FOUNDATION EXAMINATION **SET 1**
MODEL QUESTION PAPER **TERM – DEC 2026**
PAPER – 4 **SYLLABUS 2022**

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour Full Marks: 100

Answer all questions. Each question carries 2 marks.
Choose the correct option from the given four alternatives

1.	According to Lionel Robbins, economic problems arise primarily because human wants are unlimited and resources are:		
	(a)	Unlimited and have single uses	O
	(b)	Scarce and have alternative uses	O
	(c)	Abundant and have alternative uses	O
	(d)	Scarce and have fixed single uses	O
2.	A movement along the same demand curve to the right is caused by a:		
	(a)	Increase in the price of substitute goods	O
	(b)	Decrease in the price of the given commodity	O
	(c)	Rise in the income level of consumers	O
	(d)	Favourable change in consumer tastes	O
3.	If two goods are perfectly complementary items, the shape of their Indifference Curve (IC) is:		
	(a)	A straight line sloping downward	O
	(b)	Convex to the origin	O
	(c)	Right-angled or L-shaped	O
	(d)	Concave to the origin	O
4.	When Marginal Utility (MU) becomes negative, Total Utility (TU) starts to:		
	(a)	Rise at an increasing rate	O
	(b)	Reach its maximum point	O
	(c)	Decline	O
	(d)	Remain constant	O
5.	In the short run production function, the Law of Variable Proportions states that Stage II ends when:		
	(a)	Average Product (AP) is maximum	O
	(b)	Marginal Product (MP) becomes zero	O
	(c)	Total Product (TP) is maximum	O
	(d)	Both (B) and (C)	O
6.	The explicit cost plus implicit cost incurred during production together constitute the:		
	(a)	Accounting Cost	O
	(b)	Economic Cost	O
	(c)	Opportunity Cost	O
	(d)	Sunk Cos	O
	For a firm operating in a perfectly competitive market, the relationship between Average Revenue		

7.	(AR) and Marginal Revenue (MR) is:		
	(a)	AR > MR	O
	(b)	AR < MR	O
	(c)	AR = MR = Price	O
	(d)	AR and MR are negatively sloped curves	O
8.	If the price elasticity of demand for a good is -2.5, a 15% decrease in its price will result in a:		
	(a)	37.5% decrease in quantity demanded	O
	(b)	37.5% increase in quantity demanded	O
	(c)	6.0% decrease in quantity demanded	O
	(d)	6.0% increase in quantity demanded	O
9.	A firm under Perfect Competition achieves short-run equilibrium where:		
	(a)	Average Cost is minimized	O
	(b)	Marginal Revenue equals Marginal Cost (MR = MC) and MC cuts MR from below	O
	(c)	Total Revenue equals Total Cost	O
	(d)	Price is greater than Marginal Cost	O
10.	In a Monopoly market structure, the cross elasticity of demand between the monopolist's product and any other product is:		
	(a)	Infinite	O
	(b)	Very high	O
	(c)	Zero or nearly zero	O
	(d)	Equal to unity	O
11.	A monopolist practises First-Degree Price Discrimination when they charge:		
	(a)	Different prices for different quantities purchased	O
	(b)	The maximum price each consumer is willing to pay, leaving zero consumer surplus	O
	(c)	Different prices in different regional markets	O
	(d)	Uniform prices across all market segments	O
12.	Excess Capacity is a characteristic feature of which market structure in the long run?		
	(a)	Perfect Competition	O
	(b)	Monopoly	O
	(c)	Monopolistic Competition	O
	(d)	Monopsony	O
13.	The Kinked Demand Curve hypothesis proposed by Paul Sweezy explains:		
	(a)	Price rigidity under Oligopoly	O
	(b)	Profit maximization under Monopoly	O
	(c)	Cost minimization under Perfect Competition	O
	(d)	Product differentiation under Monopolistic Competition	O

