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# SCANNER™ Appendix

ICWA Foundation (New Course)  
December - 2009

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### Paper - 3A : Economics

#### Chapter-6 : Form of Market

2009 - Dec [3] Write short notes on the following:

- (a) Characteristic of Perfect Competition; (4 marks)

#### Chapter-10 : Consumption, Saving and Investment

2009 - Dec [3] Write short notes on the following:

- (b) Consumption function; (4 marks)

#### Chapter-15 : Banking & Financial Institutions

2009 - Dec [2] Define Central Bank. Discuss its various functions.

(2+10 = 12 marks)

2009 - Dec [4] What is EXIM Bank? What are its functions? State the 'three dimensional strategy' developed by the EXIM Bank. (4+4+4 = 12 marks)

#### Chapter-17 : Public Finance

2009 - Dec [3] Write short notes on the following:

- (c) Deficit Financing. (4 marks)

#### Chapter-18 : Objective Questions

2009 - Dec [1] {C} (a) Answer the following:

- (i) Scarcity definition was given by:

- (A) L. Robbins
- (B) Alfred Marshall
- (C) J. M. Keynes
- (D) Adam Smith

- (ii) Real Investment comprises of :

- (A) Machine
- (B) Shares
- (C) Debenture
- (D) Bond

- (iii) Consumer's surplus was propounded by:
    - (A) Alfred Marshall
    - (B) Pigou
    - (C) Malthus
    - (D) Robbins
  - (iv) Law of demand explains:
    - (A) Quantitative relationship
    - (B) Qualitative relationship
    - (C) Functional relationship
    - (D) None of the above
  - (v) Exception to the law of supply is:
    - (A) Agricultural product
    - (B) Scarce goods
    - (C) Labour market
    - (D) All the above
  - (vi) Economic costs comprise of:
    - (A) Explicit costs
    - (B) Implicit costs
    - (C) Normal profit
    - (D) All the above
  - (vii) Homogeneous product is the characteristic of :
    - (A) Perfect competition
    - (B) Monopoly market
    - (C) Monopolistic competition
    - (D) Oligopoly
  - (viii) Types of price discrimination are:
    - (A) Price discrimination of first degree
    - (B) Price discrimination of second degree
    - (C) Price discrimination of third degree
    - (D) All the above
  - (ix) Non-price competition exists in:
    - (A) Monopoly market
    - (B) Oligopoly
    - (C) Monopolistic competition
    - (D) Discriminating monopoly
- (1 × 9 = 9 marks)
- (b) Fill in the blanks:
- (i) Net National Product = Gross National Product minus\_\_\_\_\_.
  - (ii) Per Capita Income = National Income. \_\_\_\_\_
  - (iii) National Income data depict the \_\_\_\_\_of Income among economic units.
  - (iv) Labour cannot be separated from \_\_\_\_\_.
  - (v) Essay on the Principle of population was written by\_\_\_\_\_.

- (vi) Formula for calculating optimum population is \_\_\_\_\_.
  - (vii) Visible items comprise of exports and \_\_\_\_\_.
  - (viii) Comparative Cost Theory of International Trade was propounded by \_\_\_\_\_.
  - (ix) Balance of payment is \_\_\_\_\_ than Balance of Trade.
  - (x) Money is a matter of functions four:  
a medium, a measure, a standard and a \_\_\_\_\_.
  - (xi) Quantitative Theory of Money was propounded by \_\_\_\_\_.
  - (xii) Cash Balance Approach is based on the \_\_\_\_\_ of money.  
(1 × 12 = 12 marks)
- (c) State which of the following statement is 'true' and which is 'false':
- (i) There is continuous rise in price level and the value of money decreases during inflation.
  - (ii) Dear Money Policy is adopted during inflation.
  - (iii) There is glut of goods during deflation.
  - (iv) Central Bank creates credit.
  - (v) Cash Reserve Ratio is a limitation of credit creation.
  - (vi) IFCI was set up in July 1984.
  - (vii) Unit Trust of India is an Investment Bank.
  - (viii) International Monetary Fund stabilises the foreign exchange rate.
  - (ix) Special Drawing Rights facilitate the international liquidity.  
(1 × 9 = 9 marks)
- (d) Define the following terms in not more than two lines:
- (i) Indirect Tax,
  - (ii) Proportional Tax,
  - (iii) Principle of Certainty,
  - (iv) Bank Rate,
  - (v) Marginal Cost,
  - (vi) Cash Reserve Ratio.  
(1 × 6 = 6 marks)

