

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. Which of the following is not a business objective?
 - (a) organic objectives
 - (b) economic objectives
 - (c) human objectives
 - (d) philanthropic objectives
2. When marginal utility begins to be negative, the total utility starts to
 - (a) become zero
 - (b) become negative
 - (c) increase
 - (d) decrease
3. Which of the following will have a relatively flat supply curve?
 - (a) Land
 - (b) Labour
 - (c) Capital
 - (d) Raw materials
4. 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
5. 'Theory of Absolute Advantage' in international trade was given by
 - (a) Ricardo
 - (b) Adam Smith
 - (c) J.B.Say
 - (d) None of the above
6. National income does not include
 - (a) furniture
 - (b) clothes
 - (c) sugarcane
 - (d) refrigerators
7. 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
8. 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
9. In case of substitutes the cross elasticity of demand will be
 - (a) positive
 - (b) zero
 - (c) negative
 - (d) infinite
10. Density of population means number of persons
 - (a) per square km
 - (b) per state
 - (c) per country
 - (d) none of the above
11. 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

12. 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
13. 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
14. Economic integration of an economy with other economies of the world is known as
- (a) Liberalisation
 - (b) Globalisation
 - (c) Privatisation
 - (d) Economic Freedom
15. 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
16. 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
17. 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
18. 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
19. 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
20. 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
21. During depression the RBI should
- (a) decrease the bank rate
 - (b) sell Government securities in open market
 - (c) increase CRR
 - (d) increase margin requirements
22. 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
23. 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
24. 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

25. The marginal tax rates of a progressive tax
- rise with income
 - do not change with income
 - fall with income
 - first rise and then fall with income
26. The ability-to-pay principle is best illustrated by which of the following taxes or fees?
- An automobile registration fee based on the weight of the car
 - An automobile registration fee based on the value of the car
 - A toll charged to drive on beaches
 - The flat ₹ 1000 tax imposed on everyone who works in a Metro City
27. Foreign company is
- a company incorporated outside India
 - a Transnational company
 - not a company in India as per the Companies Act 1956
 - British company
28. Economists are concerned with
- explicit costs only
 - implicit costs only
 - both (a) and (b)
 - accounting costs only
29. Arbitrage is the business
- of buying securities in one market and selling them in another market
 - of buying securities
 - of selling securities
 - none of the above
30. Listing of securities ensures
- dissemination of information
 - liquidity
 - regular valuation
 - all of the above
31. Which of the following is the true test of partnership?
- Profit/loss sharing
 - Communality of interest
 - Mutual agency
 - All of the above
32. The characteristics of a business letter should be
- clarity
 - courtesy
 - well planned
 - all of the above
33. Cannon of convenience should be the feature of
- Taxation System
 - Costing System
 - Transfer Pricing
 - Monetary Policy
34. In which stage of demographic transition India stands?
- First Stage
 - Second Stage
 - Third Stage
 - Fourth Stage
35. Which one of the following is a speculator in the stock market?
- Bull
 - Bear
 - Lame duck
 - All of the above
36. A member of the company is
- The Co-owner of the company
 - The Co-owner of the assets of the company
 - Subordinate to directors
 - Employee of the company
37. Of the following whose scope is wider?
- Industry
 - Business
 - Trade
 - Commerce
38. The Maximum number of partners in a partnership firm is
- 2
 - 20
 - 15
 - 50

39. A proxy is
- a member's authorised agent
 - a term applied to instrument appointing proxy
 - both (a) and (b)
 - neither (a) nor (b)
40. With reference to Business Objectives, the Key Result Area Techniques were suggested by
- Peter F. Drucker
 - Henry Fayol
 - F.W.Taylor
 - J.M. Keynes
41. First Annual General Meeting of a company must be held within
- 18 months of commencement of business
 - 18 months of incorporation
 - 18 months of filing the prospectus with ROC
 - 18 months of holding statutory meeting
42. Which of the following is not a feature of a Co-operative Society?
- The membership is open to all freely and voluntarily
 - equal voting right to each member
 - profit maximization
 - democratic Management
43. Which of the following is the fastest way of communication?
- E-mail
 - Fax
 - SMS through cell phone
 - Telegram
44. A minor can be admitted to the partnership firm
- for the benefits of partnership with the consent of all the existing partners
 - the firm is existing one
 - both (a) and (b)
 - none of the above
45. 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
46. In the case of inferior goods, the income elasticity of demand is
- positive
 - zero
 - negative
 - infinite
47. 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
48. 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)
49. 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
50. Which is the first order condition for the firm's profit to be maximum?
- $AC = MR$
 - $MC = MR$
 - $MR = AR$
 - $AC = AR$

Answer:

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