

CMA JANUARY 2022 EXAMINATION
FOUNDATION LEVEL
BUSINESS ECONOMICS & INTERNATIONAL BUSINESS

Course Code : EF113	Total Marks : 100
Reading Time : 15 minutes	Writing Time : 180 minutes

Instructions to Candidates

- You **MUST NOT** write anything during the reading time.
- You should attempt ALL questions.
- Answers should be properly structured and relevant.
- Carefully read ALL the requirements and sub-questions before attempting a specific question.
- ALL answers must be written in the answer book.
- **AVOID WRITING/MARKING** on the question paper at any time which may cause disciplinary action.
- Start answering each question from a fresh sheet.
- Answers should be clearly numbered with the sub-question number.

Allowable Materials

- Writing Stationaries
- Non-programmable Calculator

Assessment Structure

		<i>Sub-question</i>	<i>Marks</i>	<i>Expected Time Required</i>	
Section A	Question 1	Multiple Choice Questions	15	15	25 minutes
	Question 2	Modified True/False	5	5	10 minutes
	Question 3	Essay/Case	2	15	25 minutes
	Question 4	Essay/Case	3	15	25 minutes
Section B	Question 5	Multiple Choice Questions	15	15	25 minutes
	Question 6	Matching	5	5	10 minutes
	Question 7	Essay/Case	2	15	25 minutes
	Question 8	Essay/Case	3	15	25 minutes
Revision					10 minutes
Total			100		180 minutes

RESTRICTED USE

This paper **MUST NOT BE REMOVED** from the examination venue

Do not turn the page until instructed

SECTION A [50 MARKS]

THERE ARE 4 (FOUR) QUESTIONS IN THIS SECTION FROM BUSINESS ECONOMICS. ANSWER ALL THE QUESTIONS IN THE ANSWER SCRIPT FOLLOWING THE EXAMPLE PROVIDED FOR THE SPECIFIC QUESTION.

QUESTION 1

[15 × 1 = 15 MARKS]

There are fifteen (15) multiple-choice questions with five options. Pick the option that best explains the given question. Write your answer on the answer script [DO NOT PUT ANY MARK ON THE QUESTION PAPER]. Follow the example given below in providing your answer.

Example:

- (i). ICMAB stands for the –
- (a) Institute of Cost Management Accounting of Bangladesh
 - (b) Institute of Cost and Management Accountants of Bangladesh
 - (c) Institute for Cost Managers and Accounting of Bangladesh
 - (d) Institute of Cost Management Accountants of Bangladesh
 - (e) Industrial Cost Management Accountants of Bangladesh

Answer: (i) (b)

- (i) In a circular flow model, the real variables are -
- (a) Money that flows from the factor market to the households.
 - (b) Money that flows from the households to the factor markets.
 - (c) Only the Goods and Services that are produced.
 - (d) Only the resources that are used.
 - (e) Both the Goods and Services produced and the resources that are used.
- (ii) In a free-market economy the allocation of resources is determined by -
- (a) Votes taken by customers.
 - (b) A central planning authority.
 - (c) By consumer preferences.
 - (d) By sellers' decision.
 - (e) The level of profits of the firms.
- (iii) The growth of an economy is indicated by an -
- (a) Increase in Savings.
 - (b) Increase in Investment.
 - (c) Increase in Trading.
 - (d) Increase in National Income.
 - (e) Increase in General Prices.
- (iv) Unemployment means that -
- (a) People are not willing to work at the going wage rate.
 - (b) At the going wage rate, there are people who want to work but cannot find work.
 - (c) There are some people who will not work at going wage rate.
 - (d) There is excess demand in the labor market.
 - (e) Above all.
- (v) Opportunity cost is -
- (a) A cost that cannot be avoided, regardless of what is done in the future.
 - (b) The cost incurred in the past before we make a decision about what to do in the future.
 - (c) That which we forgo or give up, when we make a choice or a decision.
 - (d) The additional benefit of buying an additional unit of a product.
 - (e) The difference between the actual cost and the budgeted cost.
- (vi) In a planned or command economy, all the economic decision are taken by the -
- (a) Workers.
 - (b) Consumers.
 - (c) Sellers.
 - (d) Voters.
 - (e) Government.