<b>Paper - 3B : Business Fundamentals</b>
---

**Chapter-1 : Type of Business Unit****2009 - Dec [6]** Write short notes on the following:

- (a) Merits of Limited Liability Partnership; (4 marks)

**Chapter-2 : Company Organisation & Management****2009 - Dec [6]** Write short notes on the following:

- (b) Shares and Debentures; (4 marks)

**Chapter-4 : Stock Exchange and its Working****2009 - Dec [7]** What is listing of securities? What are the steps involved in completing a transaction through stock exchange broker? (2+6 = 8 marks)

**Chapter-5 : Business Communication**

**2009 - Dec [8]** What is communication? Explain Encoding, Decoding and Feedback as the elements in the process of communication.

(2+2+2+2 = 8 marks)

**Chapter-6 : Objective Questions**

**2009 - Dec [5] {C}** (a) Answer the following:

- (i) Economic activities are those which are inspired by:
    - (A) Spiritual needs
    - (B) The desire to earn money
    - (C) Desire to help mankind
    - (D) All the above.
  - (ii) In a limited liability partnership:
    - (A) All partners have limited liability
    - (B) All partners have unlimited liability
    - (C) Some partners have limited liability
    - (D) Some partners have no liability at all.
  - (iii) Minimum number of members needed for a public company is:
    - (A) 9
    - (B) 7
    - (C) 5
    - (D) 2
  - (iv) Which of the following is not a social obligation for a firm:
    - (A) Avoiding anti-social practices
    - (B) Maintaining a healthy environment
    - (C) Ensuring job satisfaction of employees
    - (D) Earning adequate profit.
  - (v) Organised stock exchange in the country was started in Bombay in:
    - (A) 1877
    - (B) 1939
    - (C) 1977
    - (D) 1907
  - (vi) Latest developments in communications media included:
    - (A) email
    - (B) SMS
    - (C) Video-conferencing
    - (D) All the above.
- (1 × 6 = 6 marks)

(b) Fill in the blanks:

- (i) A company is an \_\_\_\_\_ association.
- (ii) The quorum at the annual general meeting in case of a private company is \_\_\_\_\_.
- (iii) Government policies are an important part of \_\_\_\_\_ environment of a company.

- (iv) No person can be a member of a stock exchange if he is less than \_\_\_\_\_ years of age.
- (v) Written communication provides a \_\_\_\_\_ record for future reference.
- (vi) The main motive of state enterprises is to render \_\_\_\_\_.  
(1 × 6 = 6 marks)
- (c) State which of the following statement is 'True' and which is 'False':
- (i) The liability of a sole proprietor is always limited.
  - (ii) The company Law has not given any legal status to a promoter.
  - (iii) The same environment may offer opportunities to some firms and threats to some other firms.
  - (iv) A stock market encourages capital formation.
  - (v) A stock exchange deals with the securities of all companies.
  - (vi) For communication to be effective, it must be communicator-oriented.  
(1 × 6 = 6 marks)
- (d) Define the following terms in not more than two lines:
- (i) Trade secrecy,
  - (ii) Partner by estoppel,
  - (iii) A multinational company,
  - (iv) Certificate of commencement of business,
  - (v) Stock Exchange Clearing House,
  - (vi) Forward delivery contracts.  
(1 × 6 = 6 marks)

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**Solved  
SCANNER™ Appendix**  
**ICWA Foundation (New Course)**  
**June - 2009**

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**PAPER'S**

**Paper - 3A : Economics**

**Chapter-2 : Utility Analysis**

**2009 - June [4]**

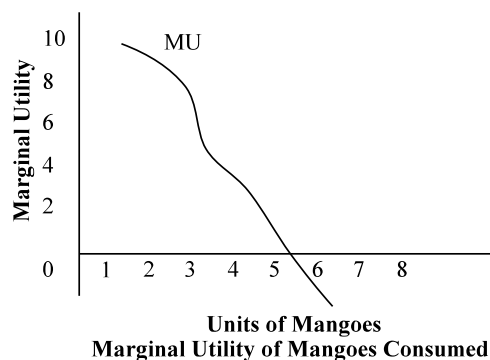
**Law of Diminishing Marginal Utility**

This law describes a very fundamental tendency of human nature. In simple words it says that as a consumer takes more unit of a good, the extra satisfaction that he derives from an extra unit of a good goes on falling. It is the marginal utility and not the total utility which declines with the increase in the consumption of a good.

