

REVISED SYLLABUS 2012

# TEST PAPERS

**Fundamentals of Economics and Management (FEM)**

**QUESTION PAPERS FOR POSTAL STUDENTS ONLY**

**(FOR APRIL/JUNE/SEPTEMBER/DECEMBER 2015)**



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA  
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# **Postal Test Papers\_P1\_Foundation Course\_Syllabus 2012**

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## Fundamentals of Economics and Management (FEM)

### Test Paper 1

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

#### **Section A: Fundamentals of Economics [50 marks]**

**Q1. Micro economics theory deals with**

- (a) Economic behavior of individual economic decision making units
- (b) Economy as a whole
- (c) Trade relations
- (d) Economic growth of the society

**Q2. Normative economic theory deals with**

- (a) What is or how the economic problem facing the society are solved
- (b) How the problem should be solved
- (c) What to Produce
- (d) How to produce

**Q3. Market equilibrium of a commodity is determined by**

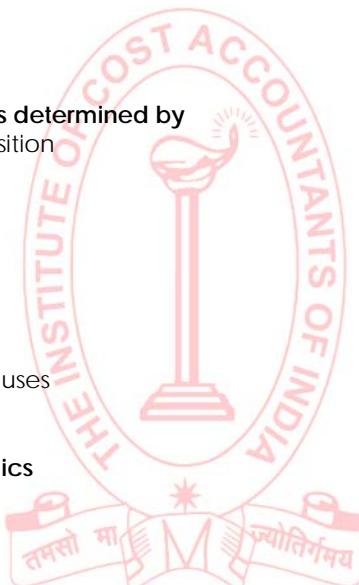
- (a) Balancing of demand and supply position
- (b) Aggregate demand
- (c) Aggregate supply
- (d) Government intervention

**Q4. Economic resources are**

- (a) Unlimited
- (b) Limited in supply and use
- (c) Limited in supply but have alternative uses
- (d) Unproductive

**Q5. Which of these is not land in economics**

- (a) Tehri Dam
- (b) Forest reserves of Assam
- (c) Fish reserves in the Bay of Bengal
- (d) Herbal plant of Uttarakhand



**Q6. Capital in economics means**

- (a) Factor of production
- (b) Fund brought in by the entrepreneur
- (c) Investment in shares, bank deposits
- (d) All the above.

**Q7. A perfectly elastic supply curve will be**

- (a) Parallel to Y axis or a vertical line
- (b) Parallel to X axis
- (c) U shaped
- (d) Downward sloping.

**Q8. When the Demand curve of a pure monopoly firm is elastic, MR will be**

- (a) Negative
- (b) Positive
- (c) Zero
- (d) Any of the above.

**Q9.** Oligopoly market is known for .....

- (a) Price flexibility
- (b) Price rigidity
- (c) Price discrimination
- (d) All the above.

**Q10.** In a competitive market ..... is the price taker

- (a) Firm
- (b) Industry
- (c) Consumer
- (d) Trade association.

**Q11.** National income is the .....of all the goods and services produced by a country during a period of year

- (a) Physical quantity
- (b) Money value
- (c) Value
- (d) All the above.

**Q12. Choose the correct statement**

- (a)  $GDP_{at\ fc} = GDP_{mp} - IT + S$
- (b)  $GDP_{at\ fc} = GDP_{mp} - IT - S$
- (c)  $GDP_{at\ fc} = GDP_{mp} + IT + S$
- (d)  $GDP_{at\ fc} = GDP_{mp} + IT - S$ .

**Q13. Which of these items are excluded in the computation of National Income under value added method?**

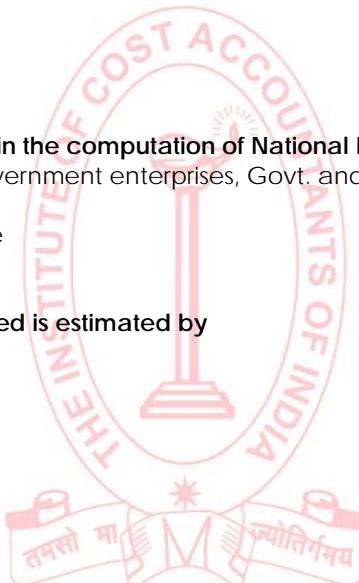
- (a) Own acquired fixed assets by the Government enterprises, Govt. and household
- (b) Production for self-consumption
- (c) Imputed rent for own occupied house
- (d) All the above.

**Q14. In agricultural sector net value added is estimated by**

- (a) Income method
- (b) Expenditure method
- (c) Production method
- (d) All the above.

**Q15. In a closed economy**

- (a)  $GDP = GNP$
- (b)  $GDP > GNP$
- (c)  $GDP < GNP$
- (d) All the above three are possible.



**Q16. Which is the apex bank for agricultural credit in India?**

- (a) RBI
- (b) SIDBI
- (c) NABARD
- (d) IDBI.

**Q17. Which of the following is near money?**

- (a) Bill of exchange
- (b) Saving bonds
- (c) Gilt edged securities
- (d) All the three.

**Q18. If the country is passing through recession, the RBI would**

- (a) Buy bonds
- (b) Reduce CRR
- (c) Ease out bank rate
- (d) All or any of the above three.

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**Q19. Which of these affects the demand for money?**

- (a)Real income
- (b)Price level
- (c)Rate of interest
- (d)All the above.

**Q20. If someone keeps some money for bad days, this demand for money is known by ..... motive of money**

- (a)Speculative
- (b)Transaction
- (c)Precautionary
- (d)Store

**Q21. Which of the following is not a characteristic of Indian Economy?**

- (a)Low per capita income
- (b) Equal distribution of wealth
- (c)Population pressure
- (d)Low level of technology.

**Q22. Barren land covers -----% of total reporting area.**

- (a) 22
- (b) 35
- (c)14
- (d) 41.

