

Paper 1 - Fundamentals of Economics and Management

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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

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

1. Normative Economic theory deals with _____
 - (a) What to produce
 - (b) How to produce
 - (c) Whom to produce
 - (d) How the problem should be solved

2. Nature of PPF curve is
 - (a) Convex to the origin
 - (b) Concave to the origin
 - (c) Both
 - (d) None

3. If an economy is working at the point left to PPF curve that shows _____
 - (a) Full employment
 - (b) Unemployment
 - (c) Excess production
 - (d) None of the above

4. Micro economic theory deals with _____.
 - (a) Economy as a whole
 - (b) Individual units
 - (c) Economic growth
 - (d) All of the above

5. Luxury goods have _____ degree of elasticity.
 - (a) High
 - (b) Low
 - (c) Moderate
 - (d) None

6. Price elasticity demand of product will be more, if it
 - (a) Has no substitutes
 - (b) Has a number of substitutes

- (c) Is an item of necessity
 - (d) Is a life saving product
7. An increase 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
8. Returns to a variable factor operates in _____
- (a) Short run
 - (b) Long run
 - (c) either 'a' or 'b'
 - (d) neither 'a' nor 'b'
9. All factors of production become variable in _____.
- (a) Medium run
 - (b) Short run
 - (c) Long run
 - (d) None of the above
10. A rational producer will operate in _____
- (a) Stage I
 - (b) Stage II
 - (c) Stage III
 - (d) All of the above
11. Why does the Law of Increasing Returns operate?
- (a) Full use of fixed indivisible factors
 - (b) Efficiency of variable factors
 - (c) Need to reach the right combination
 - (d) All the above
12. Which of the following is/are the essential features of the market
- (a) Buyers
 - (b) Sellers
 - (c) Price
 - (d) All the above
13. In the long run price is governed by _____.
- (a) Cost of production
 - (b) Demand- Supply forces
 - (c) Marginal utility

- (d) None of the above
14. Which of these is/are associated with monopolistic competitive market
- (a) Product differentiation
 - (b) Homogeneous product
 - (c) Normal in short run
 - (d) Single buyer
15. Optional money is a _____
- (a) Legal tender money
 - (b) Non-legal tender money
 - (c) Limited legal tender money
 - (d) Full bodied money
16. 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
17. Which of these is near money?
- (a) Bills of exchange
 - (b) Savings Bond
 - (c) Gilt edged securities
 - (d) All of these
18. Which is the apex bank for agricultural credit in India
- (a) RBI
 - (b) SIDBI
 - (c) NABARD
 - (d) IDBI
19. 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
20. FERA has been replaced by _____
- (a) FINA
 - (b) FEMA
 - (c) FENA
 - (d) MRTP

II. Match the following

[5 × 1 = 5]

	Column 'A'		Column 'B'
1.	Commercial Banks	A	Duopoly
2.	Deflation	B	Average Cost
3.	Two firms	C	Discounting Bills
4.	Land	D	Loss of Borrowers
5.	AFC + AVC	E	Fixed Factor

III. State whether the following statement is True (or) False.

[5 × 1 = 5]

1. In perfect market AR=MR curve is parallel to X-axis
2. When TP is maximum, then AP is zero
3. PPC is also called PPF
4. Value of Paradox is depicted by law of demand.
5. Money is treated as means of trade and commerce.

IV. Answer any four of the following questions.

[4 × 5 = 20]

1. Write what you understand by concept of wealth. 5
2. State the causes for falling nature of demand curve. 5
3. What do you understand by the term 'Labour'? State its features. 5
4. State the main internal diseconomies of scale. 5
5. What are the features of Perfect Competition? 5
6. Fisher's quantity theory of money has a few criticisms. State them. 5

Section B

I. Choose the correct answer from the given four alternatives:

[20 × 1 = 20]

1. Feedback may be
 - (a) Direct
 - (b) Indirect
 - (c) Either 'a' or 'b'
 - (d) None of the above
2. Formal communication is always
 - (a) Written
 - (b) Oral
 - (c) Both 'a' and 'b'
 - (d) None of the above
3. The message to be transmitted through verbal medium may be