**Schedule and Curve**

Utility schedule for mangoes

Units of Mangoes Consumed	Utility from successive additional units consumed (or Marginal utility) (in units)	Total utility (in units)
First Mango	—	10
Second	7	17
Third	3	20
Fourth	1	21
Fifth	0	21
Sixth	2	19



#### Limitations of the Law

The law of diminishing marginal utility is applicable only under certain assumptions.

- (i) The different units consumed should be identical in all respects. The habit, taste, treatment and income of the consumer also remain unchanged.
- (ii) The different units consumed should consist of standard units. If a thirsty man is given water by successive spoonfuls, the utility of second spoonful may conceivably be greater than the utility of the first.
- (iii) There should be no time gap or interval between the consumption of one unit and another unit i.e. there should be continuous consumption.
- (iv) The law may not apply to articles like gold, cash where a greater quantity may increase the lust for it.
- (v) The shape of the utility curve may be affected by the presence or absence of articles which are substitutes or complements. The utility obtained from tea may be seriously affected if no sugar is available.

#### Chapter-3 : Basic Element of Supply & Demand, Elasticity of Demand 2009 - June [3](a)

##### Answer :

The quantity offered for sale depends upon a number of factors. Important ones are

- (a) **Price of goods** – Ceteris paribus, the higher price of a good the greater the quantity of it that will be produced and offered for sale. This is because, increase in price promises increased profits to the producers and provide them with a greater incentive to produce it and offer it for sale.
- (b) **Production technology** – The supply of a particular commodity depends upon the state of technology and changes in it.
- (c) **Price of factors** – Another important factor which influences the supply of a commodity is cost of inputs (prices of factors of production). Decrease in the prices of these inputs make it possible to produce

commodities more cheaply, so that firms may be willing to supply a given amount at a lower price than formerly.

- (d) **Price of other commodities** – The supply of a commodity depends not only on the price of the commodity but also on prices of other commodities. For example, if price of sugarcane rises, farmers may shift to sugarcane production away from oilseeds production and cotton production
- (e) **Objective of the firm** – The objectives of the firm and business policy pursued by it also affect the supply of the product produced by it. Some firms want to maximise their profits. For maximizing profits they will produce and supply that much quantity which fetches maximum profits to them.
- (f) **Number of producers** – If the number of firms producing a product increases, the market supply will increase. Conversely, when the number of firms reduces, the market supply will decrease.
- (g) **Time** – Supply is a function of time also. Generally, it is not possible to adjust supply to the conditions of demand in a short period. But if the time period is sufficiently long, supply can fully adjust to demand.
- (h) **Government policy** – The supply of a product is also influenced by the policy followed by the Government. The Government may levy taxes in the form of excise duty, sales-tax or import duty or may grant subsidies. If an excise duty or sales-tax is levied on a product, its cost of production will go up and the quantity supplied will go down. The supply under such condition will increase only if its price in the market rises.
- (i) **Future price expectations** – The supply of a commodity is also influenced by the expectations of sellers with regard of its future price. During inflation, the sellers normally expect the prices to rise further in future. Therefore, they will tend to hoard the commodity to sell it at a future date. This will reduce the supply of the commodity and will cause its price to increase further.