**Q23. EXIM Bank was established in**

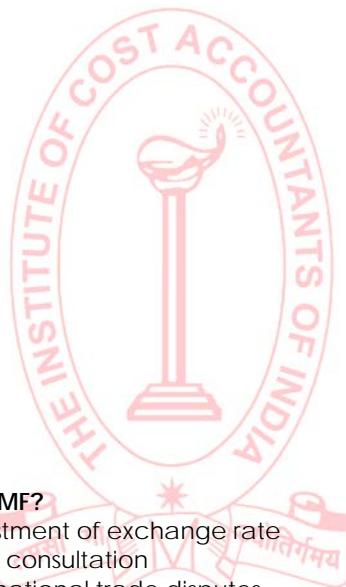
- (a)Jan. 1982
- (b)March 1984
- (c)Feb. 2001
- (d)August 1975.

**Q24. RBI was nationalized in**

- (a)June 1947
- (b)Jan. 1949
- (c)March 1954
- (d)April 1936.

**Q25. Which of these is not the function of IMF?**

- (a)It provides mechanism for orderly adjustment of exchange rate
- (b)It provides mechanism for international consultation
- (c)It provides forum for settlement of international trade disputes
- (d)It is a reservoir of the currencies of all the member countries.



### **Section B: Fundamentals of Management [50 marks]**

**Q26. Who is a person who advanced early scientific management principles?**

- (a)Weber
- (b)Taylor
- (c)Vest
- (d)Fayol

**Q27. \_\_\_\_\_ is the study of how to create an organizational structure that leads to high efficiency and effectiveness.**

- (a)Scientific management
- (b)Job specialization
- (c)Administrative management
- (d)Allocation management

**Q28. The management process functions consist of**  
(a) Planning, organising, staffing and directing  
(b) Planning, organising, leading and directing  
(c) Planning, organising, leading and staffing  
(d) Planning, organizing, leading and controlling.

**Q29. Planning is based on:**

- (a) Decision-making,
- (b) Forecasting,
- (c) Staffing,
- (d) Organizing.

**Q30. Forecasts**

- (a) Become more accurate with longer time horizons
- (b) Are rarely perfect
- (c) Are more accurate for individual items than for groups of items
- (d) All of the above.

**Q31. Line organization is also known as \_\_\_\_\_ organization.**

- (a) Scalar
- (b) Chain
- (c) Matrix
- (d) Project.

**Q32. Staffing needs:**

- (a) Man power planning,
- (b) Authority,
- (c) Communication,
- (d) Coordination.

**Q33. The characteristics of direction include:**

- (a) Guiding,
- (b) Motivating,
- (c) Planning,
- (d) Performance appraisal.

**Q35. Which of the following is an example of a nonverbal message?**

- (a) Eye contact
- (b) Yelling
- (c) Mumbling
- (d) Jargon.



**Q36. Effective control requires:**

- (a) Flexibility
- (b) Rigidity
- (c) High cost
- (d) High time.

**Q37. Leadership has a lot of characteristics and a leader must not maintain this trait in his behaviour:**

- (a) Coexistence,
- (b) Taking responsibility,
- (c) Avoiding responsibility,
- (d) All of the above.

**Q38. Which step in Maslow's Hierarchy of Needs Theory deals with achieving one's potential?**

- (a) Esteem
- (b) Physiological
- (c) Self-actualization
- (d) Social.

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**Q39.** Role \_\_\_\_\_ is a conflict between the role an individual has outside the group and the role he or she is expected to have in the group.

- (a) Collision
- (b) Transition
- (c) Confusion
- (d) Incompatibility.

**Q40.** Which one of the following characteristics is not necessarily true about groups?

- (a) Group members are interdependent
- (b) Groups have two or more members
- (c) Groups have assigned goals
- (d) Groups interact.

**Q41.** When do informal groups appear?

- (a) in response to the need for social contact
- (b) in reaction to formal groups
- (c) as a result of social needs
- (d) most frequently in bureaucracies

**Q42.** A suitable basis of departmentation is decided considering

- (a) Specialization of work
- (b) Customers
- (c) Control
- (d) Top management.

**Q43.** Minority influence can

- (a) Never sway the majority of the group members to the other point of view.
- (b) Steer other group members who hold the majority view over to the minority point of view.
- (c) Decrease creativity.
- (d) Increase superficiality.

**Q44.** Leadership is the process whose important ingredient is the \_\_\_\_\_ exercised by the leaders on the group members.

- (a) Friendship
- (b) Loyalty
- (c) Trust
- (d) Influence.

**Q45.** Employee walk-ins is a type of

- (a) Internal source of recruitment
- (b) External source of recruitment
- (c) Both of the above
- (d) None of the above.



**Q46.** PODSCORB stands for

- (a) Planning, organising, staffing, directing, controlling, reporting, budgeting
- (b) Planning, organising, staffing, directing, controlling, rectifying, budgeting
- (c) Planning, ordering, staffing, directing, controlling, reporting, budgeting
- (d) Planning, organising, staffing, directing, controlling, recruiting, budgeting.

**Q47.** Who among the following proposed the concept of functional authority?

- (a) Chris Argyris
- (b) Max Weber
- (c) F. W Taylor
- (d) Elton Mayo.

**Q48.** The situational theory is also known as .....

- (a) Trait theory
- (b) Transactional theory

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- (c)Contingency theory
- (d)Behavioural theory.

**Q49. Who among the following is regarded as the Father of motion study?**

- (a)Lillian Gilbreth
- (b)Charles Babbage
- (c)Henry Grant
- (d)Frank Gilbreth.

**Q50. Managers refer to strategic plans as.....**

- (a)Goal setting.
- (b)Organisational planning.
- (c)Functional planning.
- (d>Action plans.



