

**FOUNDATION COURSE EXAMINATION**

June 2013

**Economics and Business Fundamentals****Full Marks: 50**

Answer all the questions. Each question carries 1 mark. Each question has four alternatives.  
Indicate the correct alternative by darkening the circle on the OMR Sheet.

1. Cash Reserve Ratio is defined as
  - (a) Cash which commercial banks have to keep with themselves
  - (b) Cash which a bank has to transfer to its branches
  - (c) Percentage of time and demand liabilities which a commercial bank has to keep in cash with the Central Bank
  - (d) Ratio of credit to currency
2. Which of the following is not a tool of quantitative credit control?
  - (a) Bank Rate Policy
  - (b) Moral Suasion
  - (c) Open Market Operations
  - (d) Variable Reserve Ratio
3. Which of the following is not an objective of the monetary policy?
  - (a) Acceleration of economic growth
  - (b) Generation of employment
  - (c) Supervision of commercial banks
  - (d) Price stability
4. Statutory Liquidity Ratio means
  - (a) Liquidity with a commercial bank
  - (b) Ratio of liquidity to assets
  - (c) Ratio of liquidity to deposits
  - (d) Percentage of time and demand liabilities a commercial bank has to maintain with itself in liquid form
5. To contain inflation the RBI should
  - (a) increase CRR and decrease SLR
  - (b) increase CRR and increase SLR
  - (c) decrease CRR and increase SLR
  - (d) decrease both CRR and SLR
6. During depression the RBI should
  - (a) decrease the bank rate
  - (b) sell Government securities in open market
  - (c) increase CRR
  - (d) increase margin requirements
7. Commercial banks were nationalized to check
  - (a) Urban-orientation
  - (b) Neglect of agriculture and small business
  - (c) Misuse of funds by directors
  - (d) All of the above
8. A private limited company which is subsidiary of a public limited company is treated as
  - (a) Private Limited Company
  - (b) Public Limited Company
  - (c) Public Sector Company
  - (d) A Government Company
9. Which of the following clauses of the Memorandum of Association of a company is not alterable?
  - (a) Object clause
  - (b) Capital clause
  - (c) Association clause
  - (d) Name clause
10. The marginal tax rates of a progressive tax
  - (a) rise with income
  - (b) do not change with income
  - (c) fall with income
  - (d) first rise and then fall with income
11. The ability-to-pay principle is best illustrated by which of the following taxes or fees?
  - (a) An automobile registration fee based on the weight of the car
  - (b) An automobile registration fee based on the value of the car
  - (c) A toll charged to drive on beaches
  - (d) The flat ₹1000 tax imposed on everyone who works in a Metro City

12. Economists are concerned with  
 (a) explicit costs only  
 (b) implicit costs only  
 (c) both (a) and (b)  
 (d) accounting costs only
13. Foreign company is  
 (a) a company incorporated outside India  
 (b) a Transnational company  
 (c) not a company in India as per the Companies Act 1956  
 (d) British company
14. Arbitrage is the business  
 (a) of buying securities in one market and selling them in another market  
 (b) of buying securities  
 (c) of selling securities  
 (d) none of the above
15. Listing of securities ensures  
 (a) dissemination of information  
 (b) liquidity  
 (c) regular valuation  
 (d) all of the above
16. Which of the following is the true test of partnership?  
 (a) Profit/loss sharing  
 (b) Communalities of interest  
 (c) Mutual agency  
 (d) All of the above
17. The characteristics of a business letter should be  
 (a) clarity  
 (b) courtesy  
 (c) well planned  
 (d) all of the above
18. Cannon of convenience should be the feature of  
 (a) Taxation System  
 (b) Costing System  
 (c) Transfer Pricing  
 (d) Monetary Policy
19. In which stage of demographic transition India stands?  
 (a) First Stage  
 (b) Second Stage  
 (c) Third Stage  
 (d) Fourth Stage
20. Which one of the following is a speculator in the stock market?  
 (a) Bull  
 (b) Bear  
 (c) Lame duck  
 (d) All of the above
21. A member of the company is  
 (a) The Co-owner of the company  
 (b) The Co-owner of the assets of the company  
 (c) Subordinate to directors  
 (d) Employee of the company
22. Of the following whose scope is wider?  
 (a) Industry  
 (b) Business  
 (c) Trade  
 (d) Commerce
23. The Maximum number of partners in a partnership firm is  
 (a) 2  
 (b) 20  
 (c) 15  
 (d) 50
24. A proxy is  
 (a) a member's authorised agent  
 (b) a term applied to instrument appointing proxy  
 (c) both (a) and (b)  
 (d) neither (a) nor (b)
25. With reference to Business Objectives, the Key Result Area Techniques were suggested by  
 (a) Peter F. Drucker  
 (b) Henry Fayol  
 (c) F.W.Taylor  
 (d) J.M.Keynes
26. First Annual General Meeting of a company must be held within  
 (a) 18 months of commencement of business  
 (b) 18 months of incorporation  
 (c) 18 months of filing the prospectus with ROC  
 (d) 18 months of holding statutory meeting

