



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER - 4

SET 1
TERM - JUNE 2025

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	What is the correct condition in an economy as per the macroeconomic model discussed?	
	(a) $C + S = I$	<input type="radio"/>
	(b) $S = I$	<input type="radio"/>
	(c) $C = I$	<input type="radio"/>
	(d) $Y = C + S$	<input type="radio"/>
2.	Suppose the total cost of production of commodity x is ₹1,25,000. Out of this implicit cost is ₹35,000 & normal profit is ₹25,000. Then the explicit cost is _____	
	(a) ₹65,000	<input type="radio"/>
	(b) ₹90,000	<input type="radio"/>
	(c) ₹1,00,000	<input type="radio"/>
	(d) ₹55,000	<input type="radio"/>
3.	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	<input type="radio"/>
	(b) 0.8	<input type="radio"/>
	(c) 0.25	<input type="radio"/>
	(d) 2.10	<input type="radio"/>
4.	LAC curve is also known as: _____	
	(a) Supply curve	<input type="radio"/>
	(b) Marginal cost curve	<input type="radio"/>
	(c) Demand curve	<input type="radio"/>
	(d) Planning curve	<input type="radio"/>
5.	What does "Y" represent in the equilibrium equation $Y = C + I$?	
	(a) Consumption demand	<input type="radio"/>
	(b) National income (or output)	<input type="radio"/>
	(c) Investment demand	<input type="radio"/>
	(d) Savings	<input type="radio"/>



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6.	At the point of Inflection, TP will generally-		
	(a)	Equal to Zero	<input type="radio"/>
	(b)	Show increases trend	<input type="radio"/>
	(c)	Show decreasing or increasing trends	<input type="radio"/>
	(d)	be negative	<input type="radio"/>
7.	The supply function of a product y is given by: $S_y = 4P_y + 5$. Where P_y stands for the price of the product. What is the quantity supplied when the price is ₹3?		
	(a)	14	<input type="radio"/>
	(b)	20	<input type="radio"/>
	(c)	17	<input type="radio"/>
	(d)	19	<input type="radio"/>
8.	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)	19.6% increase	<input type="radio"/>
	(b)	12% decrease	<input type="radio"/>
	(c)	20.6% decrease	<input type="radio"/>
	(d)	12% increase	<input type="radio"/>
9.	What pricing strategy involves setting a low price to attract customers and gain market share, with plans to raise the price later once the market share is secured?		
	(a)	Price skimming	<input type="radio"/>
	(b)	Penetration pricing	<input type="radio"/>
	(c)	Dynamic pricing	<input type="radio"/>
	(d)	Competitive pricing	<input type="radio"/>
10.	In a Collusive Oligopoly, firms form a cartel to:		
	(a)	Fix the price and output to maximize joint profit	<input type="radio"/>
	(b)	Increase market share by undercutting each other's prices	<input type="radio"/>
	(c)	Engage in non-price competition to attract consumers	<input type="radio"/>
	(d)	Compete aggressively and lower prices	<input type="radio"/>



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11.	Which type of market does a firm typically have excess production capacity in the long run?	
(a)	Perfect competition	O
(b)	Monopoly	O
(c)	Monopolistic competition	O
(d)	Oligopoly	O
12.	In which market structure do firms have no control over the price and are considered price takers?	
(a)	Monopoly	O
(b)	Oligopoly	O
(c)	Monopolistic Competition	O
(d)	Perfect Competition	O
13.	What are the two key conditions that a firm in a monopolistic market must satisfy to reach equilibrium?	
(a)	Marginal Cost = Marginal Revenue and Average Cost = Marginal Revenue	O
(b)	Marginal Cost = Marginal Revenue and MC curve cuts MR curve from below	O
(c)	Marginal Cost = Marginal Revenue and MC curve cuts MR curve from above	O
(d)	Marginal Cost = Average Revenue and MC curve cuts MR curve from below	O
14.	In the Bertrand Duopoly Model, each producer can always lower the price until:	
(a)	Price is equal to the competitive price	O
(b)	Price is equal to the cost of production	O
(c)	Price is higher than the rival's price	O
(d)	Price is equal to the monopoly price	O
15.	Which is the first order condition for the profit of a firm be maximum?	
(a)	AC = MR	O
(b)	AC = AR	O
(c)	MR = AR	O
(d)	MC = MR	O