- (vii) In economic activities which are the outflows -
- (a) Government spending.
 - (b) Investments.
 - (c) Productions.
 - (d) Savings.
 - (e) None of these.
- (viii) The value of an entrepreneur's resources that he uses in production are known as -
- (a) Implicit cost.
 - (b) Explicit cost.
 - (c) Sunk cost.
 - (d) Opportunity cost.
 - (e) Operating expenses.
- (ix) Macroeconomics deals with -
- (a) The behavior of firms.
 - (b) Economic aggregates.
 - (c) The behavior of electronics industry.
 - (d) The activities of individual units.
 - (e) The activities of collective units.
- (x) Perfect substitutability of factors of production is assumed by
- (a) Input-output isoquant.
 - (b) Linear isoquant.
 - (c) Convex isoquant.
 - (d) Kinked isoquant.
 - (e) Both b and c.
- (xi) Compared to the case of perfect competition, a monopolist is more likely to -
- (a) Charge a higher price.
 - (b) Produce a lower quantity of the product.
 - (c) Make a greater amount of economic profit.
 - (d) Both a and b.
 - (e) All of the above.
- (xii) Government fiscal policy is related to:
- (a) Tax.
 - (b) Money Supply.
 - (c) Export-Import.
 - (d) FDI.
 - (e) None of the above.
- (xiii) A 10 percent increase in income has caused a 5 percent decrease in the quantity demanded. The income elasticity is
- (a) 0.5.
 - (b) -2.0.
 - (c) 2.0.
 - (d) -0.5.
 - (e) All of the above.
- (xiv) Suppose that a firm produces 200,000 units a year and sells them all for Tk.10 each. The explicit costs of production are Tk.1,500,000 and the implicit costs of production are Tk.300,000. The firm has an accounting profit of:
- (a) Tk.500,000 and an economic profit of Tk.200,000.
 - (b) Tk.400,000 and an economic profit of Tk.200,000.
 - (c) Tk.300,000 and an economic profit of Tk.400,000.
 - (d) Tk.200,000 and an economic profit of Tk.500,000.
 - (e) Both a and b.

- (xv) The marginal product of labour curve shows the change in total product resulting from a:
- one-unit increase in the quantity of a particular resource used, letting other resources vary.
 - one-unit increase in the quantity of a particular resource used, holding constant other resources.
 - change in the cost of a variable resource.
 - change in the cost of a fixed resource.
 - All of the above.

QUESTION 2

[5 × 1 = 5 MARKS]

There are five (5) statements given under the question. Identify the statements as True or False. If the statement is false, rewrite the statement on the answer script to make it 'True'. Reasoning is NOT required. Follow the example given below in providing your answer.

Example:

(a) ICMAB stands for the Industrial Cost Management and Accounting of Bangladesh.

Answer:

(a) False. ICMAB stands for the Institute of Cost and Management Accountants of Bangladesh.

Note:

- You will not get any mark if you simply rewrite as ICMAB *does not* stand for the Industrial Cost Management Accountants of Bangladesh.
- If the statement is true, you need NOT to rewrite the statement rather only mention that the statement is *True*.

- The income elasticity of demand is high for clothing items.
- When the total product curve is falling, the marginal product of labour is negative.
- Car and Petrol have negative cross elasticity of demand.
- The difference between a country's exports and imports is termed as net earnings from foreign transactions.
- Microeconomics theory assumes full employment.

QUESTION 3

[5 + 10 = 15 MARKS]

- Distinguish between (i) Direct Cost and Indirect Cost; (ii) Accounting Cost and Economic Cost.
- The market equilibrium comes at that price and quantity where the forces of supply and demand are in balance. Why the price settles down at the equilibrium intersection of supply and demand? What happens if the market price starts out too high or too low? Explain with the help of illustration.

QUESTION 4

[4+ 6 + 5 = 15 MARKS]

- What is National Income? Explain different methods of measuring national income.
- Discuss inflation and various measures to manage it.
- Point out the challenges for Bangladesh in elevating poverty as Bangladesh is to achieve Sustainable Development Goals (SDGs).

END OF SECTION A

SECTION B [50 MARKS]

THERE ARE 4 (FOUR) QUESTIONS IN THIS SECTION FROM INTERNATIONAL BUSINESS. ANSWER ALL THE QUESTIONS IN THE ANSWER SCRIPT FOLLOWING THE EXAMPLE PROVIDED FOR THE SPECIFIC QUESTION.

QUESTION 5

[15 × 1 = 15 MARKS]

There are fifteen (15) multiple-choice questions with five options. Pick the option that best explains the given question. Write your answer on the answer script [DO NOT PUT ANY MARK ON THE QUESTION PAPER]. Follow the example given below in providing your answer.

Example:

- (i) ICMAB stands for the –
- (a) Institute of Cost Management Accounting of Bangladesh
 - (b) Institute of Cost and Management Accountants of Bangladesh
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 - (d) Institute of Cost Management Accountants of Bangladesh
 - (e) Industrial Cost Management Accountants of Bangladesh

Answer: (i) (b)

- (i) Which facility was established to provide assistance to members facing payments difficulties that are large in relation to their economies and their fund quotas?
- (a) Supplementary Financing Facility (SFF).
 - (b) Compensatory and Contingency Financing Facility (CCFF).
 - (c) Extended Fund Facility (EFF).
 - (d) Buffer Stock Financing Facility (BFF).
 - (e) All of the above.
- (ii) Which of the following is the best example of Agreement between Oligopolists.
- (a) GATT.
 - (b) OPEC.
 - (c) WTO.
 - (d) UNIDO.
 - (e) None of the above.
- (iii) DFEC Stands for
- (a) Direct Foreign Exchange Control.
 - (b) Direct Finance Exchange Control.
 - (c) Duty Free Export Credit.
 - (d) Duty Free Exchange Credit.
 - (e) All of the above.
- (iv) The balance of payments of a country on the current account is equal to
- (a) Balance of trade plus short term.
 - (b) Balance of trade plus net invisible exports.
 - (c) Balance of payment minus capital flows.
 - (d) Balance of invisible trade plus imports.
 - (e) None of the above.
- (v) Which one is not the form of FDI
- (a) Purchase of existing assets in foreign currency.
 - (b) New Investment in Property, plant, and equipment.
 - (c) Making an investment in mutual funds.
 - (d) Transfer of many types of asset.
 - (e) None of the above.

