

9. Economics

Bachelor Level / III Year / Humanities, 2068

Full Marks: 100

Economics (316)

Time: 3 hrs.

Functional Paper (Business Finance)

ECo.316

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2x20=40

1. Define capital structure. Discuss the main theories of capitalisation.
2. What is meant by common stock? Describe the advantages and disadvantages to the issuer investors and society.
3. Find the amount to which Rs.1000 will grow under each 1 of the following conditions:
 - a. 12 percent compounded annually for 5 years.
 - b. 12 percent compounded semi-annually for 5 years.

- c. 12 percent compounded quarterly for 5 years.
- d. 12 percent compounded monthly for 1 year.
- e. Which amount is worth more at 12 percent Rs. 1,000 in hand today or Rs. 2,000 due after 6 years?

Group "B"

6x10=60

4. 'The objective of the firm is to maximize profit.' Comment.
5. Define financial market. What are the constituents of financial market in Nepal?
6. DD Company sells each unit of its output at Rs.36. The fixed cost is Rs. 1,950,000 for upto 400,000 units of output.
Variable costs are Rs.24 per unit.
 - a. What is the firm's gain or loss at sales of 150,000 units?
 - b. What is the firm's gain or loss at sales of 200,000 units?
 - c. What is the profit break-even point?
 - d. What is DD's degree of operating leverage at sales of 150,000 units?
7. At 12 percent annual interest rate, how long does it take to double your money amount of Rs. 1,000,000?
8. Explain in brief the main sources of short term credit.
9. Calculate the implicit cost of non-free trade credit under each of the following terms:

a. $\frac{1}{15}$ net 20	b. $\frac{2}{10}$ net 30	c. $\frac{3}{15}$ net 40	d. $\frac{3}{10}$ net 45
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10. What is a budget? Describe different types of budget.
11. Write short notes on any TWO:
 - a. Current assets
 - b. Investment banking
 - c. Source of long term fund-
 - d. Financial plan

Bachelor Level (3 year)/III Year/Humanities

Full Marks: 100

Economics (315)

Time: 3 hrs.

(Development Economics & Nepalese Economics)

Eco. 315

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2x20=40

1. What are the major problems of economic development of underdeveloped countries?
2. What is poverty? Briefly explain the major causes of poverty in the world.
3. What is planning? Explain the pre-conditions for successful planning.

Group "B"

6x10=60

4. Briefly explain the stages of economic development.
5. Explain the role of natural resources in economic development.
6. What are the main features of mixed economy?
7. Explain the different sources of government revenue in Nepal.
8. Point out the problems of agricultural marketing in Nepal.
9. What are the major problems of agro based industries in Nepal?
10. Describe about the trend of balance of payment in Nepal.

11. What are the objectives and priorities of current plan?

**Bachelor Level (3 year)/III Year/Humanities
Economics (314)
(Pub. Fin., Fin. System & Int. Trade)
Eco.314**

**Full Marks: 100
Time: 3 hrs.**

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2x20=40

1. Discuss the benefit principles of taxation.
2. Explain the causes responsible for the growth of public expenditure in developing countries.
3. Discuss the principles of commercial banking.

Group

6x10=60

4. Highlight the components of budget. i get.
5. Discuss the effects of public borrowing.
6. Discuss the role of fiscal policy in developing countries.
7. What is the role of public enterprise in developing countries?
8. What are the methods of credit control? Explain.
9. What is money market? Explain the features of money market.
10. Explain the role of development banks in economic development.
11. What are the causes of disequilibrium in the balance of payments?

Tribhuvan University, 2069

Attempt any TWO questions from Group A and SIX from Group B

Group "A"

2x20=40

1. Explain the objectives of fiscal policy with reference to developing countries.
2. What is Balance of Payment? Illustrate the causes of disequilibrium of BoP with the suitable methods to adjust it.
3. Write down the differences between money and capital market. What are the roles of money market in developing countries?

Group "B"

6x10=60

4. "Public finance has a significant role in developing economy." Illustrate it.
5. What are the economic effects of public expenditure?
6. Explain the determinants of the incidence of taxation.
7. Illustrate the public borrowing with its classification.
8. Explain government budget with its components.
9. Explain the principles of commercial banks.
10. Discuss the principles of note issue.
11. How foreign exchange rate is determined?

Tribhuvan University, 2069

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2x20=40

1. What is economic development? Distinguish between economic growth and economic development.

2. How does technology help in economic development? Which technology is appropriate in the economic development of country like Nepal?
3. What are the objectives of planning? What are the major problems of plan implementation in underdeveloped countries?

Group "B"

6x10=60

4. What are the features of capitalist economic system?
5. Define the concept of human resource development? What are its role in economic development?
6. Why women's empowerment is needed for economic development?
7. What are the causes of "poverty" and discuss its remedial solution?
8. What are the problems of manufacturing industries in Nepal? Explain.
9. What are the problems and prospects of agriculture marketing of Nepal?
10. Explain the current situation of capital market of Nepal.
11. What are the composition and direction of foreign trade of Nepal?

