



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER - 4

SET 2
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.	The demand for salt is inelastic, because _____		
	(a)	of low price	O
	(b)	absence of it makes food tasteless	O
	(c)	no substitutes	O
	(d)	all the three	O
2.	All factor of production become variable in –		
	(a)	Long – run	O
	(b)	Short – run	O
	(c)	Medium – run	O
	(d)	None of the above	O
3.	Deductive method is also called _____		
	(a)	Prior method	O
	(b)	Abstract Method	O
	(c)	Analytical Method	O
	(d)	All the above	O
4.	How many stages are there in the Law of Variable Proportions?		
	(a)	2	O
	(b)	5	O
	(c)	3	O
	(d)	4	O
5.	In the case of inferior goods, the consumer		
	(a)	Purchases less with decrease in income	O
	(b)	Purchases less with increase in price	O



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MODEL QUESTION PAPER
PAPER - 4

SET 2
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FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

	(c)	Purchases more with increase in income	O
	(d)	Purchases more with decrease in price	O
6.	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
	(c)	The Average product of Labour is negative	O
	(d)	The Marginal Product of Labour is falling	O
7.	TV Crises with increasing rate when law of is in operation		
	(a)	Diminishing returns	O
	(b)	Increasing returns	O
	(c)	Constant returns	O
	(d)	Any of the above three	O
8.	Due to the operation of Laws of return to scale LAC curve is_____		
	(a)	Downward sloping	O
	(b)	U-shaped	O
	(c)	Upward sloping	O
	(d)	Vertical	O
9.	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
10.	A firm that makes profit in excess of normal profit is earning		
	(a)	Super normal profit	O
	(b)	Normal profit	O



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MODEL QUESTION PAPER
PAPER - 4

SET 2
TERM – JUNE 2025

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	(c)	Costing profit	O
	(d)	Economic profit	O
11.	Which of the following does not characterize monopolistic competition?		
	(a)	Product differentiation	O
	(b)	Many producers	O
	(c)	Absence of advertising	O
	(d)	Partial control over price	O
12.	Price rigidity is the feature of which market?		
	(a)	Monopoly	O
	(b)	Oligopoly	O
	(c)	Monopolistic Competition	O
	(d)	Perfect Competition	O
13.	The demand for monopoly product is _____ elastic		
	(a)	Perfectly	O
	(b)	Less	O
	(c)	More	O
	(d)	Unitary	O
14.	Penetration Pricing is adopted by following a		
	(a)	Dual Price	O
	(b)	Support Price	O
	(c)	High Price	O
	(d)	Low Price	O
15.	Which degree of price discrimination is also known as Block Pricing?		
	(a)	Third-Degree Price Discrimination	O
	(b)	First-Degree Price Discrimination	O
	(c)	Second-Degree Price Discrimination	O
	(d)	Fourth-Degree Price Discrimination	O
16.	_____ Price is established at the point where supply and demand are equal.		



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MODEL QUESTION PAPER
PAPER - 4

SET 2
TERM – JUNE 2025

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

	(a)	Equilibrium	O
	(b)	Monopoly	O
	(c)	Reserve	O
	(d)	Market	O
17.	Means absence of competition		
	(a)	Perfect Competition	O
	(b)	Monopoly	O
	(c)	Imperfect Competition	O
	(d)	Discrimination	O
18.	In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes		
	(a)	Profits and new firms join the market	O
	(b)	Profit and bar entry to new firms	O
	(c)	Makes losses and exit the market	O
	(d)	Quick profit and disappears	O
19.	Fiat money gets its value from:		
	(a)	Physical commodities like gold or silver	O
	(b)	Market demand and supply	O
	(c)	The cost of production of coins and bills	O
	(d)	A government order declaring it as legal tender	O
20.	According to Gresham's Law, which of the following occurs?		
	(a)	Good money drives bad money out of circulation.	O
	(b)	Bad money drives good money out of circulation.	O
	(c)	Both good and bad money circulate equally.	O
	(d)	People prefer to hold paper money over metal money.	O
21.	The first State Financial Corporation (SFC) was established in 1953 in which state?		
	(a)	Maharashtra	O
	(b)	Tamil Nadu	O
	(c)	Punjab	O
	(d)	Uttar Pradesh	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER - 4

SET 2
TERM – JUNE 2025

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

22.	SDRs are often referred to as:		
	(a)	Paper money	O
	(b)	Digital currency	O
	(c)	Paper gold	O
	(d)	Reserve assets	O
23.	EXIM Bank is authorized to raise loan from		
	(a)	RBI	O
	(b)	Trading activities	O
	(c)	International market	O
	(d)	Government of India	O
24.	Public expenditure comes under the _____ policy.		
	(a)	Fiscal	O
	(b)	Monetary	O
	(c)	Trade	O
	(d)	Supply - side	O
25.	In India, the Central Bank was established in _____.		
	(a)	1937	O
	(b)	1935	O
	(c)	1940	O
	(d)	1942	O
26.	SIDBI is a subsidiary bank of _____		
	(a)	Reserve Bank of India	O
	(b)	State Bank of India	O
	(c)	Industrial Development Bank of India	O
	(d)	ICICI	O
27.	Generally, commercial bills are prepared for the period of _____ days.		
	(a)	30	O
	(b)	60	O
	(c)	120	O
	(d)	90	O



