

# FOUNDATION EXAMINATION

December 2017

*P-1(FEM)*  
*Syllabus 2016*

## Fundamentals of Economics and Management

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

### SECTION A

#### (FUNDAMENTALS OF ECONOMICS)

#### PART A

1. (a) Choose the correct answer from the given *four* alternatives.

1×20=20

- (i) \_\_\_\_\_ is the father of Economics.
- (a) Adam Smith (b) Alfred Marshall  
(c) Lionel Robbins (d) J. R. Hicks
- (ii) \_\_\_\_\_ is an act to use the goods or service to satisfy the wants.
- (a) Production (b) Consumption  
(c) Savings (d) Distribution
- (iii) The Law of Diminishing Marginal utility was developed by \_\_\_\_\_.
- (a) Stanley Jevons (b) Alfred Marshall  
(c) Adam Smith (d) J. R. Hicks
- (iv) \_\_\_\_\_ demand is also known as Direct Demand.
- (a) Derived (b) Autonomous  
(c) Individual (d) Consumption
- (v) Total Outlay Method of measuring Elasticity of Demand was introduced by \_\_\_\_\_.
- (a) Stanley Jevons (b) Alfred Marshall  
(c) Adam Smith (d) J. R. Hicks
- (vi) When two or more different goods are produced together by a single firm, it is called as \_\_\_\_\_ supply.
- (a) joint (b) composite  
(c) excess (d) short
- (vii) \_\_\_\_\_ is a gift of nature.
- (a) Land (b) Labour  
(c) Capital (d) Organisation

Please Turn Over

- (viii) There are \_\_\_\_\_ stages of the Law of Variable Proportions.  
(a) 2 (b) 3  
(c) 4 (d) 5
- (ix) Which factor of production is considered as a produced means of production?  
(a) Land (b) Labour  
(c) Capital (d) Organisation
- (x) \_\_\_\_\_ means transformation of physical inputs into output.  
(a) Marketing (b) Production  
(c) Finance (d) Money
- (xi) \_\_\_\_\_ Cost is also known as Alternative Cost.  
(a) Opportunity (b) Actual  
(c) Real (d) Money
- (xii) The additional cost incurred to produce an additional unit of output is \_\_\_\_\_.  
(a) Marginal Cost (b) Variable Cost  
(c) Fixed Cost (d) Opportunity Cost
- (xiii) On the basis of time element, markets can be classified into \_\_\_\_\_ types.  
(a) 2 (b) 3  
(c) 4 (d) 5
- (xiv) \_\_\_\_\_ Competition exists when the basic features of Perfect Competition are not present.  
(a) Pure (b) Perfect  
(c) Imperfect (d) All of the above
- (xv) 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
- (xvi) Quantity Theory of Money was explained by \_\_\_\_\_.  
(a) Fisher (b) Keynes  
(c) Crowther (d) Samuelson
- (xvii) \_\_\_\_\_ Account can be opened by business persons only.  
(a) Current Deposit (b) Savings Deposit  
(c) Fixed Deposit (d) Recurring Deposit
- (xviii) In India, Central Bank was established in \_\_\_\_\_.  
(a) 1945 (b) 1955  
(c) 1935 (d) 1965

(xix) \_\_\_\_\_ Market is the nerve centre of the financial system.

- (a) Money (b) Capital  
(c) Local (d) National

(xx) Money Market is controlled by the \_\_\_\_\_.

- (a) Government (b) RBI  
(c) SBI (d) SEBI

(b) Match the following:

1×5=5

- |                                                                       |                  |
|-----------------------------------------------------------------------|------------------|
| (i) Definition of Scarcity                                            | (A) Giffen       |
| (ii) Inferior Goods                                                   | (B) Crowther     |
| (iii) One who brings all the factors together and produces the output | (C) Walker       |
| (iv) Money is what money does                                         | (D) Robbins      |
| (v) Inflation denotes that Value of Money is falling                  | (E) Entrepreneur |

(c) State whether the following statements are *True* or *False*:

1×5=5

- (i) Macro-economics studies the economy as a single unit.  
(ii) Law of Supply explains the functional relationship between the supply of goods and the demand for goods.  
(iii) When the output is zero, Variable Cost is also zero.  
(iv) The concept of Monopolistic Competition was introduced by Adam Smith.  
(v) Credit creation is inversely related to CRR.

### PART B

Answer *any four* of the following questions:

5×4=20

2. Discuss briefly the branches of Economics.
3. Discuss the assumptions of the Law of Demand.
4. Explain the causes for increasing Returns to Scale.
5. Explain the classification of Price Discrimination.
6. Explain the defects of the Indian Money Market.
7. Discuss briefly the functions of a Central Bank.

