

CWA ICWA Foundation : Economics and Business Fundamentals - December 2009

P—3(EBF) Syllabus 2008

Time Allowed : 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.

SECTION I (Marks 60)

Answer Question No.1 which is compulsory and any two from the rest.

Marks

1. (a) Answer the following :

1x9

(i) Scarcity definition was given by:

- (A) L.Robbins
- (B) Alfred Marshall
- (C) J.M.Keynes
- (D) Adam Smith

(ii) Real Investment comprises of:

- (A) Machine
- (B) Shares
- (C) Debenture
- (D) Bond

(iii) Consumer's surplus was propounded by:

- (A) Alfred Marshall
- (B) Pigou
- (C) Malthus
- (D) Robbins

(iv) Law of demand explains:

- (A) Quantitative relationship
- (B) Qualitative relationship
- (C) Functional relationship
- (D) None of the above.

(v) Exception to the law of supply is:

- (A) Agricultural product
- (B) Scarce goods
- (C) Labour market

(D) All the above.

(vi) Economic costs comprise of:

- (A) Explicit costs
- (B) Implicit costs
- (C) Normal profit
- (D) All the above.

(vii) Homogeneous product is the characteristic of:

- (A) Perfect competition
- (B) Monopoly market
- (C) Monopolistic competition
- (D) Oligopoly

(viii) Types of price discrimination are:

- (A) Price discrimination of first degree
- (B) Price discrimination of second degree
- (C) Price discrimination of third degree
- (D) All the above.

(ix) Non-price competition exists in:

- (A) Monopoly market
- (B) Oligopoly
- (C) Monopolistic competition
- (D) Discriminating monopoly.

(b) Fill in the blanks :

- (i) Net National Product = Gross National Product minus _____
- (ii) Per Capita Income = National Income.
- (iii) National Income data depict the _____ of Income among economic units.
- (iv) Labour cannot be separated from _____.
- (v) Essay on the Principle of Population was written by _____.
- (vi) Formula for calculating optimum population is _____.
- (vii) Visible items comprise of exports and _____.
- (viii) Comparative Cost Theory of International Trade was propounded by _____.
- (ix) Balance of payment is _____ than Balance of Trade.
- (x) Money is a matter of functions four:
a medium, a measure, a standard and a _____.
- (xi) Quantitative Theory of Money was propounded by _____
- (xii) Cash Balance Approach is based on the _____ of money.

(c) State which of the following statement is 'true' and which is 'false'.

1x12

1x9

- (i) There is continuous rise in price level and the value of money decreases during inflation.
- (ii) Dear Money Policy is adopted during inflation.
- (iii) There is glut of goods during deflation.
- (iv) Central Bank creates credit.
- (v) Cash Reserve Ratio is a limitation of credit creation.
- (vi) IFCI was set up in July 1948.
- (vii) Unit Trust of India is an Investment Bank.
- (viii) International Monetary Fund stabilises the foreign exchange rate.
- (ix) Special Drawing Rights facilitate the international liquidity.

(d) Define the following terms in not more than two lines:

1x6

- (i) Indirect Tax,
- (ii) Proportional Tax,
- (iii) Principle of Certainty,
- (iv) Bank Rate,
- (v) Marginal Cost,
- (vi) Cash Reserve Ratio.

2. Define Central Bank. Discuss its various functions.

2+10

3. Write short notes on the following:

4+4+4

- (a) Characteristics of Perfect Competition;
- (b) Consumption Function;
- (c) Deficit Financing.

4. What is EXIM Bank? What are its functions? State the 'three dimensional strategy' developed by the EXIM Bank.

4+4+4

SECTION II (Marks 40)

Answer Question No. 5 which is compulsory and any two from the rest.

Marks

5. (a) Answer the following :

1x6

(i) Economic activities are those which are inspired by:

- (A) Spiritual needs
- (B) The desire to earn money
- (C) Desire to help mankind
- (D) All the above.

(ii) In a limited liability partnership:

- (A) All partners have limited liability

- (B) All partners have unlimited liability
- (C) Some partners have limited liability
- (D) Some partners have no liability at all.

(iii) Minimum number of members needed for a public company is:

- (A) 9
- (B) 7
- (C) 5
- (D) 2

(iv) Which of the following is not a social obligation for a firm:

- (A) Avoiding anti-social practices
- (B) Maintaining a healthy environment
- (C) Ensuring job satisfaction of employees
- (D) Earning adequate profit.

(v) Organised stock exchange in the country was started in Bombay in

- (A) 1877
- (B) 1939
- (C) 1977
- (D) 1907.

(vi) Latest developments in communications media include:

- (A) Email
- (B) SMS
- (C) Video-conferencing
- (D) All the above.

(b) Fill in the blanks :

1x6

- (i) A company is an _____ association.
- (ii) The quorum at the annual general meeting in case of a private company is _____.
- (iii) Government policies are an important part of _____ environment of a company.
- (iv) No person can be a member of a stock exchange if he is less than _____ years of age.
- (v) Written communication provides a _____ record for future reference.
- (vi) The main motive of state enterprises is to render _____.

(c) State which of the following statement is "True" and which is "False":

1x6

- (i) The liability of a sole proprietor is always limited.
- (ii) The Company Law has not given any legal status to promoter.

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| (iii) The same environment may offer opportunities to some firms and threats to some other firms. | |
| (iv) A stock market encourages capital formation. | |
| (v) A stock exchange deals with the securities of all companies. | |
| (vi) For communication to be effective, it must be communicator-oriented. | |
| (d) Define the following terms in not more than two lines: | 1x6 |
| (i) Trade secretary. | |
| (ii) Partner by estoppel. | |
| (iii) A multinational company. | |
| (iv) Certificate of commencement of business. | |
| (v) Stock Exchange Clearing House. | |
| (vi) Forward delivery contracts. | |
| 6. Write short notes on the following: | 4+4 |
| (a) Merits of Limited Liability Partnership; | |
| (b) Shares and Debentures. | |
| 7. What is listing of securities? What are the steps involved in completing a transaction through stock exchange broker? | 2+6 |
| 8. What is communication? Explain Encoding, Decoding and Feedback as the elements in the process of communication. | 2+2+2+2 |

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