

Paper 1 - Fundamentals of Economics and Management

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Full Marks :100

Time allowed: 3 hours

PART A (50 Marks)

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

[10x1=10]

1. Micro Economics theory deals with.
(a) Economy as a whole
(b) Individual units
(c) Economic growth
(d) all the above
2. Ceteris Paribus means
(a) Demand constant
(b) supply constant
(c) other thing being constant
(d) none
3. In the long run a firm in perfect competition earns
(a) Normal profit only
(b) Abnormal profit
(c) Average profit of past five years
(d) 12.33% profit on capital employed
4. The average _____ and output will have inverse functional relationship.
(a) fixed cost
(b) Price is more than the average variable cost
(c) Price is equal to fixed cost
(d) Price is more than the average fixed cost
5. Which shows the functional relationship between consumption and income
(a) Income function
(b) consumption function
(c) Saving function
(d) None
6. Real GDP is measured in _____ prices
(a) Current year
(b) Base year
(c) 1980
(d) 2000
7. CRR means
(a) Cumulative rate of return
(b) Current rate of return
(c) Cash Reserve Ratio
(d) Current rate of Rupee
8. Return to a variable factor operates in _____

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

- (a) Short run
- (b) Long run
- (c) either 'a' or 'b'
- (d) neither 'a' nor 'b'

9. Disguised unemployment is mainly found in

- (a) Urban areas
- (b) Rural areas**
- (c) Small scale sector
- (d) Highly qualified work force

10. Which of these is/are the features of an underdeveloped economy?

- (a) Greater inequalities
- (b) High incidence of unemployment
- (c) Orthodox means of production
- (d) All the three**

II. Fill in the blanks:

[5x1=5]

1. According to law of demand, there is a _____ relationship between price and demand.
2. Supply curve in the case of labour is _____
3. When the AC=MC then the average cost is _____
4. According to fisher theory money is demanded for _____ purpose
5. Credit control is the function of _____ bank.

Answer:

1. Inverse
2. Backward bending
3. Minimum
4. Transaction
5. Reserve

III. Match the following:

[5x1=5]

Column 'A'		Column 'B'	
1.	Acceptance of Deposits	A	Savings
2.	Interdependence	B	Average Cost
3.	MPC	C	Commercial Bank
4.	Liquidity Preference	D	Keynes
5.	AFC + AVC	E	Oligopoly

Answer:

Column 'A'		Column 'B'	
1.	Acceptance of Deposits	C	Commercial Bank
2.	Interdependence	E	Oligopoly
3.	MPC	A	Savings
4.	Liquidity Preference	D	Keynes
5.	AFC + AVC	B	Average Cost

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

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

[5×1=5]

1. Tramways is an example of perfect market.
2. Income method is also called value added method.
3. There is a direct relationship between price level and value of money.
4. Welfare of the people depends upon the distribution of national income.
5. The insurance sector allowing foreign direct investment.

Answer:

1. False;
2. False;
3. False;
4. True;
5. True.

V. Give the answer in one sentence for any five from the following:

[5×1=5]

1. Scarcity
2. Demand Forecasting
3. Deficit Finance
4. Bank Rate
5. Density of Population
6. Marginal Cost
7. What is Monopoly?
8. Consumer Surplus

Answer:

1. **Scarcity:** Scarcity refers to a gap between limited resources and unlimited wants.
2. **Demand Forecasting:** The success of the business firm depends upon the successful demand forecasting. Estimation of future demand for product at present is called demand forecasting.
3. **Deficit Finance:** When the governments make the borrowings from the RBI or issue the new currency to fill the gap of the budget deficit, it is said to be deficit finance.
4. **Bank Rate:** The rate of interest charged by RBI from the commercial banks for the money lending [long-terms] is called bank rate.
5. **Density of Population:** Density of population indicates the number of the people living per square kilometer. The density of population in India is 412 per sq.km. In USA it is 34 and in China it is 143.
6. **Marginal Cost:** The increase or decrease in total cost of production for making one additional unit of an item.
7. **Monopoly:** The word Monopoly is derived from two words 'Mono' and 'Poly'. Mono means single and Poly means seller. Where there is a only one seller or one producer or one firm it is said to be monopoly market.