#### Chapter-5 : Theories of Production

2009 - June [3] (b)

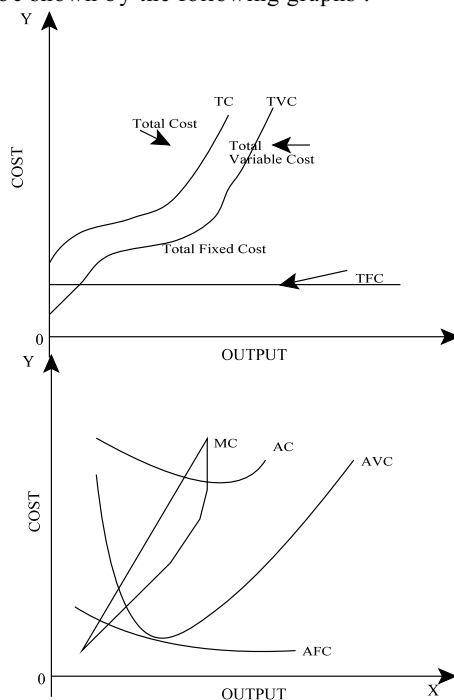
##### Cost-output relationship during short period :

There are two types of costs - fixed cost and variable cost. Fixed costs do not vary with output. They are incurred on the fixed factors of production. Rent, interest, insurance premium, salaries of permanent employees etc. are the examples of such costs. Variable costs vary directly with the output. They arise on the variable factors of production. Raw materials, power, fuel, wages, etc, are variable costs.

Total Cost	= Total Fixed Cost + Total variable Cost
Average cost	= Total Cost / Output
	= Average Fixed Cost + Average Variable Cost
Average Cost	= Total Fixed Cost / Output



Average variable cost = Total variable cost / Output  
 Marginal Cost = Change in Total Cost / Change in Output  
 These costs can be shown by the following graphs :



#### Chapter-14 : Inflation

2009 - June [2]

#### CAUSES OF INFLATION IN INDIA

A general price rise can take place either as a result of rise in aggregate demand or a failure of aggregate supply or both. Increase in public expenditure, deficit financing, and rapid growth of population can be mentioned as demand factors and erratic agricultural growth, agriculture price policy, inadequate rise in industrial production and upward revision of administered prices etc. can be mentioned as supply factors which have led to inflationary price rise in India.

- (i) **Increase in public expenditure:** With a rise in national income and also rapid growth of population an increase in public expenditure is unavoidable. Approximately 45 per cent of the government expenditure in India is on non-developmental activities
- (ii) **Deficit financing:** Deficit financing means financing of budget deficits (shortages) by borrowing from the banks or printing of more

currency. The Government of India has frequently resorted to deficit financing in order to meet its developmental expenditure. A small dose of deficit financing is helpful in tiding over the gap between public revenue and public expenditure and making available funds for the growth of the economy but a large dose and that too in a period of relatively slow growth turns out to be inflationary.

- (iii) **Erratic agricultural growth :** The Indian agriculture largely depends on monsoons and thus crop failures due to drought have been regular feature of agriculture in this country.

In the years of scarcity of foodgrains not only price of food articles increases but the general price level also rises.

- (iv) **Agricultural price policy of the Government:** The government has been pursuing a policy of price support to the agriculturists. For this, it announces the price at which it would be buying agricultural products. This ensures certain minimum price to the farmers. This policy benefited farmers in India but this has been a major contributory factor to the inflationary price rise in the country.

- (v) **Inadequate rise in industrial production:** The performance of essential consumer goods sector which includes industries like oil, food manufacturing, textiles, weaving, apparel and footwear was particularly disappointing. Moreover, in the ten years period from 1991-92 (except for 1995-96), the industrial sector registered slow growth of around 6 per cent per annum.

- (vi) **Upward revision of administered prices :** There are a number of important commodities for which price level is administered by the government. Many of these commodities are produced in the public sector. The government keeps on raising prices from time to time in order to cover the losses in the public sector which often arise due to inefficiency and unimaginative planning.

#### **Effects of inflation :**

1. Cost of living rises, real wages decreases, dearness allowances prove inadequate.
2. Fixed income group people suffer terribly, standard of living goes down and savings disappear.
3. Inflation confers a benefit to debtors and loss to creditors.
4. Poorer sections suffers distress.
5. Good effect on production and trade.
6. Big merchants who indulge in black marketing and profiteering find a paradise.

#### **Measures to control inflation**

The various measures can be studied under three main heads - monetary and fiscal measures, control over investment and other measures.

