GOVERNMENT DEGREE COLLEGE, NANDIKOTKUR
DEPARTMENT OF COMMERCE
I - SEMESTER FUNDAMENTALS OF COMMERCE
QUESTION BANK

UNIT -I

1. **What is the primary purpose of commerce?**
   a) To produce goods
   b) To facilitate the exchange of goods and services
   c) To restrict trade
   d) To control financial markets
   Answer: b) To facilitate the exchange of goods and services
2. **Which of the following is considered a branch of commerce?**
   a) Manufacturing
   b) Banking
   c) Agriculture
   d) Mining
   Answer: b) Banking
3. **What is the main function of trade in commerce?**
   a) Production of goods
   b) Storage of goods
   c) Exchange of goods and services
   d) Waste management
   Answer: c) Exchange of goods and services
4. **Which of these is an example of auxiliary services in commerce?**
   a) Production
   b) Transportation
   c) Agriculture
   d) Mining
   Answer: b) Transportation
5. **Commerce includes activities that help in the distribution of goods from:**
   a) Producer to wholesaler
   b) Consumer to producer
   c) Manufacturer to retailer
   d) Producer to consumer
   Answer: d) Producer to consumer
6. **Which of the following is NOT a component of commerce?**
   a) Banking
   b) Insurance
   c) Production
   d) Advertising
   Answer: c) Production

7. **What is the role of insurance in commerce?**
   a) To produce goods
   b) To finance production
   c) To minimize risks and losses
   d) To promote new products
   Answer: c) To minimize risks and losses
8. **Commerce mainly deals with:**
   a) Production of goods and services
   b) Creation of wealth
   c) Distribution of goods and services
   d) Research and development
   Answer: c) Distribution of goods and services
9. **Which of these is an essential part of e-commerce?**
   a) Physical retail stores
   b) Online transactions
   c) Stock exchange
   d) Agriculture
   Answer: b) Online transactions
10. **The primary aim of commerce is to:**
   a) Increase production
   b) Reduce the cost of goods
   c) Bridge the gap between producers and consumers
   d) Eliminate competition
   Answer: c) Bridge the gap between producers and consumers
11. **What does WTO stand for?**
   a) World Trade Organization
   b) World Transport Organization
   c) World Taxation Office
   d) World Tourism Organization
   Answer: a) World Trade Organization
12. **When was the WTO established?**
   a) 1945
   b) 1980
   c) 1995
   d) 2000
   Answer: c) 1995
13. **What was the main predecessor of the WTO?**
   a) United Nations
   b) International Monetary Fund (IMF)
   c) General Agreement on Tariffs and Trade (GATT)
   d) World Bank
   Answer: c) General Agreement on Tariffs and Trade (GATT)
14. **Where is the headquarters of the WTO located?**
   a) New York, USA
   b) Geneva, Switzerland
   c) Paris, France

d) Tokyo, Japan
Answer: b) Geneva, Switzerland

15. **The main objective of the WTO is to:**
a) Increase tariffs
b) Facilitate free and fair trade
c) Regulate the stock market
d) Impose sanctions on countries
Answer: b) Facilitate free and fair trade
16. **Which of the following is a function of the WTO?**
a) Enforcing trade agreements
b) Funding infrastructure projects
c) Regulating currency exchange rates
d) Setting oil prices
Answer: a) Enforcing trade agreements
17. **How many founding members did the WTO have at its inception in 1995?**
a) 76
b) 123
c) 150
d) 162
Answer: b) 123
18. **What is the highest decision-making body of the WTO?**
a) Ministerial Conference
b) General Council
c) Dispute Settlement Body
d) Secretariat
Answer: a) Ministerial Conference
19. **The WTO dispute resolution system allows:**
a) Countries to impose unilateral sanctions
b) Peaceful settlement of trade disputes
c) Countries to regulate domestic trade policies
d) Political bodies to intervene in trade disputes
Answer: b) Peaceful settlement of trade disputes
20. **Which of the following agreements is NOT part of the WTO framework?**
a) Agreement on Agriculture
b) Trade-Related Aspects of Intellectual Property Rights (TRIPS)
c) Paris Climate Agreement
d) General Agreement on Trade in Services (GATS)
Answer: c) Paris Climate Agreement

