

# FOUNDATION COURSE

## PAPER 2: SECTION-B: BUSINESS CORRESPONDENCE AND REPORTING

Max Marks:

**Q1` - Read the passage carefully and answer the questions that follow:**

The fiscal position of states deteriorated in 2017-18 over 2016-17 as revenue deficit for most states widened whereas states with revenue surplus witnessed a decline in their surplus, according to a Care Ratings report. Stating that the states have increased their focus on asset creation, which is crucial for future growth and development, it said that 14 out of 24 states analysed in the report witnessed an increase in expenditure towards asset creation in FY18.

As states have been termed to be trading on the fiscal **consolidation** path, the report pointed that the gross fiscal deficit to gross state domestic product (GFD to GSDP) ratio has been within the 3 per cent norm for most states. Though most states managed to keep it under 3.5 per cent, some that breached it include Punjab, Himachal Pradesh, Jammu & Kashmir, Nagaland and Bihar. "In FY17, 10 states had a fiscal deficit ratio of over 3 per cent. In FY18, 14 states exceeded the 3 per cent mark, of which five were higher than 3.5 per cent, which is a concern," said the report. However, the report pointed that majority of the states adhered to the fiscal deficit norms stipulated by the Finance Commission.

On a consolidated basis, the states have seen a rise in their revenue expenditure. Bihar, Odisha, Chhattisgarh and Uttar Pradesh, which had a revenue surplus in FY17, saw them narrow down in FY18. Assam, Punjab, Rajasthan, Tamil Nadu and Maharashtra that had registered revenue deficit in FY17, saw it widen in FY18. J&K, Jharkhand and Gujarat improved on their revenue surplus. States like Andhra Pradesh, Kerala, West Bengal and Haryana reduced their revenue deficit.

As per the 14th Finance Commission, all states are required to maintain a zero revenue deficit. The prevalence of revenue deficits is indicative of the fiscal pressure faced by 10 states that recorded revenue deficit in FY18. Most states managed to keep their debt levels (as a percentage of GSDP) stable. While 11 out of 19 states maintained their debt below the **stipulated** norm of 25 per cent of GSDP in FY18, 10 out of 21 states have their interest to revenue receipts ratio below the 10 per cent norm. Punjab and West Bengal are among the most indebted states as over 20 per cent of their revenue receipts are spent towards interest payments which pressurises their ability to spend on development purposes. The interest burden for Punjab, West Bengal and Tamil Nadu accounted for over 15 per cent of their revenues.

However, in absolute terms, Maharashtra and Uttar Pradesh have the highest debt levels at over Rs 4 lakh crore. On the other hand, Karnataka, Chhattisgarh, Odisha and Telangana have efficiently managed their debt obligations and have low debt to GSDP and interest to revenue receipt ratios i.e. within the stipulated norm of 25 per cent and 10 per cent, respectively.

While capital expenditure for the government is important and adds to the capital stock of the regional economy and provides a foundation for future growth and development, the report says that the consolidated expenditure by states towards asset creation continues to be under 15 per cent of their total expenditure. While the expenditure **incurred** towards capital projects by states at the consolidated level stood stable at 14.2 per cent of total expenditure, it said that at the state level, there has been a focus on creation of capital assets. Higher expenditure towards capital outlay has been incurred by 14 out of 24 states in FY18 from a year ago. 10 states saw their capital outlay as a percentage of total expenditure decline. While Goa had the highest allocation towards asset creation

at 27 per cent of its expenditure, Punjab and Chhattisgarh have the lowest at 4 per cent of total expenditure.

**1. As per the 14th Finance Commission the states must adhere to which fiscal deficit norms?**

- a) States must have their interest to revenue receipts ratio below the 25 per cent norm.
- b) All states are required to maintain a zero-revenue deficit
- c) 10 out of 24 states do not have to follow the norms.
- d) The highest allocation towards asset creation must be 27 per cent of its expenditure, whereas the lowest must be at 4 per cent of total expenditure.
- e) None of these

**2. What could be a suitable title for the passage?**

- a) Bihar's fiscal position deteriorates in FY18
- b) Importance of capital expenditure
- c) Financial year 2018\Care Ratings report for FY18
- d) How capital expenditure affects growth and development
- e) none of the above

**3. What economic indicators does Care Ratings consider while giving its report?**

- I. Revenue surplus
- II. Revenue deficit
- III. Interest to revenue receipts ratio
- IV. Gross Fiscal Deficit to GSDP ratio

- a) Only I and III
- b) Only II and IV
- c) Only I, III and IV
- d) Only II, III and IV
- e) All of the above

**4. According to the passage which of the following states saw their revenue deficits widen in Financial Year 2018?**

- a) Bihar, Odisha, Chhattisgarh and Uttar Pradesh
- b) Rajasthan, Tamil Nadu, Assam, Punjab and Maharashtra
- c) Haryana, West Bengal, Kerala and Andhra Pradesh
- d) Jammu and Kashmir, Jharkhand and Gujarat

e) None of the above

**5. Which of the following is/are not correct with respect to the passage?**

I. All States need to cap their debt obligations to below 25% of their respective GSDPs.

II. 14 out of 24 states that have been analysed in the report witnessed an increase in expenditure towards asset creation in FY17.

