# FOUNDATION EXAMINATION

June 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

<b>1.</b> (a)	Choose	the correct answer from the give	en four alternatives.	20×1=20
	(i)	Wealth was defined by		
		(a) Alfred Marshall	(b) Adam Smith	
		(c) Robbins	(d) Jacob	
	(ii)	ncome minus Savings is equal to		
		(a) Consumption	(b) Production	
		(c) Investment	(d) Demand	
	(iii) means the desire backed by the necessary purchasing power.			
		(a) Consumption	(b) Production	
		(c) Investment	(d) Demand	
	(iv)	If the proportionate change in the supply is equal to the proportionate change in price, it is said to be supply.		
		(a) Unitary Elastic	(b) Perfectly Inelastic	
		(c) Perfectly Elastic	(d) Relatively Inelastic	
	(v)	Production creates	atility.	
		(a) Place	(b) Time	
		(c) Form	(d) Possession	
	(vi)	Law of variables proportions was developed by		
		(a) Alfred Marshall	(b) Adam Smith	
		(c) Robbins	(d) Jacob	
	(vii)	The average and output have inverse functional relationship.		
		(a) fixed cost	(b) variable cost	
		(c) marginal cost	(d) total cost	
	(viii)	Economies of scales are divide	ed into types.	
		(a) 2	(b) 3	
		(c) 4	(d) 5	

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(ix)	On the basis of competition, markets are classified into types.				
	(a) 2	(b) 3			
	(a) 2 (c) 4	(d) 5			
(x)	means absence of competition.				
	(a) Monopoly	(b) Perfect			
	(c) Imperfect	(d) Oligopoly			
(xi)	The rate at which the commercial banks borrow from the RBI is called as				
	(a) REPO	(b) PLR			
		(d) Bank Rate			
(xii)	In a competitive market, is the price-maker.				
	(a) firm	(b) industry			
	(c) consumer	(d) trade association			
(xiii)	Long-run equilibrium price is known as				
		(b) Reserve price			
	(c) Normal price	(d) Support price			
(xiv)	"Money is what money does." This definition was given by				
	(a) Adam Smith	(b) Walker			
	(c) Robbins	(d) Robertson			
(xv)	The states that bad money drives good money out of circulation.				
	(a) Law of Demand	(b) Law of Supply			
	(c) Gresham's Law				
(xvi)	) account can be opened only by businessmen.				
		(b) Fixed Deposit			
	(c) Recurring Deposit	(d) Time Deposit			
(xvii)	is a qualitative credit control instrument used by the Central Bank.				
	(a) Bank Rate Policy				
	(c) Open Market Operations				
(xviii)	was established as the apex bank for industrial credit.				
	(a) IDBI	(b) ICICI			
	(c) EXIM Bank	(d) NABARD			
(xix)	Financial markets are classified into Money Market and				
1	(a) Bullion Market	(b) Capital Market			
	(c) Stock Market	(d) National Market			
(xx)	Commercial Paper was introduced in Indian money market in January				
	(a) 1990	(b) 1980			
	(c) 1970	(d) 1960			
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 $5 \times 1 = 5$ 

- (b) Match the following:
  - (i) Acceptance of Deposit
  - (ii) Law of Demand
  - (iii) Land
  - (iv) Price Discrimination
  - (v) Money Market

- (a) Fixed Factor
- (b) Monopoly
- (c) Commercial Bank
- (d) Treasury Bills
- (e) Alfred Marshall
- (c) State whether the following statements are *True* or *False*:
  - (i) Production function expresses the relationship between the physical inputs and physical output of a firm for a given state of technology.
  - (ii) Public expenditure comes under the monetary policy.
  - (iii) Demand Deposits consist of Fixed Deposits and Recurring Deposits.
  - (iv) Macro-economics is also called as Income and Employment Theory.
  - (v) The Price Demand curve slopes downwards from left to right.

#### PART B

Answer any four of the following questions:

- 2. State the determinants of market demand.
- 3. Analyse the causes for increasing returns.
- 4. State the types of internal economics.
- 5. Enumerate the features of a perfect market.
- 6. Explain the functions of money.
- 7. Briefly explain the principles of commercial banks.