## Fundamentals of Economics and Management (FEM)

### Test Paper 2

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

#### Section A: Fundamentals of Economics [50 marks]

**Q1. Which of the following is a central problem of every economy**

- (a) Abundance of resources
- (b) Scarcity of economic resources
- (c) Poverty
- (d) Moral and ethical values.

**Q2. Equilibrium relates to which of these**

- (a) Market condition which oscillate
- (b) Market state of falling price
- (c) Market condition of rising price
- (d) Market conditions which once achieved tends to persist.

**Q3. Ceteris Paribus means**

- (a) Holding demand constant
- (b) Holding supply constant
- (c) Price being constant
- (d) Other things being constant.

**Q4. Which of the following is/ are not an economic resource**

- (a) Land
- (b) Capital
- (c) Labour
- (d) Air.

**Q5. -----is known as father of economics**

- (a) Adam Smith
- (b) Professor A Samulson
- (c) Alfred Marshall
- (d) J R Hicks.

**Q6. Human wants are**

- (a) Unsatisfiable
- (b) Unlimited
- (c) Undefined
- (d) Limited.

**Q7. Which of the following is not a type of elasticity in economics.....**

- (a) Income elasticity
- (b) Price elasticity
- (c) Utility elasticity
- (d) Cross elasticity.

**Q8. Price elasticity of demand of a product will be more inelastic if**

- (a) It forms a major part of consumer household budget
- (b) It forms a very small part of consumers household budget
- (c) It is inferior
- (d) It is for mass consumption.



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**Q9. In short run a monopolistic competition firm will be in equilibrium where**

- (a)MR = curve intersect SMC curve from above
- (b)MR curve intersect SMC curve from below
- (c)MC = AR
- (d)MR curve intersect SMC from below and P is equal to or more than AVC.

**Q10. In the short run an oligopolistic firm will**

- (a)Make profits
- (b)Incur losses
- (c)Just break even
- (d)Any of above three are possible.

**Q11. A competitive firm maximizes its total profit when .....**

- (a)Average cost equal average realization
- (b)Marginal cost equals Price
- (c)Total revenue is the maximum
- (d)MR = AR

**Q12. GDP is the money value of final goods and services produced in the..... Of a country during an accounting year**

- (a)Domestic territory
- (b)Political territory
- (c)Specific area
- (d)FTZ area

**Q13. Which of the following equation is correct**

- (a) $NDP = GDP - (\text{Depreciation})$
- (b) $NDP = GDP + \text{Depreciation}$
- (c) $NDP = GDP - \text{Depreciation} - (\text{subsidy})$
- (d) $NDP = GDP - \text{Depreciation} + \text{subsidy}$

**Q14. Which of these are not included in territory sector?**

- (a)Banking
- (b)Insurance
- (c)Agriculture
- (d)Transport

**Q15. GDP can be defined as sum of the market value of the.....**

- (a) Final manufactured goods and services
- (b) Intermediate goods
- (c) Goods and services exported
- (d) Sub-standard goods and discarded services.

**Q16. Real GDP is measured in.....prices**

- (a) Base year
- (b) Current year
- (c) 1980
- (d) 2000.

**Q17. True value added**

- (a) value added-depreciation
- (b) Value added – depreciation – tax
- (c) Value added – interest – tax
- (d) Value added – depreciation-interest .

**Q18. Which of the following is the oldest system of money?**

- (a)Barter
- (b)Plastic money



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- (c) Credit money
- (d) Gold.

**Q19. Which of these is not a function of money?**

- (a) Means of exchange
- (b) Store value
- (c) Power indicator
- (d) Measurement of value.

**Q20. If RBI wants to decrease the money supply in order to check inflation it will**

- (a) Sell bonds
- (b) Increase CRR
- (c) Hike bank rate
- (d) All or any of the above three.

**Q 21. How does a commercial bank create money**

- (a) By printing money
- (b) By lending a part of its deposits
- (c) By issuing ATM cards
- (d) Accepting deposits.

**Q22. Which of these affects the demand for money?**

- (a) Real income
- (b) Price level
- (c) Rate of interest
- (d) All the above.

**Q23. Agricultural land accounts for -----% of total land area.**

- (a) 22
- (b) 40
- (c) 46
- (d) 54.

**Q24. Jute Industry in India was started in the year**

- (a) 1985
- (b) 1885
- (c) 1975
- (d) 1775.



**Q25. A competitive equilibrium is described by**

- (a) A price only.
- (b) A quantity only.
- (c) The excess supply minus the excess demand.
- (d) A price and a quantity.

### **Section B: Fundamentals of Management [50 marks]**

**Q 26. Scientific management, administrative management, and bureaucratic management belong to the management viewpoint known as the**

- (a) Classical perspective
- (b) Behavioral perspective
- (c) Quantitative perspective
- (d) Systems perspective .

**Q27. Which of these was not an integral part of scientific management?**

- (a) Differential pay rates.
- (b) Worker control of production.
- (c) Systematic selection of workers.

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(d) Work specialization.

**Q 28. According to Frederick Taylor, who was to blame for the inefficiency in organisations?**

- (a) The unions.
- (b) The managers.
- (c) The organisation as a whole.
- (d) The workers.

**Q 29. According to Fayol's 14 principles of management, 'esprit de corps' refers to which of the following?**

- (a) Being treated fairly and kindly.
- (b) Spirit of the corporation.
- (c) Team work and harmony.
- (d) Spirit of work.

**Q 30. Which of the following is the 'odd one out'?**

- (a) Management science.
- (b) Management accounting.
- (c) Operations management.
- (d) Systems management.

**Q 31. Planning do not consider:**

- (a) Choice,
- (b) Communication,
- (c) Machine,
- (d) Coordination.

**Q32. Which of the following forecasting method is suitable for launching new products?**

- (a) Moving average methods
- (b) Exponential smoothing
- (c) Causal models
- (d) Judgmental methods.