14.	In the long run, a firm under Monopolistic Competition earns:		
	(a)	Supernormal Profit	O
	(b)	Subnormal Profit (Loss)	O
	(c)	Normal Profit only	O
	(d)	Monopoly Rent	O
15.	Cartel formation is a typical example of which form of market behavior?		
	(a)	Collusive Oligopoly	O
	(b)	Non-collusive Oligopoly	O
	(c)	Perfect Competition	O
	(d)	Pure Monopoly	O
16.	A market situation characterized by only ONE BUYER and MANY SELLERS is termed as:		
	(a)	Monopoly	O
	(b)	Monopsony	O
	(c)	Duopoly	O
	(d)	Oligopsony	O
17.	Selling costs, such as advertisement and promotional expenditures, are heavy and vital under:		
	(a)	Perfect Competition	O
	(b)	Pure Monopoly	O
	(c)	Monopolistic Competition	O
	(d)	Pure Industry	O
18.	Under Perfect Competition, the short-run supply curve of an individual firm is represented by:		
	(a)	That portion of the Marginal Cost curve which lies above the Average Variable Cost curve	O
	(b)	The entire Marginal Cost curve	O
	(c)	The Average Total Cost curve	O
	(d)	The Average Variable Cost curve	O
19.	Which function of money helps in overcoming the double coincidence of wants inherent in the barter system?		
	(a)	Standard of deferred payment	O
	(b)	Store of value	O
	(c)	Medium of exchange	O
	(d)	Transfer of value	O
20.	In Fisher's Quantity Theory of Money equation (MV=PT), 'V' stands for:		
	(a)	Volume of transaction	O
	(b)	Velocity of circulation of money	O
	(c)	Value of money	O
	(d)	Variable supply of bank notes	O
21.			

	Which monetary aggregate in India is known as "Narrow Money"?		
	(a)	M1	O
	(b)	M2	O
	(c)	M3	O
	(d)	M4	O
22.	The percentage of total deposits that a commercial bank must keep with the Reserve Bank of India in cash form is called:		
	(a)	Statutory Liquidity Ratio (SLR)	O
	(b)	Cash Reserve Ratio (CRR)	O
	(c)	Repo Rate	O
	(d)	Reverse Repo Rate	O
23.	When the Reserve Bank of India sells government securities in the open market, the liquidity in the banking system:		
	(a)	Decreases	O
	(b)	Increases	O
	(c)	Remains unchanged	O
	(d)	Expands exponentially	O
24.	Commercial Papers are short-term unsecured promissory notes issued by:		
	(a)	Commercial Banks to RBI	O
	(b)	Highly rated creditworthy corporate entities	O
	(c)	Primary Dealers to retail customers	O
	(d)	Ministry of Finance to foreign investors	O
25.	Inflation caused by an autonomous rise in wages or raw material prices while aggregate demand remains constant is called:		
	(a)	Demand-Pull Inflation	O
	(b)	Cost-Push Inflation	O
	(c)	Hyperinflation	O
	(d)	Deficit-Induced Inflation	O
26.	The maximum tenure for Treasury Bills issued by the Government of India is:		
	(a)	91 days	O
	(b)	182 days	O
	(c)	364 days	O
	(d)	730 days	O
27.		Which quantitative tool of monetary policy refers to the interest rate at which RBI lends	

		money to commercial banks against collateral for short periods?	
	(a)	Bank Rate	
	(b)	Repo Rate	O
	(c)	Marginal Standing Facility Rate	O
	(d)	Base Rate	O
28.	Money market deals with financial assets that have a maturity period of:		
	(a)	Up to 1 year	O
	(b)	1 to 5 years	O
	(c)	More than 5 years	O
	(d)	Indefinite tenure	O
29.	In a PESTEL analysis, factors concerning employment laws, health and safety regulations, and tax rates belong to:		
	(a)	Political & Legal categories	O
	(b)	Economic & Social categories	O
	(c)	Technological & Environmental categories	O
	(d)	Socio-Cultural categories only	O
30.	Which of the following is considered an element of the MICRO business environment?		
	(a)	Demographic policy changes	O
	(b)	Intermediaries and Suppliers	O
	(c)	Technological innovations	O
	(d)	Macroeconomic inflation rates	O
31.	In SWOT analysis, internal organizational attributes that provide a competitive advantage are classified as:		
	(a)	Strengths	O
	(b)	Opportunities	O
	(c)	Threats	O
	(d)	Weaknesses	O
32.	In Porter's Five Forces Model, the entry of new firms into an industry is blocked or made difficult by high:		
	(a)	Bargaining power of buyers	O
	(b)	Barriers to entry	O
	(c)	Threat of substitute products	O
	(d)	Industry rivalry	O
33.	The acronym VUCA, used to describe challenging business environments, stands for:		
	(a)	Vision, Understanding, Clarity, Agility	O
	(b)	Value, Utility, Capacity, Authority	O
	(c)	Volatility, Uncertainty, Complexity, Ambiguity	O
	(d)	Velocity, Uniformity, Consistency, Adaptability	O
34.	Factors such as demographic profile, social values, lifestyle choices, and cultural traditions are part		

