



POSTAL TEST PAPER  
FOUNDATION  
PAPER - 4

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1. If an economy is working at the point left to PPF curve that shows...
  - (a) Full employment
  - (b) unemployment
  - (c) excess production
  - (d) none
  
2. Price elasticity demand of product will be more elastic if it \_\_\_\_\_
  - (a) has no substitutes
  - (b) has number of substitutes
  - (c) is an item of necessity
  - (d) is lifesaving product
  
3. Capitalistic economy means where the wealth and income of the country are owned by the
  - (a) state
  - (b) land owners
  - (c) state and public
  - (d) bourgeoisies
  
4. Modes of production was propounded by
  - (a) Adam Smith
  - (b) Karl Marx
  - (c) David Ricardo
  - (d) Alfred Marshall
  
5. In the long run price is governed by .....
  - (a) Cost of Production
  - (b) Demand supply forces
  - (c) Marginal utility
  - (d) None
  
6. A firm faces the shutdown situation when
  - (a) Price is less than average variable cost



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- (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
7. 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
8. Which of these would lead to fall in demand for money?
- (a) Inflation O
- (b) Increase in real income O
- (c) Increase in real rate of interest O
- (d) Increase in wealth O
9. Micro –economics deals with
- (a) Economic behaviour of individual economic decision –making units O
- (b) Economy as a whole O
- (c) Trade relations O
- (d) Economic growth of the society O
10. Breakeven point refers to the situation
- (a) Total revenue is equal to total cost O
- (b) Total revenue is more than total cost O
- (c) Total revenue is less than total cost O
- (d) Total revenue is equal to total cost O
11. What kind of training program is most appropriate for simple task?
- (a) On the job training O
- (b) Vestibule training O
- (c) Laboratory training O
- (d) Job rotation O
12. Staffing is concerned with providing and maintaining \_\_\_\_\_ resources
- (a) Physical O
- (b) Technical O
- (c) Human O
- (d) Financial O



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13. RBI was nationalized in
- (a) June 1947 O
  - (b) Jan. 1949 O
  - (c) March 1954 O
  - (d) April 1936 O
14. 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
15. Which of the following is/are an essential feature of the market
- (a) Buyers O
  - (b) Sellers O
  - (c) Price O
  - (d) All the three O
16. If a company wishes to examine its general environment before developing its business strategy ,the company would explore all of the following environments except
- (a) Socio-cultural O
  - (b) Knowledge O
  - (c) Global O
  - (d) Economic O
17. 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
18. Which of the following costs will increase or decrease with increase in production?
- (a) Marginal cost O
  - (b) Financial cost O
  - (c) Fixed cost O
  - (d) (a),(b) and (c) O



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19. A U-shaped long-run average cost curve represents?
- (a) economies and diseconomies of scale
  - (b) average fixed costs and average variable costs
  - (c) increasing and decreasing marginal product
  - (d) fixed costs and variable costs
20. Commercial papers, as money market instruments, are issued by
- (a) RBI
  - (b) SBI
  - (c) Highly rated corporate bodies
  - (d) None of the above
21. In call money market funds are borrowed of rent without any security for the period of...
- (a) one day
  - (b) 14 days
  - (c) a & b
  - (d) NONE
22. Assuming two markets where the price discriminating monopolist sells his product, the equilibrium condition in such a situation will be
- (a)  $MR_1 = MR_2 > MC$
  - (b)  $MR_1 < MC > MR_2$
  - (c)  $MR_1 = MR_2 = MC$
  - (d)  $MC = MR_1 > MR_2$
23. All entries in the balance of payments should collectively add up to
- (a) GDP of that country
  - (b) GNP of that country
  - (c) Zero
  - (d) Exports of that country
24. Which category of needs in maslow's hierarchy of needs theory deals with achieving one's ego?
- (a) Self-actualisation
  - (b) Safety



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- (c) Esteem O  
(d) Physiological O
25. The process by which a sender transmits content is known as
- (a) Encoding O  
(b) Decoding O  
(c) Feed back O  
(d) Noice O
26. Money market is controlled by .....
- (a) Government O  
(b) R.B.I O  
(c) S.B.I O  
(d) all the above 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 bolder to the investor with the agreement to purchase them at a predetermined rate and date. O  
(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. Certificate of deposits are issued by the banks to .....
- (a) individual O  
(b) companies O



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- (c) P.S.U.S O  
(d) All the above O
30. 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
31. Which of these is associated with a monopolistic competitive market –  
(a) Product differentiation O  
(b) Homogeneous Product O  
(c) Normal in short run O  
(d) Single buyer O
32. The term 'S' in PESTEL stands for-  
(a) Strength O  
(b) Socio-economic O  
(c) Sustainability O  
(d) None O
33. Who was the father of Economics  
(a) Marshall O  
(b) Adam smith O  
(c) Robbins O  
(d) Keynes O
34. 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
35. EXIM Bank is authorized to raise loan from  
(a) Staffing O  
(b) Selection O



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- (c) Recruitment O  
(d) Training O
36. 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
37. 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
38. 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
39. Who emphasized harmony of objectives is crucial to the success of direction?  
(a) (a) F.W.Taylor O  
(b) (b) Henry Fayol O  
(c) (c) Peter Drucker O  
(d) (d) George Terry O
40. According to Koontz and O'Donnell staffing is the \_\_\_\_\_ function.  
(a) Organisational O  
(b) Management O  
(c) Executive function O  
(d) None of the above O
41. The technique for observing the behaviour of a system under several alternative conditions in an artificial setting is known as  
(a) Game theory O



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- (b) Simulation O
- (c) Probability Decision Theory O
- (d) None of the above O
42. Which of the following is not a function of managers?
- (a) Designing O
- (b) Organizing O
- (c) Leading O
- (d) Planning O
43. 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
44. Planning is a:
- (a) Primary function O
- (b) Secondary function O
- (c) Supplementary function O
- (d) None of the above O
45. The process of co-ordination must begin in the early stages of
- (a) Control O
- (b) Planning O
- (c) Organising O
- (d) Staffing O
46. 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
47. Which of the following is not an external source of recruitment?



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- (a) advertisement
- (b) casual callers
- (c) promotions
- (d) recommendations of employees
48. \_\_\_\_\_ means dispersal of authority throughout the organization.
- (a) Centralisation
- (b) Delegation of Authority
- (c) Decentralisation
- (d) None of the above
49. \_\_\_\_\_ developed a continuum of four system of management.
- (a) George Terry
- (b) Prof. Bernard
- (c) F.W. Taylor
- (d) Rensis Likert
50. \_\_\_\_\_ Leadership Style may be appropriate when subordinates are uneducated, unskilled and submissive.
- (a) Participative Leadership
- (b) Autocratic Leadership
- (c) Free-rein Leadership
- (d) None of the above