

# CWA ICWA Foundation : Economics and Business Fundamentals - December 2011

## 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 (60 Marks)

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

Marks

1. (a) Answer the following :

1x9

(i) Name the author of "Wealth of Nations".

- (A) Adam Smith
- (B) Alfred Marshall
- (C) J.K.Mehta
- (D) A.C.Pigou

(ii) Economics is

- (A) Science
- (B) An Art
- (C) Science and an Art
- (D) Psychology

(iii) Deductive Method of Economic Analysis is based on

- (A) General to Particular
- (B) Particular to General
- (C) Neutral
- (D) None of the above

(iv) Money supply constitutes

- (A) Rupee notes and coins with the public
- (B) Credit cards
- (C) Traveller's cheques
- (D) All the above

(v) Consumers surplus was propounded by

- (A) Alfred Marshall
- (B) A.C. Pigou

- (C) J.R.Hicks
- (D) J.M.Keynes

(vi) Production function is

- (A) Input–output relationship
- (B) Creation of utility
- (C) Want satisfying capacity
- (D) None of the above

(vii) Homogeneous product is the characteristic of

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

(viii) Non–price competition is the characteristic of

- (A) Monopoly
- (B) Duopoly
- (C) Oligopoly
- (D) Imperfect competition

(ix) A producer or seller selling its commodity at different prices to different customers is

- (A) Discriminating Monoploy
- (B) Monopoly
- (C) Perfect competition
- (D) Duopoly

(b) Fill in the blanks :

1x12

- (i) NNP at market price is GNP \_\_\_\_\_ depreciation of capital stock.
- (ii) GNP is a wider concept than \_\_\_\_\_.
- (iii) Average propensity to consume is \_\_\_\_\_ to c/y.
- (iv) The production of foodgrains according to Malthus increases at an \_\_\_\_\_ progression.
- (v) Over population is corrected by preventive checks and \_\_\_\_\_ checks.
- (vi) The formula for the calculation of optimum population is \_\_\_\_\_.
- (vii) Fisher’s equation is \_\_\_\_\_.
- (viii) Money is created by the \_\_\_\_\_ bank.

- (ix) Demand Pull inflation is when aggregate demand \_\_\_\_\_ aggregate supply.
- (x) When there is continuous rise in price level, it is called \_\_\_\_\_.
- (xi) Cheap money policy is followed by central bank during \_\_\_\_\_.
- (xii) Economy in administration is one of the \_\_\_\_\_ measures during inflation.

(c) State which of the following statement is "True" and which is "False".: 1x9

- (i) Credit is created by commercial banks.
- (ii) Adequate liquidity is an essential condition of a sound banking system.
- (iii) Size of C.R.R. does not affect the credit creation of commercial banks.
- (iv) Central bank is the custodian of foreign exchange reserves.
- (v) Expansion and contraction of credit are affected by quantitative techniques of credit control.
- (vi) Use and direction of credit are affected by qualitative techniques of credit control.
- (vii) Balance of trade comprises of exports and imports.
- (viii) Balance of payments is broader than balance of trade.
- (ix) Invisible items are included in exports and imports.

(d) Define the following terms in not more than two lines: 1x6

- (i) Direct Tax,
- (ii) Conon of Economy,
- (iii) Deficit Financing,
- (iv) Fiscal Policy,
- (v) Monetary Policy,
- (vi) Progressive Tax.

2. Write short notes on the following: 6+6

- (a) Functions of Money
- (b) Fixed costs and Variable costs.

3. Describe the essentials of a sound banking system and salient features of International trade. 6+6

4. Discuss the Canons of Taxation. 12

**SECTION II (40 Marks)**

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

5. (a) Answer the following :

1x6

- |   |     |
|---|-----|
| (i) All business activities fall under the categories of<br>(A) Industry<br>(B) Trade<br>(C) Commerce<br>(D) All the above  | (1) |
| (ii) Salient features of a co-operative are<br>(A) Voluntary Association<br>(B) Service Motive<br>(C) Equality<br>(D) All the above   | (1) |
| (iii) Characteristics of Joint Stock Company are<br>(A) Incorporated Association<br>(B) Voluntary Association<br>(C) Artificial legal person<br>(D) All the above                         | (1) |
| (iv) Which is not the merit of state enterprise?<br>(A) Easy formation<br>(B) Acceleration of economic growth<br>(C) Balanced regional development<br>(D) Economy                         | (1) |
| (v) Advantages of limited partnership are<br>(A) Enables people to invest<br>(B) Mobilises larger financial resources<br>(C) More stable<br>(D) All the above                             |     |
| (vi) Which is not the characteristic of Joint Hindu Family Business?<br>(A) No registration<br>(B) Only male members<br>(C) Status arises not born in the family<br>(D) Managed by Karta. |     |

(b) Fill in the blanks: 1x6

- (i) A chartered company is incorporated under \_\_\_\_\_.
- (ii) Unlimited liability of a company means \_\_\_\_\_ on the liability of its members.
- (iii) A private limited company is better placed to maintain \_\_\_\_\_ of the affairs of business.
- (iv) The promoter must not make any \_\_\_\_\_ from the company that he has promoted.
- (v) Memorandum of Association is one of the basic \_\_\_\_\_ of the company.
- (vi) The first official general meeting of shareholders is called \_\_\_\_\_ meeting.

(c) State which of the following statement is "True" and which is "False": 1x6

- (i) One of the social responsibilities of a business is to protect consumer interest.
- (ii) SWOT analysis deals with strength, weaknesses, opportunities and threats of a business.
- (iii) W.T.O. is not a part of international environment.
- (iv) Clarity of message is one of the principles of effective communication.
- (v) Motivation to employees is not an objective of communication.
- (vi) Sending Written message through telecommunication link is called e-mail.

(d) Define the following terms in not more than two lines: 1x6

- (i) Stock Exchange,
- (ii) Jobbers,
- (iii) Stag,
- (iv) Contract note,
- (v) Brokers,
- (vi) Forward delivery contracts.

6. Write short notes on: 4+4

- (a) Registration of partnership;
- (b) Salient features of public company.

7. Discuss the various objectives of a business. 8

8. Describe the essential elements in the process of an effective communication system. 8