



**FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 4**

**Set - 2
Syllabus - 2022
TERM JUNE-2026**

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	Who was the father of Economics		
	(a)	Marshall	O
	(b)	Adam smith	O
	(c)	Robbins	O
	(d)	Keynes	O
2.	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
3.	6. Nature of PPF curve is.		
	(a)	convex to the origin	O
	(b)	concave to the origin	O
	(c)	Both	O
	(d)	None	O
4.	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
5.	If the Marginal product of labour is below the Average product of Labour, it must be true that		
	(a)	The Marginal product of Labour is negative	O
	(b)	The Marginal Product of Labour is Zero	O



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	(c)	The Marginal Product of Labour is falling	O
	(d)	The Average product of Labour is negative	O
6.	In the case of inferior goods, the consumer		
	(a)	Purchases less with increase in income	O
	(b)	Purchases less with decrease in price	O
	(c)	Purchases more with increase in income	O
	(d)	Purchases more with decrease in price	O
7.	Equilibrium means...		
	(a)	Change position	O
	(b)	Unchanged position	O
	(c)	Equality in society	O
	(d)	All the above	O
8.	Labour supply curve is		
	(a)	Upward sloping	O
	(b)	Downward sloping	O
	(c)	Backward sloping	O
	(d)	A straight line	O
9.	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
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.	The market state that satisfy all the essential features of a perfect competitive		



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	market except identity of product is known as	
(a)	Oligopoly	O
(b)	Duopoly	O
(c)	Monopoly	O
(d)	Monopolistic competition	O
12.	Which is the first order condition for the profit of a firm be maximum?	
(a)	AC-MR	O
(b)	MC-MR	O
(c)	MR-AR	O
(d)	AC=AR	O
13.	OPEC is an example of	
(a)	Perfect competition	O
(b)	Monopolistic competition	O
(c)	Monopoly	O
(d)	Cartel	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 5 years	O
(d)	12.33 percent, profit on capital employed	O
15.	Oligopoly means	
(a)	Single seller	O
(b)	Few sellers	O
(c)	Large numbers of sellers	O
(d)	No buyers	O
16.	On the basis of area, markets are classified into types	
(a)	2	O
(b)	3	O
(c)	4	O



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	(d)	5	O
17.	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
18.	Money market deals with the		
	(a)	Short term credit	O
	(b)	Long term credit	O
	(c)	both A & B	O
	(d)	None	O
19.	EXIM Bank is authorized to raise loan from :		
	(a)	RBI	O
	(b)	Government of India	O
	(c)	International market	O
	(d)	Trading activities	O
20.	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
21.	If the country is passing through recession, the RBI would		
	(a)	Buy bonds	O
	(b)	Reduce CRR	O
	(c)	Ease out bank rate	O
	(d)	All or any of the above three	O



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22.	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
23.	In call money market funds are borrowed of rent without any security for the period of...		
	(a)	1 day	O
	(b)	14 days	O
	(c)	a & b	O
	(d)	NONE	O
24.	If buyer of the goods is called		
	(a)	Drawer	O
	(b)	Drawee	O
	(c)	Payee	O
	(d)	None	O
25.	Certificate of deposits are issued by the banks to		
	(a)	individual	O
	(b)	companies	O
	(c)	P.S.U.S	O
	(d)	All the above	O
26.	Which are unsecured promissory notes		
	(a)	Commercial paper	O
	(b)	Certificate of deposits	O
	(c)	Treasury bills	O
	(d)	All the above	O



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27.	Commercial banks provide collateral loans against		
	(a)	bonds	O
	(b)	govt. security	O
	(c)	both A & B	O
	(d)	None	O
28.	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
29.	The components of micro business environment are-		
	(a)	Firms and consumers	O
	(b)	Market & competitors	O
	(c)	Organization	O
	(d)	All	O
30.	In PESTEL Analysis, government policy, political stability or instability, corruption, foreign trade policy, tax policy, labour law, trade restrictions etc. are related to:		
	(a)	Political factors	O
	(b)	Economic factors	O
	(c)	Environmental factors	O
	(d)	Legal factors	O
31.	The micro business environment does not include		
	(a)	Firms and consumers	O



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	(b)	market and competitors	O
	(c)	Economy	O
	(d)	both(A) and (B)	O
32.	The term PESTEL does not include		
	(a)	Technological factors	O
	(b)	legal factors	O
	(c)	Economic factors	O
	(d)	population factors	O
33.	SWOT analysis does not include		
	(a)	Strength	O
	(b)	Weaknesses	O
	(c)	Opinions	O
	(d)	Threats	O
34.	Porter's Five Forces Model does not include		
	(a)	Rival sellers	
	(b)	Substitute products	
	(c)	Bargaining power of employees	
	(d)	Bargaining power of suppliers	
35.	Volatility refers to the change of.		
	(a)	Speed	O
	(b)	Volume	O
	(c)	Nature	O
	(d)	All the above	O
36.	Which of the following is not a function of managers?		
	(a)	Designing	O
	(b)	Organizing	O
	(c)	Leading	O
	(d)	Planning	O



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37.	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
38.	Which of the following does not corroborate the concept of ‘Management as a Science’?	
(a)	Cause & Effect Relationship	O
(b)	Test of Validity	O
(c)	Personal Skill	O
(d)	Experimentation & Observation.	O
39.	Who considered co-ordination as a permeating function of management passing through the managerial functions of planning, organizing, staffing, leading and controlling?	
(a)	George Terry and Theo Haimann	O
(b)	Henry Fayol	O
(c)	Haynes and Massie	O
(d)	Hicks and Gullet	O
40.	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
41.	Who emphasized harmony of objectives is crucial to the success of direction?	



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	(a)	F.W.Taylor	O
	(b)	Henry Fayol	O
	(c)	Peter Drucker	O
	(d)	George Terr	O
42.	A manager has to exhibit the style of leadership depending on the :		
	(a)	Performance	O
	(b)	Time	O
	(c)	Situation	O
	(d)	Period	O
43.	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
44.	Agency Theory' developed by :		
	(a)	Alchian and Demsetz	O
	(b)	Jensen and Meckling	O
	(c)	Jensen and Fama	O
	(d)	All of the above	O
45.	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



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46.	According to Davis, Schoorman and Donaldson (1997), the managers being a steward of the company will try to protect and maximize -----through firm performance.	
	(a) shareholder's wealth	O
	(b) stakeholder's wealth	O
	(c) both (a) and (b)	O
	(d) none of the above	O
47.	_____ is concerned with providing the organization with the right number of people at the right place, and at the right time so that the organization would be able to achieve its goals effectively.	
	(a) Recruitment	O
	(b) Staffing	O
	(c) Selection	O
	(d) Development	O
48.	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
49.	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



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50.	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 share 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