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MODEL QUESTION PAPER
PAPER - 4

SET 2
TERM – JUNE 2025

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

28.	Financial market are classified into money market and capital market on the basis of ____		
	(a)	Nature of transactions	O
	(b)	Term of credit	O
	(c)	Rate of return	O
	(d)	Geographical location	O
29.	The relationship between money supply and price level is:		
	(a)	Direct	O
	(b)	Inverse	O
	(c)	Unrelated	O
	(d)	Proportional	O
30.	The more _____ the world is, the more and faster things change.		
	(a)	Volatile	O
	(b)	Predictable	O
	(c)	Complex	O
	(d)	Stable	O
31.	The "minimax rule" was put forward by _____?		
	(a)	John von Neumann	O
	(b)	Adam Smith	O
	(c)	Milton Friedman	O
	(d)	Kenneth Arrow	O
32.	A PESTEL analysis is used to identify threats and _____?		
	(a)	Competitors	O
	(b)	Weaknesses	O
	(c)	Profit	O
	(d)	Product	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER - 4

SET 2
TERM – JUNE 2025

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

33.	Demographic Environment of Business is mainly dependent on		
	(a)	Population size	O
	(b)	Government policies	O
	(c)	Technological advancements	O
	(d)	Economic conditions	O
34.	Which economic factor is a concern for Uber according to the PESTEL analysis?		
	(a)	Usage of automobile fuel may increase	O
	(b)	To follow minimum wage rules	O
	(c)	Need to prevent ban on Uber	O
	(d)	Reasonable fare charges	O
35.	_____ has been pivotal to the emergence of the digital payment economic system in India		
	(a)	RBI	O
	(b)	SEBI	O
	(c)	NPCI	O
	(d)	NABARD	O
36.	Which is inherent in managerial job and embodied in all the functions of management?		
	(a)	Co-ordination	O
	(b)	Planning	O
	(c)	Organising	O
	(d)	Control	O
37.	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
38.	Which of the following is not an agency cost?		
	(a)	Residual loss.	O



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MODEL QUESTION PAPER
PAPER - 4**

**SET 2
TERM – JUNE 2025**

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

	(b)	Bonding costs	O
	(c)	Concurrent loss	O
	(d)	Monitoring costs	O
39.	The process which involves growth of an employee		
	(a)	Training	O
	(b)	Development	O
	(c)	Education	O
	(d)	None of the above	O
40.	When an individual learns several different jobs within a work unit or department is known as:		
	(a)	Coaching	O
	(b)	Job rotation	O
	(c)	Vestibule training	O
	(d)	Apprenticeship training	O
41.	_____ is needed for solving novel, non-routine problems.		
	(a)	Creative thinking	O
	(b)	Critical thinking	O
	(c)	Logical thinking	O
	(d)	Analytical thinking	O
42.	Self-confidence, independence, achievements, knowledge, status, recognition and appreciation examples of _____		
	(a)	Safety needs.	O
	(b)	Social needs	O
	(c)	Ego needs.	O
	(d)	Self-actualization needs.	O



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43.	Leadership behaviour is influenced by certain qualities of a person is ____		
	(a)	Follower's theory.	O
	(b)	Trait theory.	O
	(c)	Situational theory	O
	(d)	Managerial grid.	O
44.	Hierarchy of human needs –		
	(a)	Physiological needs – Security needs – Social needs – Self Actualisation Needs – Esteem needs.	O
	(b)	Survival Needs – Safety Needs – Social needs – Esteem needs – Self Actualisation Needs	O
	(c)	Physiological needs – Social needs – Safety needs – Esteem needs – Self Actualisation Needs.	O
	(d)	None of the above	O
45.	Strategic decisions includes decisions on		
	(a)	Plant location	O
	(b)	Introduction of new products	O
	(c)	Acquisition of outside enterprises	O
	(d)	All of the above	O
46.	The final step in decision making process is:		
	(a)	Implementation and follow up of decision	O
	(b)	Evaluation of Alternative	O
	(c)	Developing Alternative	O
	(d)	Selection of an Alternative	O
47.	Who equated management with decision making because whatever a manager does is nothing but decision making?		
	(a)	Felix M. Lopez	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER - 4

SET 2
TERM – JUNE 2025

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

	(b)	Herbert A. Simon	O
	(c)	John Mc Donald	O
	(d)	Andrew Szliagyl	O
48.	Which is a sophisticated type of trial and error technique to find solutions to complex problems on a step by step basis?		
	(a)	Creative technique	O
	(b)	Heuristic technique	O
	(c)	Participative technique	O
	(d)	None of the above	O
49.	_____ Decisions are those that are repetitive and routine.		
	(a)	Programmed decisions	O
	(b)	Non-programmed decisions	O
	(c)	Non-routine decisions	O
	(d)	Organisational decision	O
50.	_____ Style may be appropriate when the subordinates are well trained, highly knowledgeable, self-motivated.		
	(a)	Autocratic Style	O
	(b)	Participative Style	O
	(c)	Free-rein Style	O
	(d)	All of the above	O