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

8. **Consumer surplus:** Consumer surplus is defined as the difference between the total amount that **consumers** are willing and able to pay for a good or service (indicated by the demand curve) and the total amount that they actually do pay (i.e. the market price).

VI. **Answer any one of the following:** [1×10=10]

1. **Define National Income and explain the methods of measurement of National Income and State any five problems involved in the calculation of National Income.**

Answer:

National income is the total market value of all goods and services produced in a country during a given a period of time.

Definitions:

According to Pigou, "National Income is that part of the objective income of the community including of course income derived from abroad which can be measured in money".

"The Labour & Capital of a country acting upon its natural resources produce annually a certain net aggregate of commodities material and immaterial including services of all kinds. This is the true net annual income or revenue of a country" — Marshall

Methods of Calculating National Income:

There are three methods of measuring national income—

- (i) Output method.
- (ii) Income method.
- (iii) Expenditure method.

(i) Output method:

It is also known as inventory method or commodity service method. In this method we find the market value of all final goods and services produced in a country during a given period of time. The entire output of final goods and services are multiplied by their respective market prices to find out the gross national product.

$NI = [P_1Q_1 + P_2Q_2 + \dots + P_nQ_n] - \text{Depreciation} - \text{Indirect Taxes} + \text{Net Income from abroad.}$

Where;

NI = National Income

P = Price of the goods or service.

Q = Quantity of goods or service produced

1,2,..... n are the various goods and services produced.

The values of raw material, intermediary goods etc, should not be included. Only final goods should be taken into account.

Here we find out the value added in the different sectors like Agriculture, Government Professionals, industry and Service Sectors. Hence it is also called "Value Added Method".

(ii) Income Method:

In this method the incomes earned by all factors of production are aggregated to arrive at the national income of a country. The four factors of production receive incomes in the form of wages, rent, interest and profits. This is also national incomes at factor cost.

$NI = W + I + R + P + \text{Net Income from abroad}$. Where,

NI = National Income

W = wages

I = Interest R = Rent

P = Profits

This method gives us National Income according to distributive shares. (The most important income share is that of labour).

(iii) Expenditure Method:

In this method we add the personal consumption expenditure of households, Expenditure of the firms, Government purchase of goods and services, net exports plus net income from abroad.

$NI = EH + EF + EG + \text{Net Exports} + \text{Net Income from abroad}$

Here National Income = Private final consumption expenditure + Government final consumption expenditure + Net domestic capital formation + Net Exports + Net income from abroad.

Care should be taken to include spending or expenditure made on final goods and services only.

Difficulties in Estimating the National Income:

There are so many difficulties in estimating the National Income. They are classified in to two categories. They are -

1. Conceptual difficulties
2. Statistical difficulties

1. Conceptual Difficulties:

No practicable methods exists for inclusion of some items in National income (NI), Such as _ services for which no remuneration is paid, goods that are marketed

- (a) sold at a price but are used for self - consumption etc.
- (b) It is not always possible to make a clear distinction between primary, intermediate and final goods.
- (c) The price that should be chosen to determine the money value of national product is a difficult question.
- (d) Debate regarding inclusion of income of foreign companies in National income estimates since, al large part of such income is remitted out of the country.

2. Statistical Difficulties:

- (a) Changes in the price level involve the use of Index numbers which have their inherent difficulties.
- (b) Official statistics are not always accurate as it is based on guess work and sample survey.
- (c) Methods of computing National Income are not the same in all countries.
- (d) The statistical data are often not available.