- (a) Orders
 - (b) Instructions
 - (c) Reports
 - (d) All of the above
4. Which one is not a barrier to communication?
- (a) Filtering
 - (b) Emotions
 - (c) Message
 - (d) Language
5. The process of communication starts with _____
- (a) Supervisor
 - (b) Sender
 - (c) Receiver
 - (d) Medium
6. Which one of the following is the principle of direction?
- (a) Harmony of objectives
 - (b) Unity of command
 - (c) Follow-up
 - (d) All of the above
7. _____ is aimed at maintaining harmony among employees and groups in an organisation
- (a) Direction
 - (b) Supervision
 - (c) Planning
 - (d) Control
8. T-group training is also known as
- (a) Classroom training
 - (b) Apprenticeship Training
 - (c) Internship training
 - (d) Sensitivity training
9. _____ is concerned with providing the organization with the right number of people, at the right place and at the right time so that the organization would be able to achieve its goals effectively.
- (a) Recruitment
 - (b) Staffing
 - (c) Selection
 - (d) Development
10. _____ refers to the introduction of a person to the job and the organization.
- (a) Induction

- (b) Introduction
 - (c) Orientation
 - (d) Placement
11. _____ skills are related to the problem identification and prescribing appropriate solution.
- (a) Decision making skills
 - (b) Interpersonal skills
 - (c) Operative skills
 - (d) All of the above
12. CPC
- (a) Critical path control
 - (b) Critical point control
 - (c) Critical point complaint
 - (d) Critical point complex
13. Control function is closely connected to _____
- (a) Planning
 - (b) Organising
 - (c) Coordination
 - (d) All of the above
14. The first step in the organizing process is _____
- (a) Division of work
 - (b) Grouping of work
 - (c) Identifying the work
 - (d) Establishing formal reporting relationships
15. Post control is also known as _____
- (a) Feedback control
 - (b) Concurrent Control
 - (c) Pre-control
 - (d) Fast forward control
16. _____ is the primary force within the organization which tends to lead it towards achievement of goals.
- (a) Decentralisation
 - (b) Management
 - (c) Centralisation
 - (d) Delegation of authority
17. Assignment of duties is meaningless unless adequate authority is given to _____.
- (a) Subordinates
 - (b) Peers
 - (c) Superiors

- (d) All of the above
18. _____ represents the numerical limit of subordinates to be supervised and controlled by a single supervisor.
- (a) Unity of command
 - (b) Unity of objectives
 - (c) Span of control
 - (d) Scalar Chain
19. The sequential set of steps in decision making is
- (a) Identification – Evaluation – Developing – Selection – Implementation
 - (b) Identification –Developing – Evaluation – Implementation – Selection
 - (c) Identification –Developing – Evaluation – Selection – Implementation
 - (d) None of the above
20. Tactical decisions are also known as
- (a) Operational Decisions
 - (b) Programmed decision
 - (c) Non-programmed decision
 - (d) Strategic Decision

II. Match the following

[5 × 1 = 5]

	Column 'A'		Column 'B'
1.	External source	A	Rigid rules and regulations
2.	Strategies	B	Oral Communication
3.	Bureaucratic Management	C	Standing Plans
4.	Group Discussions	D	Investment Plans
5.	Controllable premises	E	Employment Exchange

III. State whether the following statement is True (or) False.

[5 × 1 = 5]

1. The art of influencing others to direct their will, abilities and efforts to the achievements of goals is called leadership.
2. Work is natural like rest or play according to theory X.
3. Responsibility flows downwards.
4. Division of work is necessary to enjoy the benefits of specialization.
5. Apprenticeship training is best example for off the job training.

IV. Answer any four of the following questions.

[4 × 5 = 20]

1. State the characteristics of leadership. 5
2. Write a note on 'Span of Management' 5
3. Discuss the principles of direction. 5
4. Explain the importance of communication. 5

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5. Which are the areas that would draw your attention as an Auditor while you are conducting Management Audit? 5
6. What are the grounds on which Maslow's need hierarchy theory is criticized? 5