27. Which of the following is not a feature of a Co-operative Society?  
 (a) The membership is open to all freely and voluntarily  
 (b) equal voting right to each member  
 (c) profit maximization  
 (d) democratic Management
28. Which of the following is the fastest way of communication?  
 (a) E-mail  
 (b) Fax  
 (c) SMS through cell phone  
 (d) Telegram
29. A minor can be admitted to the partnership firm  
 (a) for the benefits of partnership with the consent of all the existing partners  
 (b) the firm is existing one  
 (c) both (a) and (b)  
 (d) none of the above
30. In the case of a straight-line demand curve meeting the two axes, the price-elasticity of demand at the mid-point of the line would be  
 (a) 0  
 (b) 1  
 (c) 1.5  
 (d) 2
31. In the case of inferior goods, the income elasticity of demand is  
 (a) positive  
 (b) zero  
 (c) negative  
 (d) infinite
32. Elasticity of supply refers to the degree of responsiveness of supply of a goods to change in its  
 (a) demand  
 (b) price  
 (c) cost of production  
 (d) state of technology
33. The law of demand enumerates that  
 (a) increase in quantity demanded results in increase in price  
 (b) increase in price results in decrease in quantity demanded  
 (c) decrease in demand results in decrease in price  
 (d) both (b) and (c)
34. A firm's average fixed cost is ₹ 20 at 6 units of output. What will it be at 4 units of output?  
 (a) ₹ 60  
 (b) ₹ 30  
 (c) ₹ 40  
 (d) ₹20
35. Which is the first order condition for the firm's profit to be maximum?  
 (a)  $AC = MR$   
 (b)  $MC = MR$   
 (c)  $MR = AR$   
 (d)  $AC = AR$
36. Which of the following is not a business objective?  
 (a) organic objectives  
 (b) economic objectives  
 (c) human objectives  
 (d) philanthropic objectives
37. When marginal utility begins to be negative, the total utility starts to  
 (a) become zero  
 (b) become negative  
 (c) increase  
 (d) decrease
38. If the marginal propensity to save (MPS) is  $\frac{1}{4}$  the investment multiplier will be  
 (a)  $\frac{4}{3}$   
 (b)  $\frac{3}{4}$   
 (c)  $\frac{1}{4}$   
 (d) 4

39. Which of the following will have a relatively flat supply curve?  
 (a) Land  
 (b) Labour  
 (c) Capital  
 (d) Raw materials
40. 'Theory of Absolute Advantage' in international trade was given by  
 (a) Ricardo  
 (b) Adam Smith  
 (c) J.B.Say  
 (d) None of the above
41. National income does not include  
 (a) furniture  
 (b) clothes  
 (c) sugarcane  
 (d) refrigerators
42. The following should be deducted from  $GDP_{MP}$  to obtain  $NDP_{MP}$   
 (a) Net Income from abroad  
 (b) Consumption of fixed capital  
 (c) Net indirect taxes  
 (d) Subsidies
43. Personal disposable income is obtained after deducting from personal income the  
 (a) Net factor income abroad  
 (b) Undistributed profits  
 (c) Personal taxes  
 (d) Corporation Tax
44. In case of substitutes the cross elasticity of demand will be  
 (a) positive  
 (b) zero  
 (c) negative  
 (d) infinite
45. Density of population means number of persons  
 (a) per square km  
 (b) per state  
 (c) per country  
 (d) none of the above
46. Under which of the following situations there is a large-scale unemployment, unused productive capacity and a fall in National Income?  
 (a) Demand pull inflation  
 (b) Deflation  
 (c) Market pull inflation  
 (d) All of the above
47. If a person is engaged in a job but his productivity is zero, the situation is termed as  
 (a) under employment  
 (b) seasonal unemployment  
 (c) structural unemployment  
 (d) disguised unemployment
48. High growth of population is caused by  
 (a) High Birth Rate and High Death Rate  
 (b) High Birth Rate and Low Death Rate  
 (c) Low Birth Rate and High Death Rate  
 (d) Low Birth Rate and Low Death Rate
49. Economic integration of an economy with other economies of the world is known as  
 (a) Liberalisation  
 (b) Globalisation  
 (c) Privatisation  
 (d) Economic Freedom
50. Which of the following is a demerit of Deficit Financing?  
 (a) It adds to resource mobilization  
 (b) It may lead to inflation  
 (c) Promotes employment  
 (d) All of the above

Answer:

1. (c) Percentage of time and demand liabilities which a commercial bank has to keep in cash with the Central Bank
2. (b) Moral Suasion
- 3.(c) Supervision of commercial banks
4. (d) Percentage of time and demand liabilities a commercial bank has to maintain with itself in liquid form
5. (b) increase CRR and increase SLR
6. (a) decrease the bank rate
7. (d) All of the above
8. (b) Public Limited Company
9. (c) Association clause
10. (a) rise with income
11. (b) An automobile registration fee based on the value of the car
12. (c) both (a) and (b)
13. (c) not a company in India as per the Companies Act 1956
14. (a) of buying securities in one market and selling them in another market
15. (d) all of the above
16. (c) Mutual agency
17. (d) All of the above
18. (a) Taxation System
19. (b) Second Stage
20. (d) All of the above
21. (a) The Co-owner of the company
22. (d) Commerce
23. (b) 20
24. (c) both (a) and (b)
25. (a) Peter F. Drucker
26. (b) 18 months of incorporation
27. (c) Profit maximization
28. (c) SMS through cell phone
29. (c) both (a) and (b)
30. (b) 1
31. (c) negative
32. (b) price
33. (b) increase in price results in decrease in quantity demanded
34. (b) ₹30
35. (b)  $MC = MR$
36. (d) philanthropic objectives
37. (d) decrease
38. (d) 4
39. Either of the four options are correct.
40. (b) Adam Smith
41. (c) Sugarcane
42. (b) Consumption of fixed capital
43. (c) Personal taxes
44. (a) positive
45. (a) per square km
46. (b) Deflation
47. (d) disguised unemployment
48. (b) High Birth Rae and Low Death Rate
49. (b) Globalisation
50. (b) It may lead to inflation