**Q33. Organizing refers to:**

- (a) Planning,
- (b) Delegation of authority,
- (c) Training,
- (d) Selection.

**Q 34. Recruitment covers:**

- (a) Selection,
- (b) Job analysis,
- (c) Time,
- (d) None of the above.

**Q 35. The techniques of direction excludes:**

- (a) An alternative device of communication,
- (b) Supervisory techniques,
- (c) Coordination,
- (d) Standard practices and procedures.

**Q36. Communication is a:**

- (a) Two-way process,
- (b) One-way process,
- (c) Discrete process,
- (d) Circular process.

**Q 37. Control is a function aimed at:**

- (a) Economic development,
- (b) Staffing,



- (c) Organizational development,
- (d) Planning.

**Q38. The features of leadership do not include:**

- (a) Representation,
- (b) Initiation,
- (c) Planning,
- (d) Motivation.

**Q 39. The following phrase is used to describe a leader:**

- (a) Relies on control strategies
- (b) Challenges status quo
- (c) Uses traditional influence
- (d) Acts with established culture.

**Q 40. The "means" of leadership involve**

- (a) Getting results through others.
- (b) The ability to build cohesive, goal-oriented teams.
- (c) The process of influencing an organized group toward accomplishing its goals.
- (d) An interpersonal relation in which others comply because they want to, not because they have to.

**Q41. What sort of groups is defined by the organization's structure?**

- (a) Informal
- (b) Task
- (c) Friendship
- (d) Formal.

**Q42. When do informal groups appear?**

- (e) In response to the need for social contact
- (f) In reaction to formal groups
- (g) As a result of social needs
- (h) Most frequently in bureaucracies.



**Q43. Grapevine is another term used to describe**

- (a)Formal organization
- (b)Informal organization
- (c)Product organization
- (d)Project organization.

**Q44. Responding to employees and involving them in decision making is referred to as**

- (a) Quality of work life
- (b) Autonomy
- (c) Empowerment
- (d) Preaction.

**Q45. Which style of leadership focuses on team building, conflict resolution, and morale?**

- (a)surrogate leadership
- (b)social leadership
- (c)transparent leadership
- (d)task leadership.

**Q46. What is known as 'Plan B'?**

- (a)A contingency plan.
- (b)A convergence plan.
- (c)A circumstantial plan.
- (d)A crisis plan.

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**Q47.** Which Fayol's theory principle states that activities in an organization should be planned in a way that they all come under one plan and are supervised by only one person?

- (a)Unity of command
- (b)Unity of direction
- (c)Discipline
- (d)Scalar chain.

**Q48.** What is meant by Unity of Command?

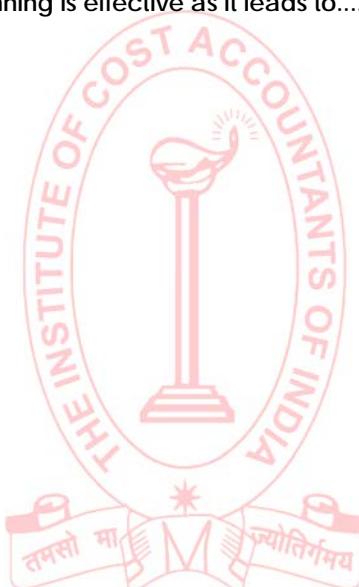
- (a)Each employee should receive orders from a number of superiors
- (b)Each employee should receive orders from one superior only
- (c)Each employee should receive orders from Board of Directors
- (d)Each employee should receive orders from subordinates.

**Q49.** Mc Gregors's ..... takes a pessimistic static and rigid view of human nature.

- (a)Theory W
- (b)Theory X
- (c)Theory Y
- (d)Theory Z.

**Q50.** The open systems approach to planning is effective as it leads to..... in planning.

- (a)Rigidity.
- (b)Flexibility.
- (c)Inelasticity.
- (d)Invariability.



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## Fundamentals of Economics and Management (FEM)

### Test Paper 3

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

#### Section A: Fundamentals of Economics [50 marks]

**Q1 .In economic theory the term "means" refers to**

- (a) Resources
- (b) Arithmetic mean
- (c) A characteristic
- (d) None.

**Q2. In a mixed economy which sector(s) is/ are found**

- (a)Private Only
- (b)Public sector only
- (c)None
- (d)Both a and b.

**Q3. Which of the following is/ are a non-economic resource**

- (a)Air
- (b)Water
- (c)Sunlight
- (d)All the above.

**Q4. Scarcity of resources leads to**

- (a)Dissatisfaction of human wants.
- (b)Evaluation of alternative uses of scarce resources.
- (c)Both of the above.
- (d)None of the above.

**Q5. In free economy the decision about investment, saving and consumption are decided by**

- (a) Price mechanism
- (b) Central bank
- (c) Planning Commission
- (d) Finance budget.



**Q6. The opportunity cost of consumption is**

- (a)Lack of capital formation for future
- (b)Greater investment
- (c)Full employment
- (d)Deflation.

**Q7. Macroeconomics is the study of**

- (a) Inflation
- (b) Unemployment
- (c) Growth
- (d) All of the above.

**Q 8. Net factor income from abroad is equal to**

- (a) NNP at market price (- )NDP at market price
- (b) NDP at market prices (-) Indirect taxes + Subsidies
- (c) NDP at factor cost + Depreciation
- (d) NNP at market prices + Depreciation .

**Q9. National income is**

- (a) NDP at market prices
- (b) NDP at factor cost
- (c) NNP at factor cost
- (d) GNP at market prices.

**Q10. By definition, the marginal propensity to consume**

- (a) Equals  $\Delta C / \Delta Y_d$
- (b) Is the behavioral coefficient  $c$  in the equation  $C = a + cY_d$
- (c) Is the slope of the consumption function
- (d) All the above.