Tribhuvan University, 2069

Attempt any TWO questions from Group A and SIX from Group B.

Group 'A'

2x20=40

1. What do you understand by capitalization? Discuss the cost theory and earning theory of capitalization.
2. What is meant by underwriting of securities? Discuss the importance of underwriting to the company, investors, underwriting and society.
3. Shikher Shoe Company produces shoes, each pair of which is sold at Rs.500. If the fixed cost is Rs.600,000 for 250,000 pair of shoes of less; variable costs are Rs.350 per pair of shoes.
 - a. What is the firm's gain or loss at sales of 5000 pair of shoes and 300 pair of shoes?
 - b. Calculate the BEP in physical units and rupees.
 - c. What is degree of operating leverage at sales of 5,000 pair of 0 shoes a 3000 pair of shoes?
 - d. What happens to the BEP if selling price rises to Rs.600 per unit?
 - e. What happens to the BEP if the selling prices rise to Rs.600 and variable costs rise to Rs400 per unit?

Group "B"

6x10=60

4. What are the various types of risks involved in lending money? Discuss.
5. What are the main features of preferred stock? Examine its merits and demerits.
6. Nepal Textile Company is in need of Rs.2,000,000 in cash to finance its current assets requirements. Mr. Dinesh treasurer they have three alternatives in raising the funds as follows:
 - a. Forgo cash discount on terms of 2/10, Net 25
 - b. Borrow on discount basis, from the Everest Bank at a 15 percent rate of interest for a period of one year
 - c. Borrow from Himalayan Bank at a 16 percent rate of interest for a period of one year.

- d. Which one is the least costly source of funds?
7. A firm is setting up an amortized term loan. What are the annual payments for a Rs.80,000 loan under the following term?
 - a. 10 percent, 6 years
 - b. 12 percent, 5 years
 - c. 8 percent, 10 years
 - d. 5 percent, 12 years
 8. How is organization of finance functions in a business enterprise?
 9. Assume that it is now January 1, 2012. On January 1, 2013, you will deposit Rs. 1,000 into a savings account that pays 8 percent annually.
 - a. If the bank compounds interest annually, how much will you have in your account on January 1, 2016?
 - b. What would your January 1, 2016 balance be if the bank used quarterly compounding rather than annual compounding?
 10. What is trade credit? How is it different from accrued wages and taxes?
 11. Write short notes on any TWO:
 - a. Sources of short term funds
 - b. Retained earnings
 - c. Static and flexible budget
 - d. Accounts receivables

Tribhuvan University, 2070

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2×20=40

1. Define poverty and explain the causes and consequences of poverty in the context of Nepal.
2. What do you mean by women's empowerment? Why is it important for economic development?
3. What do you mean by planning? Describe the plan formulation process.

Group "B"

6×10=60

4. What are the indicators of development? Explain.
5. Explain the role of natural resource in economic development.
6. What are the main features of mixed economy? Explain.
7. Explain the composition and direction of Nepalese foreign trade.
8. Describe the roles and prospects of tourism industry.
9. Briefly explain the stages of economic development.
10. What are the roles of commercial banks in economic development?
11. What do you understand by food security?

Tribhuvan University, 2070

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2×20=40

1. Differentiate between over-capitalization and under-capitalisation. Why over-capitalization is more evil than under-capitalisation?

Group "B"**6×10=60**

4. Explain the different concepts of public finance.
5. Discuss the effects of taxation.
6. Illustrate the role of fiscal policy in the context of Nepalese economy.
7. What is public debt management? Explain it.
8. How is budget formulation process in Nepal?
9. Explain the role of public enterprises in developing economy.
10. Illustrate the principles of note issue.
11. What are the differences between formal and non-formal sector of non-banking financial institution?

Tribhuvan University, 2071

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"**2×20=40**

1. Explain the ability to pay principle of taxation.
2. Illustrate the principles of commercial bank.
3. What is the formal sector of non-banking financial institutions with its characteristics and role?

Group "B"**6×10=60**

4. Explain the role of public finance in developing economy.
5. Explain causes for the growth of public expenditure.
6. Discuss the effects of public borrowing.
7. Illustrate the role of fiscal policy in developing countries.
8. What is deficit financing and its effects?
9. How price and output is determined by public enterprises? Explain any one principle.
10. Illustrate the credit control instrument of Central Bank.
11. Explain about privatisation vs. liberalisation.

Tribhuvan University, 2071

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"**2×20=40**

1. Describe the characteristics of developing countries.
2. "Poverty and inequalities are major issues of economic development". Justify.
3. What is planning? Explain the pre-condition for successful planning.

Group "B"**6×10=60**

4. What are the problems associated with the process of urbanisation?
5. What are the features socialist economy?
6. Explain problems and prospects of foreign trade of Nepal.
7. What do you mean by agricultural perspective plan (APP)? Explain.
8. What are the problems and prospects of industrial finance of Nepal?
9. Explain the role of Nepal Rastra Bank in economic development.
10. Explain the role of natural resource in economic development of Nepal. Why Nepal is underdeveloped despite availability of water resource?