UNIT -II

1. **Microeconomics primarily focuses on:**
   a) The behavior of individual consumers and firms
   b) The overall economy's inflation and unemployment rates
   c) Government policies affecting the national economy
   d) International trade between countries
   Answer: a) The behavior of individual consumers and firms
2. **Which of the following topics is studied under macroeconomics?**
   a) Demand and supply of a single product
   b) National income and GDP
   c) Price elasticity of a particular good
   d) Consumer behavior in a specific market
   Answer: b) National income and GDP
3. **The concept of "market equilibrium" is most closely associated with:**
   a) Microeconomics
   b) Macroeconomics
   c) Both microeconomics and macroeconomics
   d) None of the above
   Answer: a) Microeconomics
4. **Which of these would likely be a macroeconomic policy objective?**
   a) Minimizing production costs in a firm
   b) Ensuring product quality in a specific industry
   c) Achieving low inflation and stable economic growth
   d) Maximizing customer satisfaction for a service
   Answer: c) Achieving low inflation and stable economic growth
5. **Microeconomics studies "scarcity" at the level of:**
   a) The entire economy
   b) National resources
   c) Individual markets and resource allocation
   d) International trade
   Answer: c) Individual markets and resource allocation
6. **National income is the total value of:**
   a) All goods and services produced in a country
   b) All income earned by individuals in a country
   c) Goods and services produced by a country's residents, regardless of location
   d) Only the income from exports and imports
   Answer: c) Goods and services produced by a country's residents, regardless of location
7. **Which of the following is NOT included in the calculation of national income?**
   a) Wages and salaries of employees
   b) Rent earned from property
   c) Sale of second-hand goods
   d) Profits from business activities
   Answer: c) Sale of second-hand goods
8. **The GDP deflator is used to adjust for:**
   a) Changes in income distribution

b) Inflation between nominal and real GDP
c) Government spending
d) Taxes and subsidies
Answer: b) Inflation between nominal and real GDP

9. **Which of the following methods is used to calculate national income?**
a) Expenditure method
b) Taxation method
c) Supply method
d) All of the above
Answer: a) Expenditure method

10. **Gross National Product (GNP) is calculated by adding:**
a) National income and government spending
b) GDP and income earned by residents abroad
c) Net exports and net income
d) GDP and subsidies
Answer: b) GDP and income earned by residents abroad

11. **The law of demand states that, all else being equal:**
a) As the price of a good increases, the quantity demanded increases
b) As the price of a good decreases, the quantity demanded decreases
c) As the price of a good increases, the quantity demanded decreases
d) The quantity demanded is always fixed, regardless of price
Answer: c) As the price of a good increases, the quantity demanded decreases

12. **What happens to the demand for a product if consumer income increases, assuming the product is a normal good?**
a) Demand decreases
b) Demand stays the same
c) Demand increases
d) Supply decreases
Answer: c) Demand increases

13. **Which of the following factors does NOT directly affect demand?**
a) The price of the good
b) Consumer preferences
c) The price of related goods
d) The cost of production
Answer: d) The cost of production

14. **What is meant by "demand elasticity"?**
a) The ability of consumers to purchase goods
b) The responsiveness of quantity demanded to changes in price
c) The relationship between supply and demand
d) The factors that influence consumer preferences
Answer: b) The responsiveness of quantity demanded to changes in price

15. **A shift in the demand curve to the right indicates:**
a) A decrease in demand
b) An increase in demand
c) A decrease in supply

d) A movement along the demand curve
Answer: b) An increase in demand

16. **The law of supply states that, all else being equal:**
    a) As the price of a good increases, the quantity supplied decreases
    b) As the price of a good decreases, the quantity supplied increases
    c) As the price of a good increases, the quantity supplied increases
    d) The quantity supplied is unaffected by price changes
    Answer: c) As the price of a good increases, the quantity supplied increases
17. **What happens to the supply of a product if the cost of production decreases?**
    a) Supply decreases
    b) Supply stays the same
    c) Supply increases
    d) Demand decreases
    Answer: c) Supply increases
18. **Which of the following is NOT a factor that affects supply?**
    a) Price of the good
    b) Technology improvements
    c) Consumer preferences
    d) Price of input resources
    Answer: c) Consumer preferences
19. **A shift in the supply curve to the left indicates:**
    a) An increase in supply
    b) A decrease in supply
    c) A change in demand
    d) A change in price
    Answer: b) A decrease in supply
20. **What does the concept of "supply elasticity" refer to?**
    a) The responsiveness of price to changes in demand
    b) The responsiveness of quantity supplied to changes in price
    c) The change in quantity supplied due to shifts in income
    d) The relationship between price and production cost
    Answer: b) The responsiveness of quantity supplied to changes in price