**Q11. Price elasticity demand of product will be more elastic if it**

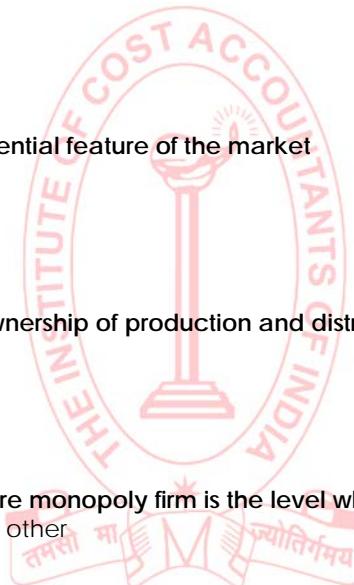
- (a) Has no substitutes
- (b) Has number of substitutes
- (c) Is an item of necessity
- (d) Is life saving Product.

**Q 12. Demand of salt is inelastic because**

- (a) Of low price
- (b) No substitute
- (c) Absence of it makes food tasteless
- (d) All of the above.

**Q13. Which of the following is/are an essential feature of the market**

- (a) Buyers
- (b) Sellers
- (c) Price
- (d) All the above.



**Q14. A monopoly based on sole state ownership of production and distribution network is known as**

- (a) Natural monopoly
- (b) Technological monopoly
- (c) Government monopoly
- (d) Geographical monopoly.

**Q15. The ideal level of operation for a pure monopoly firm is the level where**

- (a) TR and STC curve are parallel to each other
- (b)  $TR = TC$
- (c)  $TR = Total\ variable\ cost$
- (d)  $TR$  is less than  $STC$ .

**Q 16. SIDBI is a subsidiary bank of**

- (a) IDBI
- (b) SBI
- (c) HDFC
- (d) ICICI.

**Q 17.Which of the following function does money serve when used to measure the prices of different goods and services?**

- (a) Store of value
- (b) Medium of exchange
- (c) Standard of value
- (d) Display of power.

**Q18. Manipulation in CRR enables the RBI to .....**

- (a) Influence the lending ability of the commercial banks
- (b) Check unemployment growth
- (c) Check poverty

(d) Increase GDP.

**Q19. EXIM Bank is authorized to raise loan from**

- (a) RBI
- (b) Government of India
- (c) International market
- (d) Trading activities.

**Q 20. FERA has been replaced by**

- (a) FINA
- (b) FEMA
- (c) FENA
- (d) MRTP.

**Q 21. Nationalization of Banks took place in**

- (a) July 1969
- (b) February 1977
- (c) Jan. 1960
- (d) April 1989.

**Q 22. India is a recipient of loan from which of these agencies**

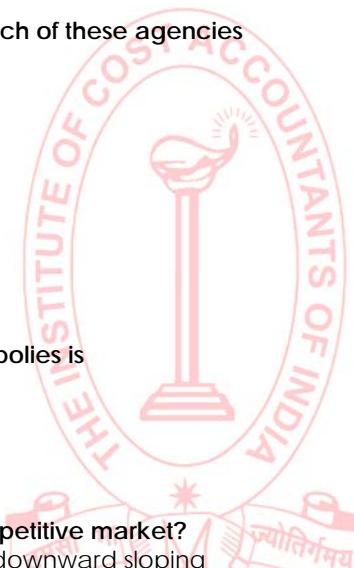
- (a) World Bank
- (b) IMF
- (c) IDA
- (d) All the above.

**Q 23. Deflation is a state when**

- (a) Prices are falling
- (b) Consistent increase in prices
- (c) Fall in GDP
- (d) Collapse of sensex.

**Q24. A characteristic found only in oligopolies is**

- (a) Interdependence of firms.
- (b) Products that are slightly different.
- (c) Break even level of profits.
- (d) Independence of firms.



**Q25. Which is not true of a perfectly competitive market?**

- (a) The typical industry demand curve is downward sloping
- (b) There is no incentive to innovate since economic profit is zero in the long-run
- (c) If the long-run average total cost curve is horizontal in the relevant range of production, perfectly competitive firms can be various sizes in long-run equilibrium.
- (d) At long-run equilibrium, economic profit is less than accounting profit.

### **Section B : Fundamentals of Management [50 marks]**

**Q 26. Which of the following was the key aim of scientific management?**

- (a) To increase worker control of production.
- (b) To increase productivity.
- (c) To decrease absenteeism.
- (d) To develop time-and-motion studies.

**Q 27. Which of the following is not a valid criticism of scientific management theory?**

- (a) Increases in pay for workers were not proportional to increases in productivity.
- (b) Worker discretion over the execution of the task was reduced.
- (c) Jobs became too complex for workers to handle.
- (d) Fear of redundancy was increased.

**Q 28.** Changes which take place gradually without any resistance are

- (a) Evolutionary
- (b) Revolutionary
- (c) Planned
- (d) Unplanned.

**Q 29.** Participating in the planning process makes:

- (a) Effective planning,
- (b) Cost reduction,
- (c) Increase output.
- (d) Perception of opportunities.

**Q 30.** Budget refers to

- (a) Planned target of performance
- (b) Steps of handling future activities
- (c) Systematic action and allocation of resources
- (d) Statement of expected results expressed in numerical terms .

**Q 31.** Defective delegation:

- (a) Hampers coordination
- (b) Size of the organization,
- (c) Establish proper controls,
- (d) Establish sources of powers.

**Q 32.** Staffing refers to:

- (a) Measuring performance,
- (b) Managing the positions,
- (c) Management in action,
- (d) Making strategic plans.

**Q 33.** Which of the following is not a type of remuneration system under Time Rate System?

- (a) High wage plan
- (b) Measured day work
- (c) Taylor System
- (d) Differential time rate.