	of the:		
	(a)	Micro Environment	O
	(b)	Macro Socio-Cultural Environment	O
	(c)	Internal Corporate Environment	O
	(d)	Political Environment	O
35.	An economy where both private enterprises and state enterprises coexist and operate side-by-side is known as a:		
	(a)	Capitalist Economy	O
	(b)	Socialist Economy	O
	(c)	Mixed Economy	O
	(d)	Command Economy	O
36.	Who among the following is widely regarded as the Father of Modern Administrative Management Theory?		
	(a)	Frederick Winslow Taylor	O
	(b)	Henri Fayol	O
	(c)	Max Weber	O
	(d)	Elton Mayo	O
37.	The classical principle of management stating "An employee should receive orders from one superior only" is known as:		
	(a)	Unity of Command	O
	(b)	Unity of Direction	O
	(c)	Scalar Chain	O
	(d)	Discipline	O
38.	F.W. Taylor advocated 'Functional Foremanship', which proposed dividing supervision among how many specialized supervisors?		
	(a)	4 Supervisors	O
	(b)	6 Supervisors	O
	(c)	8 Supervisors	O
	(d)	10 Supervisors	O
39.	Planning is termed a 'forward-looking' function because it:		
	(a)	Evaluates past performance	O
	(b)	Establishes goals and decides future courses of action in advance	O
	(c)	Directly executes daily operations on the shop floor	O
	(d)	Corrects deviations post-production	O
40.	According to Abraham Maslow’s Need Hierarchy Theory, which needs emerge immediately after safety and security needs are fulfilled?		
	(a)	Physiological Needs	O
	(b)	Esteem Needs	O
	(c)	Social / Belongingness Needs	O
	(d)	Self-Actualization Needs	O

41.	In Herzberg's Two-Factor Motivation Theory, hygiene factors when present in sufficient quantity:		
	(a)	Cause high-level intrinsic motivation	O
	(b)	Prevent employee dissatisfaction, but do not necessarily build motivation	O
	(c)	Cause extreme dissatisfaction	O
	(d)	Replace performance appraisal systems	O
42.	Management by Objectives (MBO) is a management technique where goals are set:		
	(a)	Jointly by superior and subordinate managers	O
	(b)	Unilaterally by the Chief Executive Officer	O
	(c)	Exclusively by external consultants	O
	(d)	By trade unions	O
43.	Span of Control (or Span of Management) refers to:		
	(a)	The geographical area covered by a firm's operations	O
	(b)	The length of time taken to complete a project	O
	(c)	The maximum number of subordinates that can be effectively supervised by one manager	O
	(d)	The total number of hierarchical levels in a company	O
44.	Which leadership style gives complete freedom to subordinates to make decisions and perform their duties without supervisor interference?		
	(a)	Laissez-faire / Free-Rein Style	O
	(b)	Democratic / Participative Style	O
	(c)	Autocratic Style	O
	(d)	Paternalistic Style	O
45.	Delegation of authority consists of three essential elements. They are:		
	(a)	Planning, Organizing, and Controlling	O
	(b)	Responsibility, Authority, and Accountability	O
	(c)	Power, Status, and Salary	O
	(d)	Leadership, Communication, and Supervision	O
46.	In an organizational structure, communication that flows laterally between peers across different departments at the same organizational level is called:		
	(a)	Downward Communication	O
	(b)	Upward Communication	O
	(c)	Horizontal / Lateral Communication	O
	(d)	Diagonal Communication	O
47.	The primary purpose of the Controlling function in management is to:		
	(a)	Issue commands and directives to workers	O
	(b)	Ensure actual performance matches planned standards and correct deviations	O
	(c)	Assign work to subordinates	O
	(d)	Recruit staff members	O

48.	According to Douglas McGregor, Theory Y managers assume that employees:		
	(a)	Dislike work and avoid it whenever possible	O
	(b)	Must be coerced and threatened with punishment to perform	O
	(c)	Are self-directed, creative, and seek responsibility under proper conditions	O
	(d)	Lack ambition and prefer security above all else	O
49.	In the Blake and Mouton Managerial Grid, a leader who displays high concern for production (9) and low concern for people (1) demonstrates		
	(a)	1,1 Impoverished Style	O
	(b)	9,1 Authority-Compliance / Task Style	O
	(c)	1,9 Country Club Style	O
	(d)	9,9 Team Style	O
50.	The step in the decision-making process that immediately follows "Developing Alternative Courses of Action" is:		
	(a)	Evaluating the alternatives	O
	(b)	Identifying the problem	O
	(c)	Selecting the best alternative	O
	(d)	Implementing the decision	O