- (i) **Monetary measures:** Monetary measures are applied to check the supply of currency and credit. These measures consist of quantitative measures (open market operations, statutory reserve requirements and Bank Rate) and qualitative measures (margin requirements, moral suasion etc.). When the Reserve Bank of India wants to control inflation it uses any one or more of the above measures. Thus, it may sell government securities in the open market.
- (ii) **Fiscal measures :** These are the measures taken by the government with regard to taxation, expenditure and public borrowings. Taxes determine the size of the disposable income in the hands of the public. In the case of inflation, a proper tax policy will be to avoid tax cuts, or to introduce some increase in the existing rates so as to reduce the purchasing power in the hands of the people and thus reduce the pressure of demand on prices.
- (iii) **Control over investment:** Controlling investments is also considered necessary because, due to the multiplier effect, the initial investment leads to large increase in income and expenditure and the demand for both the consumer and capital goods goes up speedily. Therefore, it is necessary that the resources of the community should be employed for investment which does not have the effect of increasing inflation.

#### Chapter-18 : Objective Questions

##### 2009 - June [1] (a)

(i) (B), (ii) (A), (iii) (C), (iv) (D), (v) (C), (vi) (A), (vii) (C), (viii) (C), (ix) (B)

##### 2009 - June [1] (b)

(i) Leisure, (ii) Implicit cost, (iii) Expands, (iv) Second, (v) National income, (vi) Another related, (vii) Investment, (viii) Capital formation, (ix) Store of value, (x) Moral suasion, (xi) Industrial Reconstruction Board of India, (xii) Special Drawing Rights.

##### 2009 - June [1] (c)

(i) False, (ii) False, (iii) False, (iv) False, (v) True, (vi) False (vii) True, (viii) True, (ix) True,

##### 2009 - June [1] (d)

- (i) **Marginal product:-** The marginal product or marginal physical product is the extra output produced by one more unit of an input (for instance, the difference in output when a firm's labour is increased from five to six units). Assuming that no other inputs to production change, the marginal product of a given input X can be expressed as where ? X and ? Y is the change of workers in a firm and quantity of production output, respectively.
- (ii) **Real differentiation:-** Real differentiation arises due to differences in quality of inputs used in making these products, differences in location of firms and their sales service.
- (iii) **Gresham's law:-** Gresham's law is commonly stated: "Bad money drives out good", but more accurately stated: "Bad money drives out

good under legal tender laws". This law applies specifically when there are two forms of commodity money in circulation which are required by legal-tender laws to be accepted as having similar face values for economic transactions. Gresham's law is named after Sir Thomas Gresham (1519 – 1579), an English financier during the Tudor dynasty.

- (iv) **Credit creation:-** Credit creation is the multiple expansions of banks demand deposits. It is an open secret now that banks advance a major portion of their deposits to the borrowers and keep smaller parts of deposits to the customers on demand. Even then the customers of the banks have full confidence that the depositor's lying in the banks are quite safe and can be withdrawn on demand. The banks exploit this trust of their clients and expand loans by much more time than the amount of demand deposits possessed by them. This tendency on the part of the commercial banks to expand their demand deposits as a multiple of their excess cash reserve is called creation of credit.
- (v) **Regressive taxation:-** A regressive tax is a tax imposed in such a manner that the tax rate decreases as the amount subject to taxation increases. In simpler terms, a regressive tax imposes a greater burden (relative to resources) on the poor than on the rich — there is an inverse relationship between the tax rate and the taxpayer's ability to pay as measured by assets, consumption, or income. "Regressive" describes a distribution effect on income or expenditure, referring to the way the rate progresses from high to low, where the average tax rate exceeds the marginal tax rate.
- (vi) **Deficit financing:-** Deficit financing means the excess of government expenditure over its normal receipts raised by taxes, fees, and other sources. In this definition such expenditure whether obtained through borrowing or from the banking system measures the budget deficit. Deficit financing is said to have been used whenever government expenditure exceeds its receipts.

<b>Paper - 3B : Business Fundamentals</b>
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**Chapter-2 : Company Organisation and Management****2009 - June [6](a)****Memorandum of Association**

Meaning of MOA - Section 2 (28) of Companies Act defines that "Memorandum" means MOA of a company as originally framed or as altered from time to time in pursuance of any previous companies law or of Companies Act 1956."

