

Paper 1 – Fundamentals of Economics and Management

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Paper 1 – Fundamentals of Economics and Management

Full Marks : 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.
This question paper has two sections.
Both the sections are to be answered subject to instructions given against each.

Section – A : (Fundamentals of Economics)

(I) Choose the correct answer from the given four alternatives: [1×20=20]

- (i) Income minus savings is equal to
(a) Consumption
(b) Production
(c) Investment
(d) Demand
- (ii) The supply function of product 'x' is given as, $S_x = 5p_x + 3$. Where p_x stands for price. The quantity supplied corresponding to price 2 will be _____
(a) 10
(b) 13
(c) 16
(d) 18
- (iii) Law of variable proportion is developed by
(a) Alfred Marshall
(b) Adam Smith
(c) Robbins
(d) Jacob
- (iv) Money market deals with _____.
(a) Short term credit
(b) Long term credit
(c) Both a & b
(d) None of the above
- (v) Certificate of deposits are issued by the banks to _____.
(a) Individual
(b) Companies
(c) P.S.U.s
(d) All of the above
- (vi) Generally commercial bills are prepared for the period of _____ days
(a) 90
(b) 180
(c) 360
(d) 365
- (vii) Economics of scale are divided into _____ types.
(a) 2
(b) 3
(c) 4
(d) 5
- (viii) Bonds and Government Securities refer to _____ money.

- (a) Near
 - (b) Call
 - (c) Optional
 - (d) None of the above
- (ix) _____ was established as the Apex Bank for industrial credit
- (a) IDBI
 - (b) ICICI
 - (c) EXIM Bank
 - (d) NABARD
- (x) Which of these affects the demand for money?
- (a) Real Income
 - (b) Price level
 - (c) Rate of Interest
 - (d) All of the above
- (xi) 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
- (xii) Repo transactions means
- (a) Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date.
 - (b) Sale of securities by the holder to the investor with the agreement to resell them at a pre-determined rate and date.
 - (c) Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date.
 - (d) Sale of securities by the holder to the investor to the investor with the agreement to purchase them at market driven rate.
- (xiii) A firm that makes profit in excess of normal profit is earning _____.
- (a) Economic Profit
 - (b) Costing Profit
 - (c) Real Profit
 - (d) Super normal profit
- (xiv) Human wants are
- (a) limited
 - (b) unlimited
 - (c) undefined
 - (d) none
- (xv) Which of these will have highly inelastic supply
- (a) Perishable goods
 - (b) Consumer durables
 - (c) Luxury goods
 - (d) All of these
- (xvi) What is the maximum point of TP
- (a) When AP becomes zero
 - (b) When MP becomes zero
 - (c) At the intersecting point of AP & MP
 - (d) None of these

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- (xvii) Identify the correct statement.
- (a) AP is at its maximum when $MP=AP$
 - (b) Laws of increasing returns to scale relates to the effect of changes in factor proportion.
 - (c) Economies of scale arise only because indivisibilities of factor proportions
 - (d) All the statements are correct
- (xviii) In the long run a firm in perfect competition earns
- (a) Normal profit only
 - (b) Abnormal profit
 - (c) Average profit
 - (d) 8.33% of capital employed
- (xix) Variable factor means those factors of production
- (a) Which can be only changed in the long run
 - (b) Which can be changed in the short run
 - (c) Which can never be changed
 - (d) Any of the above
- (xx) The _____ states that bad money drives good money out of circulation
- (a) Law of Demand
 - (b) Law of Supply
 - (c) Gresham's Law
 - (d) Demand Schedule

(II) Match the terms in Column I with the relevant terms in Column II

[1×5=5]

Column A	Column B
(1) Principles of Economics	(A) Keynes
(2) Central Bank	(B) Marshall
(3) Micro Economics	(C) Movement of DD' curve
(4) Price Discrimination	(D) Credit Control
(5) Contraction of demand	(E) Monopoly

(III) State whether the following statements are True/False?

[1×5=5]

- (i) The price demand curve slopes downward from left to right ()
- (ii) The supply curve in case of land is parallel to X-axis ()
- (iii) There is an inverse relationship between income and demand ()
- (iv) Railways is an example of perfect market ()
- (v) When $MC = MR$ the firm will get maximum profits ()

(IV) Answer any four of the following questions.

[4×5=20]

- (1) What are the exceptions to the laws of demand?
- (2) Analyse the causes of increasing returns.
- (3) What should be the essentials of a sound banking system?
- (4) Define the following:
 - (a) Relatively elastic demand
 - (b) Relatively inelastic demand
- (5) What are the features of Monopoly?
- (6) Explain the functions of money.