UNIT –III

1. **Which of the following is a basic principle of accounting?**
   a) Consistency
   b) Profit maximization
   c) Market analysis
   d) Sales forecasting
   Answer: a) Consistency
2. **The double-entry system of accounting means that:**
   a) Every transaction affects only one account
   b) Every transaction affects two accounts, with equal debit and credit entries
   c) Transactions are recorded on a single entry basis
   d) Only income and expenses are recorded
   Answer: b) Every transaction affects two accounts, with equal debit and credit entries
3. **Which of the following financial statements shows the financial position of a business at a specific point in time?**
   a) Income Statement
   b) Cash Flow Statement
   c) Balance Sheet
   d) Statement of Retained Earnings
   Answer: c) Balance Sheet
4. **The "Matching Principle" in accounting requires that:**
   a) Revenues and expenses should be recorded when cash is received
   b) Expenses should be recorded when they are paid
   c) Revenues and related expenses should be recorded in the same accounting period
   d) Depreciation is calculated over the useful life of assets
   Answer: c) Revenues and related expenses should be recorded in the same accounting period
5. **Which of the following is an example of an asset?**
   a) Loan payable
   b) Office equipment
   c) Revenue
   d) Rent expense
   Answer: b) Office equipment
6. **The principle that states that a business's financial statements should reflect actual economic events is known as:**
   a) Historical Cost Principle
   b) Going Concern Principle
   c) Economic Entity Principle
   d) Substance Over Form Principle
   Answer: a) Historical Cost Principle
7. **Which of the following is considered a liability on a company's balance sheet?**
   a) Accounts receivable
   b) Accounts payable
   c) Owner's equity

d) Cash
Answer: b) Accounts payable

8. **Which accounting principle is concerned with the fact that a business will continue its operations for the foreseeable future?**
   a) Going Concern Principle
   b) Matching Principle
   c) Full Disclosure Principle
   d) Revenue Recognition Principle
   Answer: a) Going Concern Principle
9. **The "Revenue Recognition Principle" in accounting states that:**
   a) Revenue should be recognized when cash is received
   b) Revenue should be recognized when it is earned, regardless of when cash is received
   c) Revenue should be recognized only when a sale is made
   d) Revenue should be recorded at the end of the year
   Answer: b) Revenue should be recognized when it is earned, regardless of when cash is received
10. **Which of the following is an example of an operating expense?**
   a) Rent expense
   b) Sales revenue
   c) Owner's equity
   d) Loans payable
   Answer: a) Rent expense
11. **Which accounting principle requires that financial information be presented in a manner that allows it to be understood by the average reader?**
   a) Consistency
   b) Materiality
   c) Full Disclosure
   d) Understandability
   Answer: d) Understandability
12. **The "Conservatism Principle" in accounting dictates that:**
   a) Revenues should be recognized as soon as they are earned
   b) All possible losses should be recognized but not gains until they are realized
   c) Assets should be recorded at market value
   d) Liabilities should be ignored if they are uncertain
   Answer: b) All possible losses should be recognized but not gains until they are realized
13. **Which of the following accounts is typically increased with a credit entry?**
   a) Cash
   b) Accounts receivable
   c) Accounts payable
   d) Salaries expense
   Answer: c) Accounts payable
14. **Which of the following statements is true about the "Materiality Principle"?**
   a) Small or insignificant items should be recorded regardless of cost
   b) Only large and significant items should be disclosed in the financial statements
   c) Information that is insignificant to the user can be omitted from the financial statements

d) All information, no matter how small, must be disclosed in full
Answer: c) Information that is insignificant to the user can be omitted from the financial statements

15. **Which of the following is a primary function of accounting?**
a) To prepare tax returns
b) To record and report financial transactions
c) To evaluate employee performance
d) To market products and services
Answer: b) To record and report financial transactions
16. **The "Consistency Principle" in accounting means that:**
a) The same accounting methods should be applied from one period to another
b) Financial statements should always be presented in the same format
c) All transactions should be recorded consistently
d) The company should always use the same accounting software
Answer: a) The same accounting methods should be applied from one period to another
17. **Which of the following is considered an example of an intangible asset?**
a) Machinery
b) Patent
c) Inventory
d) Cash
Answer: b) Patent
18. **In accounting, the "Full Disclosure Principle" requires that:**
a) All transactions must be disclosed in the financial statements
b) Financial statements should only contain basic financial data
c) Only significant financial information must be disclosed
d) All relevant financial information should be disclosed, even if it's not in the financial statements
Answer: d) All relevant financial information should be disclosed, even if it's not in the financial statements
19. **Which of the following is recorded as an owner's equity account?**
a) Accounts payable
b) Common stock
c) Rent payable
d) Revenue
Answer: b) Common stock
20. **Which of the following accounting concepts suggests that transactions should be recorded at their original cost, not their market value?**
a) Matching Principle
b) Historical Cost Principle
c) Conservatism Principle
d) Going Concern Principle
Answer: b) Historical Cost Principle