Please Turn Over

**SECTION B**  
**(FUNDAMENTALS OF MANAGEMENT)**

**PART A**

8. (a) Choose the correct answer from the given *four* alternatives.

1×20=20

- (i) \_\_\_\_\_ is the father of Management.
- (a) Fayol
  - (b) Drucker
  - (c) Taylor
  - (d) David
- (ii) \_\_\_\_\_ is the chain of the superiors existing from the highest authority to the lowest ranks.
- (a) Unity of Command
  - (b) Unity of Direction
  - (c) Scalar Chain
  - (d) Authority
- (iii) Fayol viewed management as a process consisting of \_\_\_\_\_ functions which every manager performs.
- (a) 4
  - (b) 5
  - (c) 6
  - (d) 7
- (iv) Corporate Planning is done by the \_\_\_\_\_.
- (a) Top-level Management
  - (b) Lower-level Management
  - (c) Middle-level Management
  - (d) Consultant
- (v) \_\_\_\_\_ refers to training conducted away from actual work setting.
- (a) Conference Method of Training
  - (b) Coaching
  - (c) Job Rotation
  - (d) Vestibule Training
- (vi) \_\_\_\_\_ involves interpretation of the message by the receiver.
- (a) Encoding
  - (b) Decoding
  - (c) Feedback
  - (d) Medium

- (vii) \_\_\_\_\_ is that managerial function which analyses the alternatives available.
- (a) Planning
  - (b) Organising
  - (c) Directing
  - (d) Staffing
- (viii) \_\_\_\_\_ is the essence of Management.
- (a) Decentralisation
  - (b) Span of Management
  - (c) Training
  - (d) Planning
- (ix) \_\_\_\_\_ refers to the process of passing information from one person to another.
- (a) Planning
  - (b) Communication
  - (c) Controlling
  - (d) Motivation
- (x) Which one of the following is not related to Control?
- (a) To fix the standard
  - (b) To measure the actual performance
  - (c) To find out the deviation
  - (d) To communicate
- (xi) Which one of the following was suggested by Fayol?
- (a) Management by Exception
  - (b) Unity of Direction
  - (c) Delegation of Authority
  - (d) Centralisation
- (xii) Which one of the following is not a part of the communication process?
- (a) Encoding
  - (b) Decoding
  - (c) Medium
  - (d) Situation
- (xiii) \_\_\_\_\_ is necessary to take decisions to guide the actions of others.
- (a) Authority
  - (b) Planning
  - (c) Centralisation
  - (d) Responsibility

- (xiv) \_\_\_\_\_ is the process of entrusting part of the work by the superior to his/her subordinates.
- (a) Centralisation
  - (b) Accountability
  - (c) Delegation of Authority
  - (d) Responsibility
- (xv) \_\_\_\_\_ flows from the lower-level management to the top-level management.
- (a) Authority
  - (b) Responsibility
  - (c) Centralisation
  - (d) Decentralisation
- (xvi) A decision to launch a new product is a/an \_\_\_\_\_.
- (a) Programmed Decision
  - (b) Non-routine Decision
  - (c) Personal Decision
  - (d) Organisational Decision
- (xvii) \_\_\_\_\_ process is an interplay of three elements — the leader, the follower and the situation.
- (a) Control
  - (b) Motivation
  - (c) Leadership
  - (d) Planning
- (xviii) \_\_\_\_\_ has modified the Hierarchy of Needs Theory of motivation.
- (a) Vroom
  - (b) McGregor
  - (c) Herzberg
  - (d) McClelland
- (xix) There can be no leadership without \_\_\_\_\_.
- (a) managers
  - (b) sub-ordinates
  - (c) followers
  - (d) supervisors
- (xx) \_\_\_\_\_ decisions are of non-repetitive nature.
- (a) Basic
  - (b) Routine
  - (c) Personal
  - (d) Policy

(b) Match the following:

1×5=5

- |                        |                              |
|------------------------|------------------------------|
| (i) Planning           | (A) Means to exert influence |
| (ii) Selection Process | (B) Maslow                   |
| (iii) Authority        | (C) Managerial Task          |
| (iv) Esteem Needs      | (D) Decision-making          |
| (v) Strategic Decision | (E) Man-power Planning       |

(c) State whether the following statements are *True* or *False*:

1×5=5

- (i) Long-term plans are prepared by all managers.
- (ii) Training of the workers is the responsibility of the supervisors.
- (iii) Management is a social process.
- (iv) Theory Y gives importance to employees.
- (v) A business decision is inter-functional.

**PART B**Answer *any four* of the following questions:

5×4=20

9. Discuss the features of Planning.
10. Explain the process of Controlling.
11. Discuss the steps involved in Delegation of Authority.
12. Explain the importance of Motivation.
13. Explain the modern techniques for Non-programmed decisions.
14. Discuss the basic elements in the Communication process.