## SECTION B (FUNDAMENTALS OF MANAGEMENT)

#### PART A

- 8. (a) Choose the correct answer from the given four alternatives. 20
- $20 \times 1 = 20$ 
  - (i) The concept of 'Management by Objectives' was introduced by \_\_\_\_\_
    - (a) Frederick Herzberg
    - (b) F. W. Taylor
    - (c) Elton Mayo
    - (d) Peter F. Drucker

**Please Turn Over** 

4×5=20

5×1=5

- (ii) Bureaucracy Theory was invented by
  - (a) Elton Mayo
  - (b) Henri Fayol
  - (c) Max Weber
  - (d) Peter Drucker
- (iii) Under Fayol's 14 Principles of Management, which one of the following factor is related to *Esprit de Corps*?
  - (a) Division of Work
  - (b) Team Work
  - (c) Personal Ability
  - (d) Personal Interest
- (iv) According to Fayol's 14 Principles of Management, Division of Work is necessary
  - (a) to enjoy the benefits of specialization.
  - (b) to give orders to sub-ordidinates.
  - (c) to receive orders from superior.
  - (d) to ask for obedience.
- (v) Which one of the following is not the characteristic of Planning?
  - (a) Planning is flexible.
  - (b) Planning is pervasive.
  - (c) Planning is goal-oriented.
  - (d) Planning is a discreet function.
- (vi) Which one of the following examples is not included in the intangible premises of Planning?
  - (a) Public Relations
  - (b) Employee Morale
  - (c) Labour Hours
  - (d) Competitive Strength
- (vii) Management is a
  - (a) Discreet process.
  - (b) Continuous process.
  - (c) One-way process.
  - (d) Two-way process.
- (viii) Which one of the following is not a function of management?
  - (a) Grouping
  - (b) Planning
  - (c) Staffing
  - (d) Leading

- (ix) Controlling involves
  - (a) determining the objectives.
  - (b) identifying the activities for the creation of departments.
  - (c) directing the people towards accomplishment of common goals.
  - (d) setting standards of performance.
- (x) Which one of the following is not a Technique of Control?
  - (a) Management Audit
  - (b) Management by Objectives
  - (c) Management Information System
  - (d) Break-even Analysis
- (xi) Direction is a
  - (a) Discreet process.
  - (b) Continuous process.
  - (c) One-way process.
  - (d) Circular process.

(xii) In the case of selecting candidates in an organization, the first step is \_\_\_\_\_

- (a) Preliminary Interview
- (b) Background Investigation
- (c) Blank Application
- (d) Medical Examination
- (xiii) Which one of the following methods is included in the 'off-the-job' Training'?
  - (a) Coaching
  - (b) Role Playing
  - (c) Apprenticeship Training
  - (d) Vestibule Training
- (xiv) The last step of 'Staffing Process' is
  - (a) Training of Development.
  - (b) Placement and Induction.
  - (c) Recruitment.
  - (d) Selection.
- (xv) Leadership is the process of exerting influence on
  - (a) Customers.
  - (b) Competitors.
  - (c) Suppliers.
  - (d) Group Members.

## (xvi) Coercive Power is the

- (a) power of grant or withhold the rewards to others.
- (b) power to punish others for not carrying out orders.
- (c) power of dominance over other through specialized knowledge.
- (d) power of attracting peoples towards a person himself or herself.

### (xvii) Which one of the following needs is missing in the 'Hierarchy of Needs' theory?

- (a) Psychological needs
- (b) Physiological needs
- (c) Safety needs
- (d) Wealth needs

# (xviii) When communication flows from top to bottom, that is known as

- (a) Upward Communication
- (b) Downward Communication
- (c) Horizontal Communication
- (d) Formal Communication

### (xix) 'Grapevine' is

- (a) well-defined communication systems consisting of formal memos, reports, etc.
- (b) channels of communication in an informal organization.
- (c) social interactions which take place among different types of people.
- (d) the telegraph wires strung over trees across the battlefield.
- (xx) 'Responsibility is the duty.' It was propounded by \_\_\_\_\_.
  - (a) Elton Mayo
  - (b) Peter Drucker
  - (c) Chester Barnard
  - (d) M. E. Hurtley

#### (b) Match the following:

- (i) Unity of Command
- (ii) Specialization of Labour
- (iii) Planning

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- (iv) Group Discussion
- (v) Benevolent Autocrat

- (a) Method of Training
- (b) Likert's System of Management
- (c) Max Weber
- (d) Intellectual Process
- (e) Henri Fayol

5×1=5

- (c) State whether the following statements are *True* or *False*:
  - (i) F.W. Taylor has been accepted as the Father of Scientific Management.
  - (ii) Standing Plans are used once and then these are discarded.
  - (iii) Two-factor Theory was propounded by Herzberg.
  - (iv) Communication is a one-way process.
  - (v) Apprenticeship is an example of 'off-the job' Training.

#### PART B

Answer any four of the following questions:

9. Explain Max Weber's six Principles of Management.

- 10. Briefly explain the steps involved in the planning process.
- 11. State the merits of the 'off-the-job' Training method.
- 12. State the Principles of Co-ordination.
- 13. Briefly explain the different steps involved in the Decision-making process.
- 14. Explain the main characteristics (any five) of Responsibility to an organization.

**Please Turn Over** 

 $4 \times 5 = 20$