Memorandum is a key document containing vital details about the company. MOA is of supreme importance to a company. No company can be incorporated under companies Act without MOA. It contains basic conditions and fundamental provisions, on which a company is allowed to be

incorporated. These are the 'charter' of a company. These defines as well as confines the powers and of its operation. It not only shows object of a company, but also shows almost possible steps, beyond which a company can not go.

**PURPOSE OF MOA :-** The purpose of MOA for shareholder's is that they comes to know the purpose, or the area for which their investment is going to be used and what risk they are taking. The purpose of MOA for outsiders is that anyone dealing with the company will know, that what he is dealing, is within the objects of company.

### **Chapter-3 : Business Objectives**

**2009 - June [8]**

Any business depends on certain internal and external factors. External factors are generally uncontrollable factors and are referred to as business environment. Business environment refers to all those external forces such as economic, social, political, regulatory, technological, natural and competitive factors which affect the business. Every businessman goes in for analyzing all the factors by resorting to what is known as SWOT ANALYSIS.

**Various types of business environment are :-** Social environment: The social or cultural environment includes customs, tradition, religious beliefs, tastes and preferences, social institutions, buying and consumption habits, etc. and all these do affect a business.

**International environment:** With the rapid industrial, commercial and computer revolutions, the world has become smaller. The rapid changes cannot allow any country to be economically independent. Trade and commerce is no more restricted to national boundaries. The business world of today cannot be in isolation and any political or economic change on the world map is bound to increase or decrease the volume of business, e.g., WTO is bound to be discussed in the business circles because its repercussions on different industries are bound to be different and serious. The NRIs and MNCs are likely to shape the Indian business differently. The international environment, thus can affect the business radically.

**Political environment:** The political policies, the nature of the constitution and the government system, the government environment encompassing the economic and business policies and regulations have very important implications for business, e.g, industrial policy decisions of the government affect business environment.

**Economic environment:** The economic environment includes the factors and forces in the industry to which the enterprise belongs - that is, the structure of competition in which the enterprise functions, the demand dynamics of the products of the firm, conditions in related industries, the general economic situation in the region and the nation, conditions in resource markets (money market, manpower market, raw-material components, services, supply markets and so on) which influence the supply of inputs to the enterprise, their costs, quality, availability and reliability of supplies.

**Technological environment:** For many enterprises, technology is the most dynamic of all the environment factors. An individual enterprise is concerned with the dynamics of its product and process technology, research and development activities in the industry and elsewhere, innovations in products and processes technological obsolescence and so on - Changes in technology vitally affect the enterprise's costs, profitability plant location decisions, product lines, growth and development.

**Political-legal environment:** It includes such factors as the general state of political development, the degree of political safe of business and economic issues, the level of political morality, the law and order situation, political stability the political ideology and practices of the ruling party, the purposefulness and efficiency of government agencies, the extent and nature of governmental intervention in the economy and the industry, Government policies (fiscal, monetary, industrial, labour and export-import policies), specific legal enactments.

#### **Chapter-4 : Stock Exchange and its Working**

**2009 - June [7]**

Stock exchange is a highly organized ready market for buying and selling of listed securities. It refers to a secondary market where shares and securities of existing business enterprise of both Government and private bodies are bought and sold. Thus it provides a market for the purchase and sale of shares and debentures of corporate enterprises. In short, stock exchange is a place where anybody who wants to buy a particular security can find an immediate seller or anybody who wants to sell his holdings can find a buyer at a reasonable and fair price.

**Following are the functions of stock exchange:**

1. It facilitates regular valuation of securities.
2. It ensures safety of funds because stock exchange has to operate under set rules which seek to check over-trading, illegitimate speculation and manipulation.
3. It encourages capital formation.
4. It provides proper direction to invest capital of investors and it is called a 'sensitive barometer of business activity'.
5. It ensures wide ownership of securities.
6. It facilitates distribution of new securities if the securities are listed on the stock exchange for the purpose of their trading.
7. Stock exchange provides a ready and continuous market and provides liquidity, price continuity and marketability facilities.
8. It regulates company management and performance.
9. It disseminates information relating to the capital, management, earning and dividends of listed companies through information bureau.
10. It provides facilities for speculation in the securities which tends to equate demand and supply and regulates prices to a substantial extent.