**Q 34.** Direction is a:

- (a) Discrete process,
- (b) Continuous process,
- (c) Circular process,
- (d) Supervisory process.

**Q 35.** Which of the following statements about leadership is false?

- (a) Leadership does not necessarily take place within a hierarchical structure of an organisation.
- (b) Not every leader is a manager.
- (c) When people operate as leaders their role is always clearly established and defined.
- (d) All the above.

**Q36.** Maslow and Herzberg are two examples of \_\_\_\_\_ theories of motivation.

- (a) Process
- (b) Content
- (c) Expectancy
- (d) Equity.

**Q 37.** Controlling plays an important role in helping:

- (a) Increase the costs,
- (b) Fixing standards,
- (c) Identify opportunities,
- (d) Time management.

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**Q 38. Which of the following statements is true?**

- (a) All task groups are also command groups
- (b) All command groups are also task groups
- (c) All task groups are also friendship groups
- (d) All command groups are also informal groups.

**Q 39. The act of entrusting subordinates with the same power that are of the superior is termed**

- (a)Decentralization
- (b)Centralization
- (c)Delegation
- (d)Departmentation.

**Q40. Authority should be commensurate with responsibility is the best way to achieve**

- (a)Decentralization
- (b)Communication
- (c )Control
- (d) Effective delegation.

**Q41. In which of the following classification of conflicts DO people always try to maintain their image and respect?**

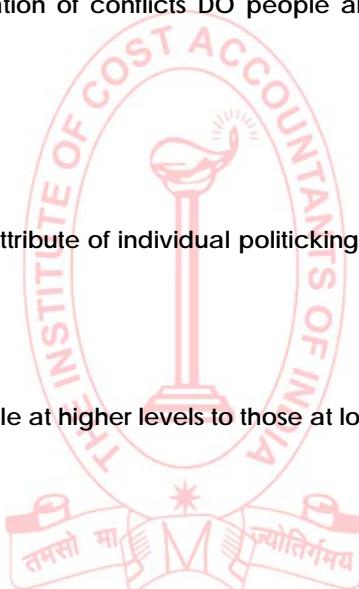
- (a)Intergroup conflict
- (b)Intragroup conflict
- (c)Interpersonal conflict
- (d)Intrapersonal conflict.

**Q 42. Which of the following is NOT the attribute of individual politicking?**

- (a)Pressure to perform
- (b)Personality traits
- (c)Background
- (d)Experience

**Q43. The communication flow from people at higher levels to those at lower levels in the organisational hierarchy is referred to as.....**

- (a)Upward communication
- (b)Crosswise communication
- (c)Downward communication
- (d)Horizontal communication.



**Q 44. Each statement below is true about conflict and conflict management in organizations except**

- (a) Conflict management includes both increasing and decreasing conflict
- (b) Conflict is necessary for organizational survival
- (c) Conflict management is not a basic management responsibility
- (d) Conflict includes interactions in which one party opposes another party.

**Q45. Which of the following is false about reducing conflict?**

- (a) Compromise uses negotiation to reduce conflict. It splits the differences between the parties in conflict
- (b) Problem solving usually does not find a conflict episode's root causes
- (c) Avoidance prevents a person from facing a conflict episode
- (d) A super ordinate goal is a goal desired by all parties to the conflict but not reachable by any party alone.

**Q 46. The concept of span of control was propounded by**

- (a)Graicunas
- (b)Fayol
- (c )Taylor
- (d)Mc Gregor.

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**Q47.** Management by objectives is not a new concept of motivation, it was originally proposed more than 45 years ago by,

- (a)Peter Drucker
- (b)Abraham Maslow
- (c )David McClelland
- (d )Frederic Herzberg

**Q 48. Human resource management helps improve**

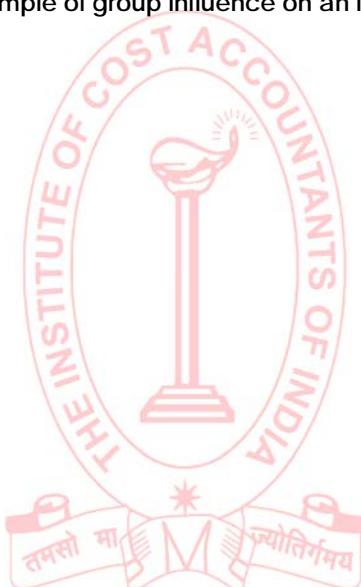
- (a) Production
- (b) Productivity
- (c) Profits
- (d) Power .

**Q49. Using covert influence to overcome resistance to change is called:**

- (a)Participation.
- (b)Cooptation.
- (c )Manipulation.
- (d )Coercion.

**Q50. Which of the following is not an example of group influence on an individual?**

- (a )Minority influence.
- (b)Deindividuation.
- (c )Social facilitation.
- (d )Social loafing.



## Fundamentals of Economics and Management (FEM)

### Test Paper 4

Answer all questions. Each question carries 2 marks.

Choose the correct answer among the alternatives given. Suitable justification needs to be provided.

#### Section A: Fundamentals of Economics [50 marks]

**Q1. Which of these would be classified as capital in economics**

- (a) Bhakra Dam
- (b) Indira canal
- (c) Golden triangle
- (d) All the three

**Q 2. General equilibrium analysis refers to**

- (a) Behaviour of individual economic decision making units and individual markets in isolation
- (b) Behaviour of all the individual decision making units and market viewed in totality
- (c) Both of the above.
- (d) None of the above.