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16.	Automobile industry, Gas industry is an example of _____ market		
	(a)	Perfect competition	<input type="radio"/>
	(b)	Monopoly	<input type="radio"/>
	(c)	Oligopoly	<input type="radio"/>
	(d)	Monopolistic competition	<input type="radio"/>
17.	According to Adam Smith invisible hands are also called _____		
	(a)	Price mechanism	<input type="radio"/>
	(b)	Demand-supply equilibrium	<input type="radio"/>
	(c)	Self-regulating market system	<input type="radio"/>
	(d)	Competitive market forces	<input type="radio"/>
18.	Price discrimination of _____ degree is based on the paying capacity of the consumer.		
	(a)	First degree	<input type="radio"/>
	(b)	Second degree	<input type="radio"/>
	(c)	Third degree	<input type="radio"/>
	(d)	Fourth degree	<input type="radio"/>
19.	Supply of money refers to		
	(a)	Total money held by RBI	<input type="radio"/>
	(b)	Total money with all the commercial banks and RBI	<input type="radio"/>
	(c)	Total money in Government account	<input type="radio"/>
	(d)	Total money held by the public	<input type="radio"/>
20.	_____ was established as the apex bank for industrial credit.		
	(a)	State Bank of India	<input type="radio"/>
	(b)	Industrial Development Bank of India (IDBI)	<input type="radio"/>
	(c)	Development Credit Bank (DCB)	<input type="radio"/>
	(d)	Industrial Credit and Investment Corporation of India (ICICI)	<input type="radio"/>
21.	Which of the following is NOT included in M2 money supply in India?		
	(a)	M1	<input type="radio"/>
	(b)	Time liability portion of savings deposits	<input type="radio"/>
	(c)	Term deposits maturing within one year	<input type="radio"/>
	(d)	Call/term borrowings of banks	<input type="radio"/>



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22.	In the Cambridge version of the Quantity Theory of Money, what does the variable "K" represent?	
(a)	Total transactions	O
(b)	Cash balance (part of income)	O
(c)	Velocity of money	O
(d)	Price level	O
23.	Which of the following is considered as broad money in India?	
(a)	M1	O
(b)	M2	O
(c)	M3	O
(d)	M4	O
24.	A reduction in the cash reserve ratio (CRR) by the central bank will typically lead to:	
(a)	A decrease in the money supply	O
(b)	An increase in interest rates	O
(c)	A decrease in bank lending	O
(d)	An increase in the money supply	O
25.	Reverse Repo transaction means	
(a)	Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate	O
(b)	Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date	O
(c)	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
(d)	Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date	O
26.	What does SWIFT stand for?	
(a)	Society for Worldwide International Financial Transactions	O
(b)	Society for Worldwide Inter-bank Financial Telecommunication	O
(c)	Secure Worldwide Interbank Financial Transfers	O
(d)	Society for World Inter-bank Financial Transactions	O



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27.	When was the International Development Association (IDA) established?		
	(a)	1945	<input type="radio"/>
	(b)	1950	<input type="radio"/>
	(c)	1960	<input type="radio"/>
	(d)	1975	<input type="radio"/>
28.	Cost push inflation arises due to		
	(a)	Increase in price of precious metal	<input type="radio"/>
	(b)	Mismatch between demand and supply of commodities	<input type="radio"/>
	(c)	Combine phenomena of demand pull and cost-push inflation.	<input type="radio"/>
	(d)	Persist entries in factor cost	<input type="radio"/>
29.	The micro business environment does not include		
	(a)	Economy	<input type="radio"/>
	(b)	Firms and consumers	<input type="radio"/>
	(c)	market and competitors	<input type="radio"/>
	(d)	both(B) and (C)	<input type="radio"/>
30.	Porter's Five Forces Model does not include		
	(a)	Rival sellers	<input type="radio"/>
	(b)	Substitute products	<input type="radio"/>
	(c)	Bargaining power of suppliers	<input type="radio"/>
	(d)	Bargaining power of employees	<input type="radio"/>
31.	What does PESTEL analysis primarily help businesses assess?		
	(a)	External macro-environmental factors	<input type="radio"/>
	(b)	Company-specific product development	<input type="radio"/>
	(c)	Short-term economic forecasting	<input type="radio"/>
	(d)	Internal financial performance	<input type="radio"/>