UNIT – IV

1. **What is the primary purpose of taxation?**
   a) To control inflation
   b) To generate government revenue
   c) To regulate trade
   d) To promote economic growth
   Answer: b) To generate government revenue
2. **Which type of tax is levied on income earned by individuals?**
   a) Sales tax
   b) Income tax
   c) Property tax
   d) Excise tax
   Answer: b) Income tax
3. **What is a "progressive tax"?**
   a) A tax rate that remains the same for all income levels
   b) A tax rate that increases as income increases
   c) A tax on goods and services
   d) A flat tax rate applied to all transactions
   Answer: b) A tax rate that increases as income increases
4. **Which of the following is an example of an indirect tax?**
   a) Income tax
   b) Corporate tax
   c) Value-added tax (VAT)
   d) Inheritance tax
   Answer: c) Value-added tax (VAT)
5. **What is "tax evasion"?**
   a) Legal reduction of tax liability
   b) The act of not paying taxes owed, illegally
   c) Paying taxes in advance
   d) Reducing taxable income through deductions
   Answer: b) The act of not paying taxes owed, illegally
6. **Which tax is typically levied on the value of a property?**
   a) Income tax
   b) Property tax
   c) Capital gains tax
   d) Sales tax
   Answer: b) Property tax
7. **A "flat tax" refers to:**
   a) A tax system where the rate of tax decreases as income increases
   b) A tax system where everyone pays the same percentage of income
   c) A tax system with no deductions or exemptions
   d) A progressive tax system with varying rates
   Answer: b) A tax system where everyone pays the same percentage of income
8. **Which of the following is considered a direct tax?**
   a) Sales tax

b) Excise duty
c) Income tax
d) VAT
Answer: c) Income tax

9. **Which of the following taxes is imposed on the transfer of assets from one person to another, usually after death?**
   a) Estate tax
   b) Inheritance tax
   c) Capital gains tax
   d) Gift tax
   Answer: b) Inheritance tax
10. **What does "tax avoidance" mean?**
    a) Illegally reducing tax liability
    b) Paying more taxes than required
    c) Legally reducing tax liability through deductions and exemptions
    d) Not filing taxes at all
    Answer: c) Legally reducing tax liability through deductions and exemptions
11. **Which of the following is a regressive tax?**
    a) Income tax
    b) Sales tax
    c) Corporate tax
    d) Progressive tax
    Answer: b) Sales tax
12. **What is a "tax deduction"?**
    a) A reduction in the amount of tax payable based on specific expenses or allowances
    b) A tax that is withheld from an individual's paycheck
    c) A tax paid on income earned from foreign sources
    d) An increase in the tax rate for higher incomes
    Answer: a) A reduction in the amount of tax payable based on specific expenses or allowances
13. **What is "capital gains tax"?**
    a) A tax on dividends received from investments
    b) A tax on the sale of property or investments at a profit
    c) A tax on wages and salaries earned from employment
    d) A tax on inheritances and gifts
    Answer: b) A tax on the sale of property or investments at a profit
14. **Which of the following is a characteristic of a "value-added tax" (VAT)?**
    a) Paid only by businesses
    b) Collected at the point of sale and included in the price of goods and services
    c) A tax on income from employment
    d) A tax on property ownership
    Answer: b) Collected at the point of sale and included in the price of goods and services
15. **What is the "Taxpayer Bill of Rights"?**
    a) A law that limits the amount of taxes the government can collect
    b) A document outlining the rights of taxpayers in the U.S.
    c) A set of rules for tax avoidance strategies

d) A list of allowable tax deductions for individuals
Answer: b) A document outlining the rights of taxpayers in the U.S.