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

2. Explain the functions of Commercial Banks.

Answer:

Commercial Banks play a very prominent role in the financial system of an economy. They perform a variety of functions as discussed below:

1. **Acceptance of deposits:** One of the primary functions of a commercial bank is to accept deposits from the public.
2. **Payment of loans and advances:** Another primary function of the commercial bank is to give loans and advances to different sections of the public like traders, industrialists, farmers, artisans etc.
3. **Creation of credit:** the commercial banks create credit. This is a unique function of commercial banks. Credit is created from out of the primary deposits of money the customers received from the public. Part of the total amount of these deposits is given as loans and advances to its customers.
4. **Agency functions:** Commercial banks perform certain agency functions also:
 - (a) Collection of cheques, drafts, bills of exchange etc. of their customers from other banks.
 - (b) Collection of dividends and interest from business and industrial firms.
5. **General Utility Functions:** Besides the above agency functions, the commercial banks provide certain general utility services to their customers.
 - (a) Provide locker facility for the safe custody of the silver, gold ornaments, important and valuable documents.
 - (b) Transfer money of the customers from one bank to the other by way of demand drafts, mail transfer.

VII. Answer any two of the following:

[2×5=10]

1. State the determinants of Elasticity of Demand.

Answer:

Determinants of Elasticity of Demand:

- (i) Nature of the commodity
- (ii) Availability of substitutes
- (iii) Variety of uses
- (iv) Possibility of postponement of consumption
- (v) Durable goods

(i) Nature of the commodity:

In the case of necessities the demand is less elastic (or) comparatively inelastic. For example rice, salt, pulses, matchbox etc. On the other hand the elasticity of demand for luxuries is more elastic. For example, TV, DVD players, Gold, Diamonds etc. Comfort goods have unitary elastic demand.

(ii) Availability of substitutes:

If a commodity has substitute goods, the elasticity for that commodity is more elastic. For example, lux soap and pears soap, ponds cream and Lakme cream.

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

(iii) Variety uses:

If the goods have several uses, the elasticity of demand for it is more elastic. For example, milk, coal, electricity etc.

(iv) Possibility of Postponement of consumption:

There are certain goods which can be postponed for purchase. In case of these goods, the demand is elastic. But in the case of life saving medicines the demand will be inelastic because we cannot postpone the purchase of such goods.

(v) Durable goods:

In case of durable goods the elasticity of demand will be less, but in case of perishable goods the elasticity of demand will be more.

2. What are the features of Monopoly?

Answer:

Monopoly Market:

The word Monopoly is derived from two words 'Mono' and 'Poly'. Mono means Single and Poly means seller. Where there is a only one seller or one producer or one firm it is said to be monopoly market. The single seller supplies the commodities to the entire market and the product supplied by the monopolist is not having a close substitutes. There are some restrictions for other producers to enter into the market. As a result monopoly has no competition in the market.

Features of Monopoly:

The monopoly market has the following features:

(i) Single firm:

A single firm produces the commodity in the market. There is only one seller or one producer or one firm.

(ii) No close substitutes:

The produce supplied by the monopolist will not have close substitutes in the market. A consumer will not find a substitutes commodity for the monopoly products.

(iii) Strong barriers to enter:

New firms cannot enter in the production due to the certain restrictions in market i.e. huge investment, lack of technology, patents etc. prevent the new firms to enter the market.

(iv) Firm and Industry are same:

As there is one firm in monopoly market there is no difference between firm and industry.

(v) Price maker:

In this market the producer can determine the price of the commodity so the producer in the market is said to be price maker.

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

(vi) Nature of AR & MR curves:

The average Revenue Curve (AR) and Marginal Revenue Curve (MR) both are slopes downwards from left to right because when a seller wants to sell the more of output he must reduce the price when the price is decreased both AR & MR are declining.

(vii) Price discrimination:

The monopolist can charge the different prices from the different customers for the same thing or services. The price is not uniform as in the perfect market competition.

(viii) Maximum profits:

The main aim of monopoly is to earn to get the maximum profits.

