

CWA ICWA Foundation : Economics and Business Fundamentals - June 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) Economics is

- (A) Normative science
- (B) Positive science
- (C) Human science
- (D) Political science

(ii) Theory of Demographic transition was developed by

- (A) Malthus
- (B) Pigou
- (C) Walker
- (D) Keynes

(iii) Bank rate policy is a

- (A) Quantitative method
- (B) Qualitative method
- (C) Optional method
- (D) Fiscal method

(iv) Inductive Method proceeds from

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

(v) Constituents of money supply are

- (A) Rupee note and coins with the public
- (B) Credit cards

- (C) Traveller' s cheques etc.
- (D) All the above

(vi) Total revenue is equal to

- (A) Price x Quantity sold
- (B) $\frac{\Delta TR}{\Delta Q}$
- (C) $\frac{TR}{Q}$
- (D) All the above

(vii) The author of 'General Theory of Employment and Money' was

- (A) Adam Smith
- (B) Paul Samuelson
- (C) J.M.Keynes
- (D) Robbins

(viii) The law 'supply creates its own demand' was put forth by

- (A) Marshall
- (B) Pigou
- (C) Robbins
- (D) J.B.say

(ix) Gresham's law says

- (A) Good money drives out bad money out of circulation
- (B) Bad money drives out good money out of circulation
- (C) Both good and bad money go out of circulation
- (D) None of the above

(b) Fill in the blanks:

1x12

(i) Percapita income figure would be inflated because of_____

(ii) When the rate of taxation decreases with the increase in income it is called _____ taxation.

(iii) _____unemployment means when a large part of workforce engaged could be removed without reducing the total output.

(iv) Theory of comparative cost was developed by_____

(v) Cash Reserve Ratio should be _____ to control inflation.

- (vi) National Income is nothing but the income of a nation or a _____
- (vii) Labour is a _____ factor.
- (viii) Generally money is created by the _____.
- (ix) Fisher's equation is $MV =$ _____.
- (x) Investment means a change in the stock of capital over a period of _____.
- (xi) The two primary functions of a commercial bank are the _____ function and _____ function.
- (xii) _____ policy is formulated and implemented by Government while _____ policy is executed by the Central Bank.

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

1x9

- (i) Giffen goods are otherwise known as superior goods.
- (ii) When total utility is zero, marginal utility is maximum.
- (iii) Average Fixed cost can never be zero.
- (iv) Adequate liquidity is an essential feature of a sound banking system.
- (v) Industrial Finance Corporation of India is an investment bank.
- (vi) Unfavourable balance of trade exists when imports are greater than exports.
- (vii) Theory of absolute trade was propounded by J.M.Keynes.
- (viii) An increase in wealth means an increase in welfare.
- (ix) Income tax is an indirect tax.

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

1x6

- (i) Consumer's surplus
- (ii) Shut down point
- (iii) Near money
- (iv) Regressive tax
- (v) Semi-inflation
- (vi) Monetary Policy

2. Write short notes on the following:

4x3

(a) Credit creation by commercial banks	
(b) Determinants of Elasticity of Demand	
(c) Functions of money	
3. Define Central Bank. Discuss its various functions.	2+10
4. Discuss the Cannoos of taxation.	12

SECTION II (40 Marks)

Answer Question No.6 which is compulsory and any two from the rest.

Marks

5. (a) Answer the following:

1x6

- | |
|---|
| (i) Articles of Association of a company |
| (A) is a document showing internal relationship |
| (B) is a document showing external relationship of a company |
| (C) is an appeal to the public to subscribe to the shares of a company |
| (D) is a creditorship document |
| (ii) OTCEI is |
| (A) An export organization |
| (B) Funding agency for industries |
| (C) A public facility to get scheduled drugs |
| (D) Assisting small and medium firms to get access to share market nationwide |
| (iii) All the business activities fall under the categories: |
| (A) Industry |
| (B) Trade |
| (C) Commerce |
| (D) All the above |
| (iv) Characteristics of the sole proprietorship are: |
| (A) Capital contribution |
| (B) Unlimited liabilities |
| (C) Limited area of operation |
| (D) All the above |
| (v) Merits of a partnership form of business are: |

- (A) Simple formation
- (B) Sufficient resources
- (C) Flexibility of operations
- (D) All the above

(vi) The securities Contract (Regulation) Act 1956 regulates:

- (A) Security of companies
- (B) Contractual relations between a company and its shareholders
- (C) Formation and functioning of stock exchanges in the country
- (D) All the above

(b) Fill in the blanks:

1x6

- (i) Perpetual existence is a feature of _____ organization.
- (ii) No redeemable preference share can be redeemed unless they are _____.
- (iii) The issue of bonus shares by a company is a _____.
- (iv) All general meetings other than the Statutory and Annual general meetings are called _____ general meetings.
- (v) Government policies are an important part of _____ environment of a company.
- (vi) A written communication provides _____ record for future reference.

(c) State which of the following are 'TRUE' and which are 'FALSE'

1x6

- (i) Misstatements in prospectus leads to cancellation of listing.
- (ii) Private company limits its members to fifty.
- (iii) Social or cultural environment is a part of political environment.
- (iv) Stock exchanges mirror the phases of business cycles.
- (v) The company law has not given any legal status to a promoter.
- (vi) A stock exchange does not permit speculation.

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

1x6

- (i) Special resolution
- (ii) Contract note
- (iii) E-mail
- (iv) A co-operative

(v) A multinational company

(vi) Minor as a partner

6. (a) Explain the features of good communication.	4+4
(b) Draft a circular to your customer detailing the new series product you are introducing into the market.	
7. What is meant by listing in stock exchange? Explain the procedure for listing in a stock exchange.	4+4
8. Discuss the various objectives of a business.	8

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