

**D-3**  
**FOUNDATION COURSE EXAMINATION**

**P-3(EBF)**  
**Syllabus 2008**

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. 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
2. 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
3. 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
4. Economic integration of an economy with other economies of the world is known as
  - (a) Liberalisation
  - (b) Globalisation
  - (c) Privatisation
  - (d) Economic Freedom
5. 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
6. 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
7. 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
8. 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
9. 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
10. 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

11. During depression the RBI should
  - (a) decrease the bank rate
  - (b) sell Government securities in open market
  - (c) increase CRR
  - (d) increase margin requirements
12. 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
13. A private limited company which is subsidiary of public limited company is treated as
  - (a) Private Limited Company
  - (b) Public Limited Company
  - (c) Public Sector Company
  - (d) A Government Company
14. 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
15. 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
16. 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
17. 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
18. Economists are concerned with
  - (a) explicit costs only
  - (b) implicit costs only
  - (c) both (a) and (b)
  - (d) accounting costs only
19. 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
20. Listing of securities ensures
  - (a) dissemination of information
  - (b) liquidity
  - (c) regular valuation
  - (d) all of the above
21. 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
22. 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
23. Which of the following is the fastest way of communication?
  - (a) E-mail
  - (b) Fax
  - (c) SMS through cell phone
  - (d) Telegram
24. 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

25. 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
- 0
  - 1
  - 1.5
  - 2
26. In the case of inferior goods, the income elasticity of demand is
- positive
  - zero
  - negative
  - infinite
27. Elasticity of supply refers to the degree of responsiveness of supply of a goods to change in its
- demand
  - price
  - cost of production
  - state of technology
28. The law of demand enumerates that
- increase in quantity demanded results in increase in price
  - increase in price results in decrease in quantity demanded
  - decrease in demand results in decrease in price
  - both (b) and (c)
29. A firm's average fixed cost is ₹20 at 6 units of output. What will it be at 4 units of output?
- ₹ 60
  - ₹ 30
  - ₹40
  - ₹ 20
30. Which is the first order condition for the firm's profit to be maximum?
- AC = MR
  - MC = MR
  - MR = AR
  - AC=AR
31. Which of the following is not a business objective?
- organic objectives
  - economic objectives
  - human objectives
  - philanthropic objectives
32. When marginal utility begins to be negative, the total utility starts to
- become zero
  - become negative
  - increase
  - decrease
33. Which of the following will have a relatively flat supply curve?
- Land
  - Labour
  - Capital
  - Raw materials
34. 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
35. 'Theory of Absolute Advantage' in international trade was given by
- Ricardo
  - Adam Smith
  - J.B.Say
  - None of the above
36. National income does not include
- furniture
  - clothes
  - sugarcane
  - refrigerators
37. The following should be deducted from  $GDP_{MP}$  to obtain  $NDP_{MP}$
- Net Income from abroad
  - Consumption of fixed capital
  - Net indirect taxes
  - Subsidies

38. 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
39. In case of substitutes the cross elasticity of demand will be
- (a) positive
  - (b) zero
  - (c) negative
  - (d) infinite
40. Density of population means number of persons
- (a) per square km
  - (b) per state
  - (c) per country
  - (d) none of the above
41. 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
42. 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) n or (b)
43. The Maximum number of partners in a partnership firm is
- (a) 2
  - (b) 20
  - (c) 15
  - (d) 50
44. Of the following whose scope is wider?
- (a) Industry
  - (b) Business
  - (c) Trade
  - (d) Commerce
45. 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
46. Which one of the following is a speculator in the stock market?
- (a) Bull
  - (b) Bear
  - (c) Lame duck
  - (d) All of the above
47. In which stage of demographic transition India stands?
- (a) First Stage
  - (b) Second Stage
  - (c) Third Stage
  - (d) Fourth Stage
48. Cannon of convenience should be the feature of
- (a) Taxation System
  - (b) Costing System
  - (c) Transfer Pricing
  - (d) Monetary Policy
49. The characteristics of a business letter should be
- (a) clarity
  - (b) courtesy
  - (c) well planned
  - (d) all of the above
50. Which of the following is the true test of partnership?
- (a) Profit/loss sharing
  - (b) Communality of interest
  - (c) Mutual agency
  - (d) All of the above

Answer:

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