Tribhuvan University, 2071

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2×20=40

1. What is over-capitalisation? Discuss its causes and remedial measures.
2. Show the difference between preferred stock and common stock.
3. Mr. Rational, a 34 year old person, wants to save for retirement. If he puts Rs. 10,000 at the end of the year into the stock market expecting an annual 12 percent return.
 - a. How much money will he have by the age of 57?
 - b. How much money will he have by the age of 67?

Group "B"

6×10=60

4. Explain the functions of the financial manager in a business organisation.
6. Define financial market. Explain the importance of financial market in a developing country like Nepal.
6. K-valley Company sells its product for Rs.9.75 per unit. The fixed cost is Rs.72,000; and the variable cost is Rs.6.75 per unit. Calculate:
 - a. Break-even point in unit and in sales rupees.
 - b. The firm's gain or loss at sales of 20,000 units.
 - c. If the selling price rises by 10 percent, what happens to the BEP? Discuss your result.
7. At 6 per cent interest rate, how long does it take to double your money?
8. What factors should be considered while selecting a right source of short-term funds?
9. Calculate the implicit cost of non-free trade credit under each of the following terms:
 - (i) $\frac{1}{10}$, net 30
 - (ii) $\frac{1.5}{10}$, net 40In which case the cost is the lowest? Why?
10. What is meant by master budget and capital budget? Why are they important to financial manager?
11. Write short notes on any TWO:
 - a. Current assets
 - b. Interest rate determination in financial market
 - c. Master budget
 - d. Underwriting securities

Tribhuvan University, 2072

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2×20=40

1. What is public expenditure? What are its principles? Explain it.
2. What is fiscal policy? What are its objectives?
3. Critically examine Heckscher- Ohlin theory of International trade/

Group "B"

6×10=60

4. Discuss the importance of public finance for economic development.
5. Explain the classifications of revenue.

- What are the effects of public borrowing? Explain.
- Explain the procedure for budget preparation.
- Illustrate the marginal cost pricing theory of public enterprises.
- Explain the process of financial system development in Nepal.
- What are the principles of note issue?
- What are the principles of commercial bank?

Tribhuvan University, 2072

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2×20=40

- What are the determinants of economic development? Explain in detail.
- What do you understand by unemployment and what are the causes of unemployment?
- What are the preconditions for successful planning and what are the processes of plan formulation?

Group "B"

6×10=60

- Justify the need for the study of development economics in Economics.
- Discuss the basic features of Nepalese economy.
- Evaluate the role of agriculture in economic development.
- What are the features of recent trade policy of Nepal?
- Explain the role of Nepal Rastra Bank in money market development of Nepal.
- Explain the role of women in economic development.
- Explain the concept of participatory rural development approach.
- Write short notes on any TWO:
 - Capitalism
 - WTO
 - Resource gap

Tribhuvan University, 2072

Attempt any TWO questions from Group A and SIX from Group B.

Group "A"

2×20=40

- What are the main features of common stock? Distinguish between common stock and preferred stock.
- Over-capitalization and under-capitalisation are both evil to the company even though the former is less evil, but still both should be avoided and fair capitalization is the ideal one." Justify this statement.
- Find the future value of the following annuities. The first payment in these annuities is made at the end of year 1, that are ordinary annuities.
 - Rs. 400 per year for 10 years at 10 percent
 - Rs. 200 per year for 5 years at 5 percent
 - Rework part (a) and (b) assuming that payments are made at the beginning of each year. that is they are annuities due.

Group "B"

6×10=60

- What is capital gearing? Distinguish between low capital gearing and high capital gearing with example.

5. Explain the concept of master budget and capital budget.
6. A company produces toothpaste, the fixed cost of which is Rs. 60,000; variable cost per unit is Rs. 100 and the selling price per unit is Rs. 120. Compute:
 - a. Profit-volume (P/V) ratio
 - b. Break even sales
 - c. Sales required to earn profit of Rs. 400,000
 - d. Degree of operating leverage at sales of 4000 units
7. If you deposit your money in a saving account for 5 years, what interest rate must the bank offer you so as to make your money double in 5 years? (Assume any amount.)
8. What are the criteria for choosing among different commercial banks?
9. Himal Cement Company is thinking of a right issue to raise Rs. 12 million. It has 500,000 shares outstanding. The current price of the share is Rs. 160. The subscription price on the new issue (share) will be Rs. 120 per share.
 - a. How many shares must be sold to raise the required fund?
 - b. How many rights are required to purchase one new share?
10. Discuss the ways in which funds are transferred between savers and investors.
11. Write short notes on any TWO:
 - a. Money market and capital market
 - b. Financial plan
 - c. Bond rating criteria
 - d. Objectives of a firm