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32.	Which of the following is an example of a societal factor analyzed in PESTEL?	
(a)	Technological disruptions in the market	<input type="radio"/>
(b)	Environmental regulations	<input type="radio"/>
(c)	Changing population demographics	<input type="radio"/>
(d)	Taxation laws	<input type="radio"/>
33.	In the VUCAFU model, what does "Volatility" primarily refer to?	
(a)	Stability in market trends	<input type="radio"/>
(b)	The rapid and unpredictable nature of change	<input type="radio"/>
(c)	Long-term economic growth	<input type="radio"/>
(d)	Predictable changes in the market	<input type="radio"/>
34.	How does "Ambiguity" in the VUCAFU model impact decision-making	
(a)	It provides clear guidelines for decisions	<input type="radio"/>
(b)	It ensures predictable results	<input type="radio"/>
(c)	It simplifies the decision-making process	<input type="radio"/>
(d)	It leads to confusion and lack of clarity in future outcomes	<input type="radio"/>
35.	What is the primary focus of the emerging dimensions of VUCAFU?	
(a)	Fostering global partnerships	<input type="radio"/>
(b)	Addressing new complexities in the global environment	<input type="radio"/>
(c)	Establishing long-term financial stability	<input type="radio"/>
(d)	Focusing on traditional market trends	<input type="radio"/>
36.	In the context of management, what is the "Class or Elite" scope referring to?	
(a)	A group of subordinates responsible for execution of tasks	<input type="radio"/>
(b)	The owners of the company who make critical decisions	<input type="radio"/>
(c)	A collective group of individuals performing managerial activities who form a distinct class	<input type="radio"/>
(d)	The employees responsible for non-managerial tasks	<input type="radio"/>
37.	Which of the following is NOT one of the three broad groups of the scope of management according to Herbison and Myres?	
(a)	Organizational Structure	<input type="radio"/>
(b)	Economic Resource	<input type="radio"/>
(c)	System of Authority	<input type="radio"/>
(d)	Class or Elite	<input type="radio"/>



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38.	T-group training is also known as		
	(a)	Classroom Training	<input type="radio"/>
	(b)	Apprenticeship Training	<input type="radio"/>
	(c)	Internship Training	<input type="radio"/>
	(d)	Sensitivity Training	<input type="radio"/>
39.	A thirsty person may use body language by lifting the thumb to face in order to communicate that he needs a glass of drinking water. This process is called:		
	(a)	Medium	<input type="radio"/>
	(b)	Encoding	<input type="radio"/>
	(c)	Decoding	<input type="radio"/>
	(d)	Feedback	<input type="radio"/>
40.	Which of the following is not an external source of recruitment?		
	(a)	advertisement	<input type="radio"/>
	(b)	promotions	<input type="radio"/>
	(c)	casual callers	<input type="radio"/>
	(d)	recommendations of employees	<input type="radio"/>
41.	Tendency of people to interpret the same message in different ways may act as a _____ barrier.		
	(a)	Semantic	<input type="radio"/>
	(b)	Emotions	<input type="radio"/>
	(c)	Time pressure	<input type="radio"/>
	(d)	Selective perception	<input type="radio"/>
42.	The theory that implies use of 'Carrot and Stick' Approach is		
	(a)	Theory X	<input type="radio"/>



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	(b)	Theory Y	<input type="radio"/>
	(c)	Maslow's Need Hierarchy Theory	<input type="radio"/>
	(d)	Herzberg's Model	<input type="radio"/>
43.	Which control is based on the notion that we can have control over events that will take place and not on events which have already taken place?		
	(a)	Concurrent control	<input type="radio"/>
	(b)	Pre-control	<input type="radio"/>
	(c)	Post control	<input type="radio"/>
	(d)	Feed Forward control	<input type="radio"/>
44.	Free-rein Leadership is also known as		
	(a)	Laissez Fair Leadership	<input type="radio"/>
	(b)	Participative Leadership	<input type="radio"/>
	(c)	Authoritarian Leadership	<input type="radio"/>
	(d)	None of the above	<input type="radio"/>
45.	System 2 managers are		
	(a)	Exploitative Autocratic	<input type="radio"/>
	(b)	Benevolent Autocratic	<input type="radio"/>
	(c)	Consultative Autocratic	<input type="radio"/>
	(d)	Democratic Autocratic	<input type="radio"/>
46.	Likert suggested that ____ is the ideal system towards which organizations should work.		
	(a)	System 1	<input type="radio"/>
	(b)	System 2	<input type="radio"/>
	(c)	System 3	<input type="radio"/>
	(d)	System 4	<input type="radio"/>



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47.	A decision to launch a new production plant is		
	(a)	Programmed decision	O
	(b)	Personal decision	O
	(c)	Non-routine decision	O
	(d)	Organizational decisions	O
48.	The technique that involves use of the brain to find different ideas which can solve a critical problem is		
	(a)	Creative technique	O
	(b)	Participative technique	O
	(c)	Heuristic technique	O
	(d)	All of the above	O
49.	Drucker mentions four criteria for selection of an alternative.		
	(a)	Risk, economy of cost, timing and limitation of human resources	O
	(b)	Risk, economy of effort, timing and limitation of resources.	O
	(c)	Value, economy of effort, timing and limitation of resources.	O
	(d)	Safety, value, timing and limitation of resources.	O
50.	Linear programming is the technique for optimization of		
	(a)	A constraint function	O
	(b)	A resource function	O
	(c)	A probabilistic and not deterministic function	O
	(d)	An objective function	O