

CWA ICWA Foundation : Economics and Business Fundamentals - June 2010

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 questions from the rest of section I.

Marks

1. (a) Answer the following :

1x9

(i) Deductive method is also known as

- (A) Hypothetical Method
- (B) Abstract Method
- (C) Priori Method
- (D) All of the above

(ii) An individual demand curve slopes downwards to the right because

- (A) Income effect of fall in price
- (B) Substitution effect of decrease in price
- (C) Diminishing marginal utility
- (D) All of the above.

(iii) Normative science deals with

- (A) What ought to be
- (B) What is
- (C) Individual Consumption
- (D) All of the above.

(iv) Marginal cost is calculated as

- (A) $\Delta TC / \Delta \text{output}$
- (B) TC / output
- (C) AC / output
- (D) None of the above.

(v) Under no profit, no loss situation in perfect competition, the firm earns

- (A) No profit, no loss
- (B) Normal profit

- (C) Negative profit
- (D) None of the above.

(vi) In foreign trade invisible items are included in

- (A) Balance of trade of account
- (B) Balance of payment account
- (C) Reserve Bank of India Account
- (D) None of the above.

(vii) In a kinked demand curve in oligopoly:

- (A) The sellers cannot increase the price above the kink because the demand is elastic
- (B) The sellers cannot reduce the price below the kink because demand is inelastic
- (C) The sellers stick to the kinked price
- (D) All the above

(viii) NABARD is the apex body in the sphere of

- (A) Foreign trade
- (B) Urban development
- (C) Agricultural and Rural Development
- (D) Public finance

(ix) In a Market Economy factors of production are owned:

- (A) By the society
- (B) By the government
- (C) Privately
- (D) All the above.

(b) Fill in the blanks :

1x12

- (i) Deposit multiplier depends upon _____ ratio.
- (ii) GNP in the _____ of all final goods and services produced by domestic sectors in the country in a year.
- (iii) Fisher's Quantity Theory of Money is also called _____.
- (iv) JB Say's Law states that 'Supply creates its own _____'.
- (v) In case of perfectly _____ demand, a slight change in the price will make greater change in demand.
- (vi) A central Bank has monopoly over _____.
- (vii) The rate of interest charged by the central bank is called the _____.

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|--------|--|
| (viii) | When the quantity supplied of a commodity rises with a rise of price of the commodity, other determinants of supply remaining unchanged, it is known as _____. |
| (ix) | Law of variable proportions applies in the _____. |
| (x) | Direct taxes do not lead to price _____. |
| (xi) | About four decades ago a new international money known as _____ was created by IMF. |
| (xii) | Specialisation on the basis of comparative advantage to obtain foreign goods more cheaply in terms of real resources forgone than _____. |

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

1x9

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|--------|--|
| (i) | Industrial Development Bank of India is an investment bank. |
| (ii) | The scope of balance of payment is wider than balance of trade. |
| (iii) | A country is said to be under populated when optimum population is more than the actual population. |
| (iv) | The law of demand operates in every situation. |
| (v) | Quasi rent is earned from land only. |
| (vi) | The law of variable proportions operates in the short run. |
| (vii) | Average cost is equal to $AFC + AVC$. |
| (viii) | A producer may keep on employing workers so long as marginal cost is not more than marginal revenue. |
| (ix) | Land includes not only the surface of the earth but also includes every thing beneath and above it. |

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

1x6

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|-------|--------------------------------------|
| (i) | Canons of Economy |
| (ii) | Fiscal Policy |
| (iii) | Human Capital |
| (iv) | Deposit Multiplier |
| (v) | Increase and decrease in demand |
| (vi) | Expansion and contraction of demand. |

2. What is meant by Economic Growth? What are the components of Economic Growth?

12

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| 3. What is Capital Formation? What are the steps involved in the formation of capital? | 12 |
| 4. Discuss the theory of Demographic Transition with its different stages. | 12 |

SECTION II (Marks 40)

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

Marks

5 (a) Answer the following :

1x6

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| (i) Proxy has the following connotations:
(A) One
(B) Two
(C) Three
(D) Four. |
| (ii) Semantic barrier to communication is referred as in
(A) Receiver misinterpreting the symbols used by the sender.
(B) Sender misusing the symbols.
(C) Receiver clarifying the symbols with sender.
(D) Receiver not being able to decode the symbols used by the sender. |
| (iii) Bulls are speculators in a Stock Exchange who are also called
(A) Mandiwalas
(B) Bears
(C) Tejiwalas
(D) Stock operators |
| (iv) Which of the following is a feature of Joint Hindu Family (JHF) business?
(A) Unlimited Liability
(B) Can be registered under the Companies Act, 1956
(C) Only male members can be coparceners
(D) This is a principle against relationship. |
| (v) Mention which of the following are not counted in a private limited company to make the maximum strength of members to 50:
(A) Present employees and shareholders
(B) Past employees and present shareholders
(C) None of the above
(D) A and B both |

- (vi) Demerits of state owned enterprises are
- (A) Inefficiency
 - (B) Political interference
 - (C) Redtapism
 - (D) All the above.

(b) Fill in the blanks :

1x6

- (i) In a limited liability company, it is the members whose liability is _____ and not that of the company.
- (ii) Memorandum of Association is one of the basic _____ of the company.
- (iii) Without requisite _____ a meeting cannot be held.
- (iv) Board Resolutions are of two types, ordinary and _____.
- (v) Statutory meeting is held after one month but within six months of obtaining the certificate of _____.
- (vi) A foreign company is _____ a company according to the Companies Act in India.

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

1x6

- (i) The shareholders of a company are the co-owners of the assets of the company.
- (ii) Where B Ltd. and C Ltd. are subsidiaries of A Ltd., B Ltd. holds 30% shares in D Ltd. and C Ltd. holds 25% shares in D Ltd. Thus, D Ltd. is a subsidiary of A Ltd.
- (iii) A minor can become a partner only in an existing form with the unanimous consent of all other partners.
- (iv) A share warrant holder is not treated as the member of that company.
- (v) A sale is not made at the counter or by a salesman, it is made in the mind of seller.
- (vi) A Stock Exchange does not deal in the securities of public limited companies.

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

1x6

- (i) A company limited by guarantee.
- (ii) A partnership firm is not a legal person.
- (iii) True test of partnership.
- (iv) Perpetual Succession.
- (v) Government company.

(vi) Arbitrage.

6. What is a stock exchange? Discuss its functions.	8
7. Write a letter of regret to one of your customers showing your inability to execute the order.	8
8. What is an Extraordinary General Meeting? By whom it may be called?	8

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