

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.

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| <p>1. With reference to Business Objectives, the Key Result Area Techniques were suggested by</p> <p>(a) Peter F. Drucker (b) Henry Fayol (c) F.W. Taylor (d) J.M. Keynes</p> <p>2. A proxy is</p> <p>(a) a member's authorised agent (b) a term applied to instrument appointing proxy (c) both (a) and (b) (d) neither (a) nor (b)</p> <p>3. The Maximum number of partners in a partnership firm is</p> <p>(a) 2 (b) 20 (c) 15 (d) 50</p> <p>4. Of the following whose scope is wider?</p> <p>(a) Industry (b) Business (c) Trade (d) Commerce</p> <p>5. A member of the company is</p> <p>(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</p> <p>6. Which one of the following is a speculator in the stock market?</p> <p>(a) Bull (b) Bear (c) Lame duck (d) All of the above</p> | <p>7. In which stage of demographic transition India stands?</p> <p>(a) First Stage (b) Second Stage (c) Third Stage (d) Fourth Stage</p> <p>8. Cannon of convenience should be the feature of</p> <p>(a) Taxation System (b) Costing System (c) Transfer Pricing (d) Monetary Policy</p> <p>9. The characteristics of a business letter should be</p> <p>(a) clarity (b) courtesy (c) well planned (d) all of the above</p> <p>10. Which of the following is the true test of partnership?</p> <p>(a) Profit/loss sharing (b) Communality of interest (c) Mutual agency (d) All of the above</p> <p>11. Listing of securities ensures</p> <p>(a) dissemination of information (b) liquidity (c) regular valuation (d) all of the above</p> <p>12. Arbitrage is the business</p> <p>(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</p> |
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13. Economists are concerned with
 (a) explicit costs only
 (b) implicit costs only
 (c) both (a) and (b)
 (d) accounting costs only
14. 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
15. 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
16. 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
17. 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
18. 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
19. 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
20. During depression the RBI should
 (a) decrease the bank rate
 (b) sell Government securities in open market
 (c) increase CRR
 (d) increase margin requirements
21. 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
22. 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
23. 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
24. 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
25. 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
26. 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

27. Economic integration of an economy with other economies of the world is known as
- Liberalisation
 - Globalisation
 - Privatisation
 - Economic Freedom
28. High growth of population is caused by
- High Birth Rate and High Death Rate
 - High Birth Rate and Low Death Rate
 - Low Birth Rate and High Death Rate
 - Low Birth Rate and Low Death Rate
29. If a person is engaged in a job but his productivity is zero, the situation is termed as
- under employment
 - seasonal unemployment
 - structural unemployment
 - disguised unemployment
30. Under which of the following situations there is a large-scale unemployment, unused productive capacity and a fall in National Income?
- Demand pull inflation
 - Deflation
 - Market pull inflation
 - All of the above
31. Density of population means number of persons
- per square km
 - per state
 - per country
 - none of the above
32. In case of substitutes the cross elasticity of demand will be
- positive
 - zero
 - negative
 - infinite
33. Personal disposable income is obtained after deducting from personal income the
- Net factor income abroad
 - Undistributed profits
 - Personal taxes
 - Corporation Tax
34. The following should be deducted from GDP_{MP} to obtain NDP_{MP}
- Net Income from abroad
 - Consumption of fixed capital
 - Net indirect taxes
 - Subsidies
35. National income does not include
- furniture
 - clothes
 - sugarcane
 - refrigerators
36. Theory of Absolute Advantage' in international trade was given by
- Ricardo
 - Adam Smith
 - J.B. Say
 - None of the above
37. If the marginal propensity to save (MPS) is $\frac{1}{4}$ the investment multiplier will be
- $\frac{4}{3}$
 - $\frac{3}{4}$
 - $\frac{1}{4}$
 - 4
38. Which of the following will have a relatively flat supply curve?
- Land
 - Labour
 - Capital
 - Raw materials
39. When marginal utility begins to be negative, the total utility starts to
- become zero
 - become negative
 - increase
 - decrease
40. Which of the following is not a business objective?
- organic objectives
 - economic objectives
 - human objectives
 - philanthropic objectives

41. Which is the first order condition for the firm's profit to be maximum?
 (a) $AC = MR$
 (b) $MC = MR$
 (c) $MR = AR$
 (d) $AC = AR$
42. 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
43. 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)
44. 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
45. In the case of inferior goods, the income elasticity of demand is
 (a) positive
 (b) zero
 (c) negative
 (d) infinite
46. 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) 15
 (d) 2
47. 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
48. Which of the following is the fastest way of communication?
 (a) E-mail
 (b) Fax
 (c) SMS through cell phone
 (d) Telegram
49. 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
50. 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

Answer:

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