III. All states are required to maintain a zero-revenue surplus as per the 14th Finance Commission.

a) Only I

b) Only I and II

c) Only I and III

d) Only II and III

e) All are correct

**(b) read the passage**

(i) Make notes, using headings, sub headings, and abbreviations whenever necessary. **(3 marks)**

(ii) Write summary **(2 marks)**

The tests of life are its plus factors. Overcoming illness and suffering is a plus factor for it moulds character. Steel is iron plus fire, soil is rock plus heat. So let's include the plus factor in our lives. Sometimes the plus factor is more readily seen by the simple hearted. Myers tells the story of a mother who brought into her home – as a companion to her own son- a little boy who happened to have a hunch back. She had warned her son to be careful, not to refer to his disability. The boys were playing and after a few minutes she overheard her son say to his companion “ Do you know what you have got on your back ?” The little boy was embarrassed, but before he could reply, his playmate continued “ It is the box in which your wings are, and some day God is going to cut it open and then you will fly away and be an angel.”

Often it takes a third eye or a change in focus, to see the plus factor. Walking along the corridors of a hospital recently where patients were struggling with fear of pain and tests, I was perturbed. What gave me a fresh perspective were the sayings put up everywhere, intended to uplift. One saying made me conscious of the beauty of the universe in the midst of pain, suffering and struggle. The other saying assured me that God was with me when I was in deep water and that no troubles would overwhelm me.

The import of those sayings also made me aware of the nether springs that flow into people's lives when they touch rock bottom or are lonely or guilt ridden. The nether springs make recovery possible,

and they bring peace and patience in the midst of negative forces. The forces of death and destruction are not so much physical as they are psychic and psychological. When malice, hatred and hard heartedness prevail, they get channeled as forces of destruction. Where openness, peace and good heartedness prevail, the forces of life gush forth to regenerate hope and joy. The life force is triumphant when love overcomes fear. Both fear and love are deep mysteries, but the effect of love is to build, whereas fear tends to destroy.

Love is generally the plus factor that helps build character. It creates bonds and its reach is infinite. It is true there is no shortage of destructive elements – forces and people who seek to destroy others and in the process destroy themselves – but at the same time there are signs of love and life everywhere that are constantly enabling us to overcome setbacks. So let's not look at gloom and doom – let us seek positivity and happiness. For it is when you seek that you will find what is waiting to be discovered

## Question 2

**(a) In an organization which barrier, according to you, impedes communication the most? (1 mark)**

**(b) i. choose the word which best expresses the meaning of the given word.**

Pilferage

- |                 |           |                 |
|-----------------|-----------|-----------------|
| 1. congratulate | 2. crime  |                 |
| 3. fancy        | 4. Excite | <b>(1 mark)</b> |

**ii. select a suitable antonym for the word given in question.**

Voracious

- |          |               |                 |
|----------|---------------|-----------------|
| 1. full  | 2. hungry     |                 |
| 3. happy | 4. captivated | <b>(1 mark)</b> |

**iii. change the following sentence to indirect speech :**

The gentleman said, "Where is the market?" **(1 mark)**

**(c) Write a precis and give appropriate title to the passage given below:**

A drop of water fell out of the cloud into the sea, and finding itself lost in such an immensity of fluid matter, broke out into the following reflection: 'Alas! What an inconsiderable creature am I in this prodigious ocean of waters: My existence is of no concern in the universe; 'I am reduced to a kind of nothing, and am the least of the works of God'. It so happened that an oyster which lay in the neighbourhood of this drop chanced to gape and swallow it up in the midst of this his soliloquy. The

drop, say the fables, lay a great while hardening in the shell, until by degrees it was ripened into a pearl, falling into the hands of a diver, after a long series of adventures, is at present that famous pearl which is fixed on the top of the Persian diadem. [No of words = 147] (5 Marks)

**Question 3**

**(a) differentiate between vertical and star network? (2 Marks)**

**(b) Choose the word which best expresses the meaning of the given word:**

**(i) Apathy**

(1) indifferent

(2) to think of others

(3) need

(4) Against

**(1 Mark)**

**(ii) Eulogize**

(1) happy

(2) Emotional

(3) theft

(4) to praise

**(1 Mark)**

**(iii) Change the following sentence into indirect speech:**

The master said to the servant, "Finish the work at once".

**(1 Mark)**

**(c) 1) As the Manager, Supply Chain Division, of an FMCG company write an enquiry letter to your counterpart of an Oil Manufacturing company, stating your queries regarding oil prices at bulk rate.. (5 Marks)**

**Question 4**

**(a) (i) What are the characteristics of effective communication? (2 Marks)**

**OR**

**(ii) difference between star and Wheel and spoke Network – (2 Marks)**

**(b) (i) Complete the expression by supplying a suitable adjective or adverb . Choose your answer from the options given in brackets.**

Sam is very.....driver . (careful/carefully)

**(1 Mark)**

**(ii) Rewrite the following sentence in Passive Voice**

The Corporation's sales and Service organization covers the country.

(1 Mark)

**(iii) Rewrite the following sentence in Active Voice.**

He will be given a ticket for over speeding by the police officer..

(1 Mark)

**(c) An NGO working for the cause of the underprivileged had set up a one day workshop in your college. As member of the Organizing committee, write a report for your college magazine giving details of the workshop.**

**(250-300 words)**

**(5 Marks)**

**Question 5**

(a) What are the main steps in the process of communication?

**(2 Marks)**

(b) Select the correct meaning of idioms / phrases given below:

**(i) Gift of gab**

(1) to be humanitarian

(2) very kind

(3) speaking fluently

(4) helping others

**(1 Mark)**

**(ii) All and sundry**

(1) One and all

(2) best friends

(3) to be all in all

(4) To be in deep thought.

**(1 Mark)**

**(iii) Rewrite the following sentences in the active voice:**

The horse is being purchased by the farmer.

**(1 Mark)**

(c) Prepare a chronological resume of commerce background student, having worked in a firm for 1 year, and gained experience in general management skills. The candidate has cleared IPCC, Group

**(5 marks)**