11. Stock exchanges mirror the phases of business cycle that is the changing conditions of economic health of a country.  
Booms and depressions find their echoes in the dealings on stock exchanges.

**Chapter-5 : Business Communication**

**2009 - June [6](b)**

There are eight C's of good business letter writing; correctness, completeness, clarity, conciseness, courtesy, consideration, concreteness and convincing power.

- (i) **Correctness:** The letter should contain correct information. The facts and figures need to be ascertained from the source before you commit them to paper. The spellings need to be correct, the manners correct (viz. respect shown according to the position of the recipient). The grammar and punctuation need to be according to the standard usage.
- (ii) **Completeness:** Enough time and attention needs to be given to make the contents complete in order to fulfill the intent of the letter. The terms and conditions of sale, for example, need to be fully stated. Cool editing and comprehensive thinking is required for this purpose. All enclosures of the letter should be duly attached. The dispatcher also has a role to play in this. The letter should be numbered, dated and signed.
- (iii) **Clarity:** The letter should be worded in clear language and be free from all ambiguity (double meaning). Long paragraphs and uncommon words, dead phrases and foreign language words reduce the clarity of a letter. It is best to read a lot of good letters from text-books or actual correspondence to see how meaning is made clear.
- (iv) **Conciseness:** Conciseness or brevity is brought into letter writing at two levels: matter and language. All extraneous information needs to be removed from the letter.
- (v) **Courtesy:** To be courteous is to be friendly in attitude and in the use of words. Apart from basic courtesies like saying "Dear Sir" and "Yours sincerely" there are deeper courtesies that endear a letter to its receiver.
- (vi) **Consideration:** With a little recasting, a letter can sometimes become more favourable to the reader. This consideration is called "You attitude."
- (vii) **Concreteness:** A business letter has to avoid approximate statements when exact ones can be given or are expected. A complaint letter can replace the phrase "loss on a large scale" by the phrase "loss of a 1000 man-hours." This can be backed up by other facts and figures. "We process loan applications speedily" can be changed to "We decide on loan applications upto Rs. 5 lakhs within 15 days."
- (viii) **Convincing power:** Every letter sells an idea and is, to that extent, a kind of sales letter. To get appropriate action is the aim of the letter,

for which all the skills of a good sales letter are to be applied. One has to state the benefit to the receiver and the reason why, and do so in appealing language. Consider this simple request: "Please send me a brochure of your Europe tour packages as my family and friends are interested. Each "C" needs to be understood and mastered through practice. Practice makes perfect.

**Chapter-6 : Objective Questions**

**2009 - June [5](a)**

(i) (D), ii) (A), iii) (B), iv) (A), v) (C), vi) (B).

**2009 - June [5](b)**

(i) Nominal partner, (ii) Sweat equity shares (iii) Special (iv) 1956, (v) Ex-dividend, (vi) Peter Drucker.

**2009 - June [5](c)**

(i) False, (ii) False, (iii) True, (iv) True, (v) False, (vi) False.

**2009 - June [5](d)**

Define the following terms in not more than two lines :

- (i) **Unlimited liability:-** When the liability of a person also exceeds to his personal property beyond the business assets, it is called unlimited liability.
- (ii) **Contingent dissolution:-** When a firm is dissolved on the happening of the following contingencies, it is called contingent dissolution : a) on the expiry of the term, if the firm is not for a fixed period, (b) on the completion of the venture for which the firm was constituted, (c) on the death of a partner, (d) on the adjudication of a partner as insolvent.
- (iii) **Organic objective:-** When a firm has a) survival, b) growth, expansion and diversification, c) creating goodwill, prestige and recognition as the objective, it is called organic objective.
- (iv) **Company limited by guarantee:-** A registered company where the extent of liability of members is specified in the Memorandum of Association, it is called company limited by guarantee.
- (v) **Barriers to communication:-** Any obstacle which results in distortion of communication is called barrier to communication.
- (vi) **Lame duck:-** Lame duck is a situation when a bear is unable to strike the bargain immediately.

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