**Q 3. Which of these resources would be called as land in economics**

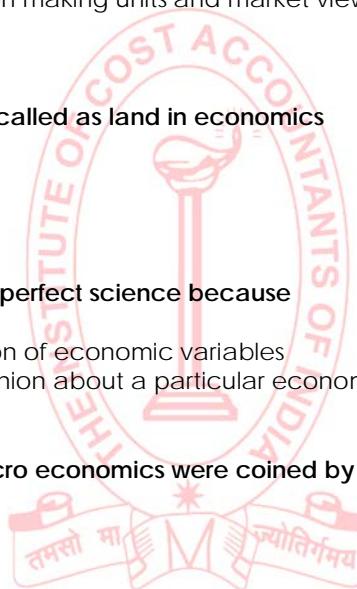
- (a) Coal mines of Bihar
- (b) Water resources of Uttarakhand
- (c) Mineral deposits of Jharkhand
- (d) All the above.

**Q4. Economics cannot be considered a perfect science because**

- (a) Human behaviour is unpredictable
- (b) It is difficult to make correct prediction of economic variables
- (c) Economist do not have common opinion about a particular economic event
- (d) All the above.

**Q 5. The terms Micro economic and Macro economics were coined by**

- (a) Professor A Samulson
- (b) Giffen
- (c) Prof. Ragnar Frisch
- (d) Eagle.



**Q 6. Which of the following does NOT describe a problem with scientific management?**

- (a) Productivity increases may not be reflected in workers' pay.
- (b) It is better suited to complex jobs.
- (c) Improvement is not necessarily maintainable.
- (d) It is better suited to simple jobs.

**Q7. Which of the following is not a central problem of a society**

- (a) What to produce
- (b) How to produce
- (c) For whom to produce
- (d) Where to produce

**Q8. Which of the following issue relates to micro-economics**

- (a) Impact of crude price hike on inflation
- (b) Impact of change in bank rate on bank saving and investment
- (c) Impact of Information technology on economic growth
- (d) Impact of shortage of wheat production on wheat prices

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**Q 9. The law of indifference is/are also known by-**

- (a) Law of substitution
- (b) Law of equi-marginal utility
- (c) Law of diminishing marginal utility
- (d) All the above.

**Q10. GDP at market price exceeds GDP at factor cost by the amount of revenue raised through .....**

- (a) Direct taxes
- (b) Indirect taxes
- (c) Income tax
- (d) Tax on rents

**Q11. GDP at market prices is the sum of Consumption, Investment, Government Spending and Net Exports. 'Net' exports is**

- (a) Gross exports minus depreciation
- (b) Exports minus imports
- (c) Gross exports earnings minus capital inflow
- (d) Export minus imports of merchandise.

**Q12. In a closed economy savings are equal to ..... at the equilibrium level of income.**

- (a) Investments
- (b) Wages
- (c) Income-Investments
- (d) Wages (-) Consumption.

**Q13. The difference between Gross National Product (GNP) and Gross Domestic Product (GDP) is**

- (a) Excess of subsidies over indirect taxes
- (b) Depreciation
- (c) Net foreign income from abroad
- (d) Excess of indirect taxes over subsidies.

**Q14. NDP does not include**

- (a) Payments made for income taxes
- (b) Depreciation allowances
- (c) Undistributed profits
- (d) The value added from intermediate goods.



**Q 15. The slope of the consumption curve connotes**

- (a) Average propensity to save
- (b) Marginal Propensity to consume
- (c) Marginal propensity to save
- (d) Level of consumption in the economy.

**Q 16. In which sector of Indian economy will we find a high rate of disguised unemployment?**

- (a) Service sector.
- (b) Agriculture sector.
- (c) Manufacture sector.
- (d) Mining sector.

**Q 17. In the Union Budget, profits from public sector undertakings are taken under**

- (a) Revenue receipts
- (b) Capital receipts
- (c) Monetized receipts
- (d) Planned expenditure.

**Q18. Which of these costs will increase or decrease with increase in production**

- (a) Marginal cost
- (b) Financial costs
- (c) Fixed costs

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(d) All the above.

**Q19. Which of the following is not a method of measurement of price elasticity of demand in economics**

- (a) Total Outlay
- (b) Total savings
- (c) Point method
- (d) Arc method.

**Q20. A decrease in price will result in an increase in total revenue if**

- (a) Percentage change in quantity demanded is greater than the percentage change in price
- (b) Percentage change in quantity demanded is less than the percentage change in price
- (c) Percentage change in quantity demanded is equal to the percentage change in price
- (d) None of the above.

**Q21. The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as**

- (a) Oligopoly
- (b) Duopoly
- (c) Monopoly
- (d) Monopolistic competition.

**Q22. In a pure monopoly firm a firm can make abnormal profit at the long run equilibrium level due to**

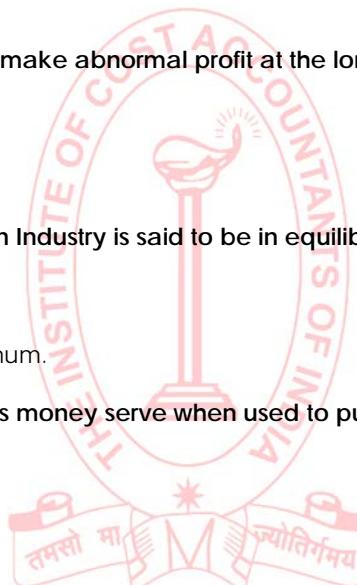
- (a) Price discrimination
- (b) Cost effectiveness
- (c) Banned entry of new firms
- (d) Sales promotion

**Q 23. Under perfect market conditions an Industry is said to be in equilibrium where**

- (a) Total output is equal to total demand
- (b) Profit is maximum
- (c) Where the total revenue is maximum
- (d) Where total average cost is the minimum.

**Q24. Which of the following function does money serve when used to purchase or sell different goods and services?**

- (a) Store of value
- (b) Medium of exchange
- (c) Standard of value
- (d) Display of power.