- (vi) The balance of payments account is conventionally divided into-
- (a) Current Account and Capital Account
 - (b) Visible Account and Invisible Account
 - (c) Long-term capital Account and short term capital account
 - (d) None of the above
 - (e) All of the above.
- (vii) Which one of the following theories says that "to export was good and to be encouraged but to import was bad and to be discouraged."
- (a) Comparative cost theory
 - (b) The theory of absolute advantage
 - (c) Factor Endowment theory
 - (d) Mercantilist theory
 - (e) All of the above.
- (viii) The principal motive behind export subsidies is
- (a) to increase foreigners' spending on domestic goods.
 - (b) to decrease foreigners' spending on domestic goods.
 - (c) to neutralize the effect of export taxes.
 - (d) Both a and b.
 - (e) All of the above.
- (ix) is the payment method most often used in International Trade which offers the exporter best assurance of being paid for the products sold internationally.
- (a) Bill of Lading.
 - (b) Letter of Credit.
 - (c) Open Account.
 - (d) Trade off.
 - (e) Draft.
- (x) Rapid integration or inter-connection between countries is known as -
- (a) Privatization.
 - (b) Globalization.
 - (c) Liberalization.
 - (d) Socialization.
 - (e) Collaboration.
- (xi) Exports and imports apply mostly to which of the following -
- (a) Services.
 - (b) Merchandise.
 - (c) Intellectual Properties.
 - (d) Licensing.
 - (e) Garments.
- (xii) Technology has a tremendous impact on international business in all of the following ways except -
- (a) the demand for new products and services has increase.
 - (b) the number of international business transactions has increased.
 - (c) the manager's ability to control foreign operations has been improved.
 - (d) it has raised the cost of doing business abroad.
 - (e) skill may be achieved in reporting process with the easiest way.
- (xiii) International business conducted by governments differs from that conducted by private companies as the former
- (a) is involved only in foreign aid transactions.
 - (b) makes foreign sales but is not involved in investment and transportation.
 - (c) may not necessarily undertake business for the sake of profit.
 - (d) will handle transactions on credit.
 - (e) will handle for the socialism.

- (xiv) The theory of comparative cost advantage is given by -
- (a) David Ricardo.
 - (b) Adam Smith.
 - (c) Ohlin and Heckscher.
 - (d) FW Taussig.
 - (e) Keyes.
- (xv) An analysis of the external environment enables a firm to identify -
- (a) Strengths and opportunities.
 - (b) Strengths and weaknesses.
 - (c) Weaknesses and threats.
 - (d) Opportunities and threats.
 - (e) None of above.

QUESTION 6

[5 × 1 = 5 MARKS]

There are five (5) statements given under the question. Identify the statements as True or False. If the statement is false, rewrite the statement on the answer script to make it 'True'. Reasoning is NOT required. Follow the example given below in providing your answer.

Example:

(a) ICMAB stands for the Industrial Cost Management and Accounting of Bangladesh.

Answer:

(a) False. ICMAB stands for the Institute of Cost and Management Accountants of Bangladesh.

Note:

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- If the statement is true, you need NOT to rewrite the statement rather only mention that the statement is *True*.

- (a) An industry that undergoes privatization is changed from private ownership to government ownership.
- (b) A free-trade agreement between two companies results in increased trade between the countries because barriers to trade are removed.
- (c) Direct exporting occurs when a company actively seeks to sell goods and services in other countries.
- (d) A country with a large agricultural base is usually more economically developed than one with a large manufacturing base.
- (e) A multinational company is said to have a worldwide market view because it views the entire world as a potential customer.

QUESTION 7

[7 + 8 = 15 MARKS]

- (a) Write the concept of 'International Business'. Considering all scales of International Business, describe the position of Bangladesh. If improvements are needed, please describe.
- (b) Show, in a partial equilibrium framework, that an export tax tends to redistribute income from the producer of exports to the consumers and the government.

QUESTION 8

[4+ 6 + 5 = 15 MARKS]

- (a) Distinguish between Platform Strategy and Network Strategy of international business development. Why Network Strategy is important for Bangladeshi business firm?
- (b) What are the different payment methods under documentary credits?
- (c) Write short notes on the followings:
 - (i) Generalized System of Preferences (GSP);
 - (ii) Global Competitive Strategy;

END OF SECTION B