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Section – B : (Management)

(I) Choose the correct answer from the given four alternatives:

[1×20=20]

- (i) _____ without corresponding controls are apt to hollow hopes
(a) Planning
(b) Organising
(c) Staffing
(d) Directing
- (ii) The first step in control process is
(a) Measurement of actual performance
(b) Establishment of standards
(c) Judging the action
(d) Comparison of actual with standards
- (iii) _____ skill are related to the maintenance of successful relationship between peers and subordinates.
(a) Decision making
(b) Operative
(c) Inter-personal
(d) All of the above
- (iv) When an individual learns several different jobs within a work unit or department it is known as
(a) Coaching
(b) Vestibule training
(c) Apprenticeship training
(d) Job rotation
- (v) _____ is vital for determining personnel needs of the organisation in future.
(a) Recruitment
(b) Staffing
(c) Man-power planning
(d) Development
- (vi) _____ refers to assigning rank and responsibility
(a) Training
(b) Development
(c) Education
(d) Placement
- (vii) Manpower planning is also known as _____
(a) Human Resource Accounting
(b) Human Resource Planning
(c) Manpower Management
(d) All of the above
- (viii) _____ is the process which involves growth of an employee
(a) Training
(b) Development
(c) Education
(d) All of the above
- (ix) Determination of the job to which an accepted candidate is to be assigned and his assignment to that job is called _____
(a) Placement

- (b) Orientation
 - (c) Induction
 - (d) None of the above
- (x) According to Likert, which system of management is ideal system?
- (a) System 1
 - (b) System 2
 - (c) System 3
 - (d) System 4
- (xi) Goal incongruence may lead to _____
- (a) Ineffectiveness
 - (b) Inefficiency
 - (c) Both 'a' & 'b'
 - (d) Either 'a' or 'b'
- (xii) _____ involves the selection of language in which the message is to be given.
- (a) Medium
 - (b) Decoding
 - (c) Encoding
 - (d) Feedback
- (xiii) Tendency of people to interpret the same message in different ways may act as a _____ barrier.
- (a) Semantic
 - (b) Emotional
 - (c) Language
 - (d) Time
- (xiv) _____ emphasized that harmony of objectives is crucial to the success of direction.
- (a) F.W. Taylor
 - (b) Henry Fayol
 - (c) Peter Drucker
 - (d) William Terry
- (xv) According to Mary Parker Follet which one is not the principle for achieving effective coordination?
- (a) Continuity
 - (b) Early beginning
 - (c) Self-coordination
 - (d) Management Audit
- (xvi) _____ is a philosophy of management.
- (a) Delegation
 - (b) Decentralisation
 - (c) Centralisation
 - (d) All of the above
- (xvii) Carrot and stick approach to motivation is adopted under which system?
- (a) Exploitative Autocratic
 - (b) Benevolent Autocratic
 - (c) Consultative
 - (d) Democratic
- (xviii) Which leadership style permits quick decision making?
- (a) Democratic style
 - (b) Authoritarian style

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- (c) Free-reign
- (d) All of the above

(xix) _____ cannot be delegated

- (a) Authority
- (b) Responsibility
- (c) Questionability
- (d) Accountability

(xx) _____ implies diffusion of authority throughout the organization.

- (a) Delegation
- (b) Centralisation
- (c) Decentralisation
- (d) None of the above

(II) Match the terms in Column I with the relevant terms in Column II

[1×5=5]

	Column A		Column B
1.	Internal source	A	Team work
2.	Time consuming	B	Transfer
3.	Strategies	C	Limitation of planning
4.	Esprite de corps	D	Increase in skills
5.	Training	E	Standing Plans

(III) State whether the following statements are True/False?

[1×5=5]

1. Decoding is said to be the carrier of message. ()
2. The first step in the process of organizing is identifying the work. ()
3. Rule of thumb is to be replaced by rule of science to improve the standards of performance. ()
4. The distinction between maintenance factors and motivating factors are fixed. ()
5. Planning premises refer to the environment in which plans are to be implemented. ()

(IV) Answer any four of the following questions.

[4×5=20]

- (1) Write a note on leadership continuum.
- (2) What do you understand by Feedback control?
- (3) State the assumptions of Theory Y by Prof. Douglas McGregor.
- (4) As a Cost and Management Accountant what guidelines would you follow for effective decision making?
- (5) Discuss the importance of staffing.
- (6) State the conditions to be fulfilled for effective decentralization.