

CWA ICWA Foundation : Economics and Business Fundamentals - December 2010

CAT—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 questions from the rest.

Marks

1. (a) Answer the following :

1x9=9

(i) Micro economics is also known as:

- (A) Product theory
- (B) Price theory
- (C) Process theory
- (D) Projection theory

(ii) Demand can be defined as:

- (A) Desire to buy
- (B) Willingness to buy
- (C) Ability to pay
- (D) Desire and willingness to buy backed by adequate purchasing power.

(iii) In case of normal goods the income effect is:

- (A) Zero
- (B) Positive
- (C) Negative
- (D) None of the above

(iv) The formula $E = \frac{P_x}{Q_y} = \frac{\Delta Q_y}{\Delta P_x}$ represents:

- (A) Cross – elasticity of demand for Y
- (B) Price – elasticity of demand for X
- (C) Cross – elasticity of demand for X
- (D) None of the above.

(v) When the utility is increasing at an increasing rate, marginal utility is:

- (A) Constant
- (B) Negative
- (C) Increasing
- (D) Decreasing

(vi) Consumer's surplus is also known as;

- (A) Elasticity of demand
- (B) Differential surplus
- (C) Buyer's surplus
- (D) Indifference surplus

(vii) 'The law of diminishing return is applied to all fields of production'. This statement was given by:

- (A) Walras
- (B) A. C. Pigou
- (C) Alfred Marshall
- (D) David Ricardo

(viii) Under perfect competition a factor will be demanded up to the point:

- (A) Where its MRP is more than its price
- (B) Where its MRP equals its price
- (C) Where its ARP equals its price
- (D) Where MRP increases and price falls

(ix) Monopolist can determine:

- (A) Price
- (B) Output
- (C) Either price or output
- (D) None of the above.

(b) Fill in the blanks :

1x12=12

- (i) Complementary goods like tea and sugar have a _____ cross elasticity,
- (ii) Indifference curve slopes _____.
- (iii) For more production on land, if we are using more quantities of labour and capital, it would be termed as _____.
- (iv) Firms in a monopolistic market are price _____.
- (v) Nominal GDP grows faster than the real GDP because of _____.

- (vi) To remove inequalities, the government uses _____ taxes,
- (vii) When prices are falling continuously the situation is known as _____.
- (viii) The cash reserve ratio is usually determined by _____ .
- (ix) _____ is the founder of Macro Economics.
- (x) Labour cannot be separated from _____.
- (xi) Formula for calculating optimum population is _____.
- (xii) Paper Gold is also called _____.

(c) State which of the following statements is true and which is false:

1x9=9

- (i) Deductive method is also known as abstract, analytical and priori method.
- (ii) Demand for a commodity refers to quantity demanded of that commodity,
- (iii) Total utility is maximum when marginal utility is at its highest point,
- (iv) A monopolist is able to maximise his profit when his average cost is minimum,
- (v) Inflation has positive impact on debtors and businessmen.
- (vi) In traditional sense, money serves neither as medium of exchange nor store value,
- (vii) Banks discourage saving habits among people.
- (viii) In order to encourage investment in the country, the RBI may increase CRR.
- (ix) Economic laws are not exact, certain and definite.

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

1x6=6

- (i) Deficit Financing
- (ii) Progressive Tax
- (iii) Bank Rate
- (iv) Gresham's Law
- (v) Balance of Payment
- (vi) Quasi-rent

2. Write short notes on the following:

4x3=12

- (a) Determinants of Demand

(b) Features of oligopoly	
(c) Criticism of Ricardian Theory of Comparative Cost	
3. Discuss the importance of shutdown point in perfect competition. In this context do you think that short period closure of firms is ruled out?	12
4. Distinguish between balance of trade and balance of payments. What is meant by disequilibrium in balance of payments? Suggest methods for correcting adverse balance of payments.	12

SECTION II (Marks 40)

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

Marks

5. (a) Answer the following :

1x6=6

(i) Salient features of a co-operation are:

- (A) Voluntary Association
- (B) Service Motive
- (C) Equality
- (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) Latest developments in communication media include:

- (A) E-mail
- (B) SMS
- (C) Video-conferencing
- (D) All the above

(iv) Social environment includes:

- (A) Taxation policies
- (B) Culture and traditions
- (C) Quality improvement;
- (D) Foreign Direct Investment

(v) For IPO's listing at Stock Exchange is:

- (A) Mandatory
- (B) Optional
- (C) Desirable
- (D) None of the above

(vi) Statutory meeting is a meeting of a Public Limited Company.

- (A) Convened once in the life of company
- (B) Convened once a year
- (C) Convened as and when required
- (D) None of the above

(b) Fill in the blanks :

1x6=6

- (i) No person can be a member of stock exchange if he is less than _____ years of age.
- (ii) Written communication provides a _____ record for future reference.
- (iii) To alter a clause of memorandum of association a _____ resolution is required.
- (iv) Debentures holders are really _____ of the company.
- (v) A Chartered Company is incorporated under _____.
- (vi) The first official general meeting of share holders of a Public Company is called _____ meeting.

(c) State which of the following statements is true and which is false:

1x6=6

- (i) The liability of a sole proprietor is always limited.
- (ii) A stock exchange deals with the securities of all companies.
- (iii) Joint Hindu Family business requires registration.
- (iv) A company is a voluntary association of individuals.
- (v) Earning of adequate profit is an economic objective of a business.
- (vi) A good report is a well written document.

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

1x6=6

- (i) Lame-duck
- (ii) Proxy
- (iii) Sleeping partner
- (iv) Quorum

(v) Spot transactions

(vi) Listed Securities

6. Describe the concept of social responsibility of a business.	8
7. (a) State the advantages and disadvantages of incorporation.	4
(b) Explain the services rendered by a stock exchange.	4
8. (a) Write a note on the Depository System in India.	4
(b) Distinguish between a bull and a bear.	4

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