	Period	O
40.	Which is inherent in managerial job and embodied in all the functions of management?		
	(a)	Planning	O

	(b)	Organising	O
	(c)	Control	O
	(d)	Co-ordination	O
41.	Which of the following statements is not correct?		
	(a)	Management is a goal-oriented process	O
	(b)	Management is a universal process	O
	(c)	Management is a continuous process	O
	(d)	Management is a rigid process	O
42.	Which one of the following represents the best effort to reduce the agency problem?		
	(a)	paying senior managers, a cash bonus each year based on the number of people employed by the company	O
	(b)	giving senior managers bonuses consisting of shares of company stock whenever the company improves its production efficiency	O
	(c)	increasing the salary of the company president every time the company opens a new store	O
	(d)	providing company cars to all managers employed by the firm for more than one year	O
43.	Agency theory suggests that managers(the agents), particularly those of large , publicly owned firms, may have different objectives from those of the:		
	(a)	Workers	O
	(b)	Subordinates	O
	(c)	Shareholders	O
	(d)	Employees	O
44.	Who had said that leader's stewardship choice can motivate and facilitate reciprocal stewardship behavior from the employee?		
	(a)	Pearson and Marler	O
	(b)	Alchian and Demsetz	O
	(c)	Davis, Schoorman and Doanldson	O
	(d)	Jensen and Meckling	O
45.	Which of the following regarding residual loss is correct?		
	(a)	Bonding costs do not have an effect on residual loss.	O

	(b)	Residual loss is incurred by the agent because an agency relationship exists.	O
	(c)	A reduction in residual loss is likely to be the result of an increase in monitoring costs	O
	(d)	Under agency theory, residual loss can be reduced to zero by good governance.	O
46.	_____ is defined as the process of obtaining and maintaining the capable and competent people to fill all positions from top to operative level.		
	(a)	Staffing	O
	(b)	Selection	O
	(c)	Recruitment	O
	(d)	Training	O
47.	Which of the following are the methods of off-the-job training?		
	(a)	Role playing	O
	(b)	Case studies	O
	(c)	Lectures, classroom instruction	O
	(d)	All of the above	O
48.	Which activity brings the job-seeker and employer in contact with one another?		
	(a)	Recruitment	O
	(b)	Selection	O
	(c)	Induction	O
	(d)	Placement	O
49.	External sources of recruitment include:		
	(a)	Employment Exchanges	O
	(b)	Advertisements	O
	(c)	Employee walk-ins	O
	(d)	All of the above	O
50.	According to Mary Parker Follett which one is not the principle for achieving effective coordination?		
	(a)	Continuity	O
	(b)	Early beginning	O
	(c)	Self-coordination	O
	(d)	Managerial Audit	O