**Q25. Which of these would lead to fall in demand for money?**

- (a) Inflation
- (b) Increase in real income
- (c) Increase in real rate of interest
- (d) Increase in wealth

### **Section B : Fundamentals of Management [50 marks]**

**Q 26. What does the case, 'Scientific management in action' illustrate?**

- (a) Scientific management theory is an outdated management theory.
- (b) Managers should apply classical management theory to their everyday work if they want to be more effective.
- (c) A traditional approach to management can be successfully applied to the problems of a modern organisation.
- (d) Quality usually suffers as productivity increases.

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**Q27.** Scientific management gave rise to which of the following modern disciplines?

- (a) Theory Y.
- (b) Behavioural science.
- (c) Socio-technical systems.
- (d) Operations research.

**Q28.** In general, Theory Y and Theory X belong to which of the following perspectives?

- (a) Socio-political.
- (b) Bureaucratic.
- (c) Cultural.
- (d) None of these.

**Q29.** Planning is:

- (a) Looking ahead,
- (b) Guiding people,
- (c) Delegation of authority,
- (d) Fundamentals of staffing.

**Q30.** Which of the following method(s) is(are) suitable for forecasting the demand of a product?

- (a) Delphi method
- (b) Market research
- (c) Delphi method and judgmental method
- (d) Market research and judgmental method.

**Q31.** Organizing destroys:

- (a) Individual relationships,
- (b) Plans,
- (c) Simplicity in the organization,
- (d) Environment.



**Q32.** Unity of command means:

- (a) Parity of authority and responsibility,
- (b) Flow of command from subordinate to superior,
- (c) Flow of command from superior to subordinate,
- (d) Parity in controlling.

**Q 33.** Training is the process of:

- (a) Motivation
- (b) Increasing knowledge and skill
- (c) Testing.
- (d) Employee recommendations.

**Q 34.** Which of the following functions or activities requires recruiting and placing qualified personnel needed for the organization so that it may achieve its objectives and goals?

- (a) Planning
- (b) Staffing
- (c) Organizing
- (d) Controlling.

**Q 35.** The process of monitoring performance monitoring it with goals and correcting any significant deviations is known as

- (a) Planning
- (b) Organising
- (c) Leading
- (d) Controlling.

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**Q36.** When determining the most appropriate form of leadership, which of the following should be considered?  
(a) The manager.  
(b) The work environment.  
(c) The group.  
(d) All the above.

**Q37.** According to Herzberg, which of the following may be regarded as hygiene/maintenance factors?  
(a) Sense of achievement.  
(b) Recognition.  
(c) Personal growth and advancement.  
(d) None of the above.

**Q38.** What three words define motivation?  
(a) Intensity, direction, persistence  
(b) Fairness, equity, desire  
(c) Desire, persistence, fairness  
(d) Ambition, direction, intensity.

**Q39.** Members within a group that share similar experiences and feelings are known to have:  
(a) Process  
(b) Universality  
(c) Content  
(d) Conflict.

**Q40.** An important factor of the preplanning stage in group dynamics is determining what the group is to accomplish; this is known as \_\_\_\_\_.  
(a) Goal setting  
(b) Cohesion  
(c) Clarity of purpose  
(d) Group orientation

**Q 41.** Which of the following statements is false about functional and dysfunctional conflict in organizations?  
(a) Conflict is dysfunctional when it is lower than a group requires for reaching its goals  
(b) Conflict management does not involve maintaining conflict at functional levels  
(c) Conflict that is functional in one group can be dysfunctional in another group  
(d) Dysfunctionally high conflict can reduce trust.

**Q 42.** All but one of the following statements accurately describe aspects of levels and types of conflict in organizations. Which statement does not?  
(a) Intraorganization conflict includes all types of conflict between organizations.  
(b) Interpersonal conflict is conflict between two or more people.  
(c) Intergroup conflict is conflict between two or more groups.  
(d) Intrapersonal conflict is conflict that occurs within a person.

**Q 43.** An individual's view of reality is  
(a) Selection  
(b) perception  
(c) Interpretation  
(d) organization.

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**Q44. Influencing others to work willingly toward achieving the firm's objectives is:**

- (a)Organizing
- (b)Motivation
- (c)Leadership
- (d)Management.

**Q 45. .... is the first step in the decision making process :**

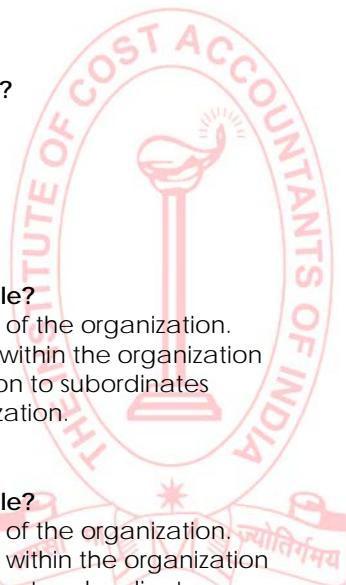
- (a)Identifying resource and constraints
- (b)Determining the problem.
- (c)Generating alternative solutions.
- (d)Selecting an alternative.

**Q 46. Managers using the..... model of decision making arrives at an optimal decision after obtaining and understanding all the information that is relevant to their decisions :**

- (a)Garbage can.
- (b)Satisfying.
- (c)Incremental.
- (d)Rational.

**Q 47. ..... is the crux of entrepreneurship?**

- (a)Management.
- (b)Doing business.
- (c )Innovation.
- (d )Goals.



**Q 48. What do managers do in a liaison role?**

- (a)Communicate with outsiders on behalf of the organization.
- (b)Communicate with people outside an within the organization
- (c )Communicate organizations information to subordinates
- (d )Receive information about the organization.

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**Q 50. Individual differences in human beings are rooted in difference in their ..... make up.**

- (a)Penological
- (b )Pathological
- (c )Physiological
- (d )Psychological