16. **Which of the following is an example of a non-taxable income?**
a) Salary earned from employment
b) Interest earned on savings accounts
c) Child support payments
d) Business income
Answer: c) Child support payments
17. **Corporate income tax is levied on:**
a) The personal income of the company's employees
b) The profits made by a corporation
c) The value of property owned by the corporation
d) The total sales revenue of the corporation
Answer: b) The profits made by a corporation
18. **Which of the following taxes is levied on the consumption of goods and services?**
a) Income tax
b) Excise tax
c) Estate tax
d) Capital gains tax
Answer: b) Excise tax
19. **What does the term "tax base" refer to?**
a) The amount of money that the government collects in taxes
b) The total value of all taxable income, goods, or property subject to taxation
c) The specific taxes imposed on individuals
d) The overall rate of taxation applied to all income
Answer: b) The total value of all taxable income, goods, or property subject to taxation
20. **What is the purpose of "withholding tax"?**
a) To collect tax from income at the source before it is paid to the recipient
b) To allow businesses to avoid paying taxes
c) To tax the value of property transfers
d) To collect taxes from foreign investments
Answer: a) To collect tax from income at the source before it is paid to the recipient

UNIT – V

1. **What is the primary function of the CPU (Central Processing Unit)?**
   a) Store data
   b) Perform calculations and execute instructions
   c) Display graphics
   d) Manage network connections
   Answer: b) Perform calculations and execute instructions
2. **Which of the following is an example of an input device?**
   a) Monitor
   b) Printer
   c) Keyboard
   d) Speaker
   Answer: c) Keyboard
3. **What does "RAM" stand for in computer terminology?**
   a) Random Access Memory
   b) Read Access Memory
   c) Readable Active Memory
   d) Random Active Memory
   Answer: a) Random Access Memory
4. **Which of the following storage devices is considered non-volatile?**
   a) RAM
   b) Cache memory
   c) Hard drive
   d) CPU registers
   Answer: c) Hard drive
5. **Which type of software is used to browse the internet?**
   a) Word processor
   b) Web browser
   c) Spreadsheet software
   d) Media player
   Answer: b) Web browser
6. **Which of the following is the smallest unit of data in a computer?**
   a) Byte
   b) Bit
   c) Kilobyte
   d) Megabyte
   Answer: b) Bit
7. **What is the function of an operating system?**
   a) To manage hardware resources and provide a user interface
   b) To run software applications
   c) To store data permanently
   d) To provide network security
   Answer: a) To manage hardware resources and provide a user interface
8. **Which of the following is NOT an operating system?**
   a) Windows

b) Linux
c) Google Chrome
d) macOS
Answer: c) Google Chrome

9. **What does the acronym "URL" stand for?**
a) Universal Resource Locator
b) Uniform Resource Locator
c) Uniform Readable Link
d) Universal Readable Link
Answer: b) Uniform Resource Locator
10. **Which of the following is an example of a volatile memory?**
a) Hard Disk
b) RAM
c) Flash Drive
d) CD-ROM
Answer: b) RAM
11. **Which of the following is the main function of the motherboard?**
a) Store the operating system
b) Connects and allows communication between all components of the computer
c) Provide power to the system
d) Process data
Answer: b) Connects and allows communication between all components of the computer
12. **What is the primary purpose of a firewall in a computer network?**
a) To protect against viruses
b) To increase the internet speed
c) To monitor internet usage
d) To block unauthorized access to or from the network
Answer: d) To block unauthorized access to or from the network
13. **Which of the following is a permanent memory storage?**
a) RAM
b) Cache memory
c) Hard disk
d) Register
Answer: c) Hard disk
14. **Which key is used to refresh a webpage in most web browsers?**
a) F1
b) F5
c) F12
d) Ctrl+Alt+Del
Answer: b) F5
15. **Which type of software is used to create and edit text documents?**
a) Spreadsheet software
b) Word processor
c) Presentation software

d) Database software
Answer: b) Word processor

16. **Which of the following is an example of cloud storage?**
a) USB flash drive
b) Google Drive
c) Hard disk drive
d) CD-ROM
Answer: b) Google Drive

17. **Which of the following refers to the internet's primary system for translating domain names into IP addresses?**
a) HTTP
b) DNS
c) FTP
d) SMTP
Answer: b) DNS

18. **What is the function of a browser cache?**
a) To store web pages to improve loading speed
b) To increase the amount of data available to the user
c) To store documents and pictures permanently
d) To run applications without an internet connection
Answer: a) To store web pages to improve loading speed

19. **Which of the following is an example of system software?**
a) Microsoft Word
b) Adobe Photoshop
c) Microsoft Windows
d) Google Chrome
Answer: c) Microsoft Windows

20. **Which of the following is an example of a multimedia file format?**
a) .exe
b) .txt
c) .mp3
d) .doc
Answer: c) .mp3