3. Enumerate the function of money.

Answer:

Functions of money:

Money plays a significant role in the modern economic life of the human beings.

Evolution of Money:

The term 'Money' was derived from the name of Goddess "Juno Moneta" of Rome.

Definition of Money:

Money was invented to overcome the difficulties of the barter system. Several economists defined money in several ways:

- (a) **Robertson:** Robertson defined money as "anything which is widely accepted in payments for goods or in discharge of other kinds of business obligations".
- (b) **Seligman:** According to Seligman's definition, "Money is one that possesses general acceptability".
- (c) **Walker:** According to Walker, "Money is what money does".

Functions of Money:

Money has many important functions to perform. These functions may be classified as follows:

- (I) Primary Functions.
 - (a) Medium of Exchange.
 - (b) Measure of Value.
- (II) Secondary functions
 - (a) Store of value.
 - (b) Standard of deferred payments.
 - (c) Transfer of money.
- (III) Contingent functions.
 - (a) Measurement and distribution of national income.
 - (b) Money equalizes marginal utilities/productivities.
 - (c) Basis of credit.
 - (d) Liquidity

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

(I) Primary functions:

The primary functions of money are really the technical and important functions of money. They are of two types:

(a) Medium of Exchange:

Money serves as a medium of exchange. Money facilitates exchange of commodities without double coincidence of wants. Any commodity can be exchanged for money. People can exchange goods and services through the medium of money.

(b) Measure of Value:

The value of each commodity is expressed in the units of money. We call it the price. In view of this function of money, the values of different commodities can be compared and the ratios between the prices of different commodities can be determined easily.

(II) Secondary functions:

Money has the following secondary functions:

(a) Store of value:

The value of commodities and services can be stored in the form of money. Certain commodities are perishable. If they are exchanged for money before they perish, their value can be preserved in the form of money.

(b) Standard of deferred payments:

Money serves as a standard of deferred payments. In the modern economies most of the business transactions take place on the basis of credit. An individual consumer or a business man may now purchase a commodity and pay for it in future. Similarly one can borrow certain amount of money now and repay it in future.

(c) Transfer of money:

Money can be transferred from one person to another at any time and at any place.

4. Explain Return to Scale.

The term returns to scale arises in the context of a firm's production function. It explains the behavior of the rate of increase in output relative to the associated increase in the inputs (the factors of production) in the long run. In the long run all factors of production are variable and subject to change due to a given increase in size (scale).

The laws of returns to scale are a set of three interrelated and sequential laws: Law of Increasing Returns to Scale, Law of Constant Returns to Scale, and Law of Diminishing returns to Scale.

- If output increases by that same proportional change as all inputs change then there are **constant returns to scale** (CRS).
- If output increases by less than that proportional change in inputs, there are **decreasing returns to scale** (DRS).
- If output increases by more than the proportional change in inputs, there are **increasing returns to scale** (IRS).

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

A firm's production function could exhibit different types of returns to scale in different ranges of output. Typically, there could be increasing returns at relatively low output levels, decreasing returns at relatively high output levels, and constant returns at one output level between those ranges

PART B (50 Marks) (Fundamentals of Management)

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

[10×1 = 10]

1. The process of communication starts with _____
 - (a) Supervisor
 - (b) **Sender**
 - (c) Receiver
 - (d) Medium

2. 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**

3. _____ is aimed at maintaining harmony among employees and groups in an organisation
 - (a) **Direction**
 - (b) Supervision
 - (c) Planning
 - (d) Control

4. _____ is the right to act and extract obedience from others
 - (a) Power
 - (b) **Authority**
 - (c) Responsibility
 - (d) None of the above

5. _____ 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

6. Delegation may be
 - (a) **Specific or general**

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

- (b) Written or implied
(c) Formal or informal
(d) All of the above
7. _____ 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
8. Authority and _____ should be co-extensive.
(a) Power
(b) **Responsibility**
(c) Accountability
(d) Command
9. Control function is closely connected to _____.
(a) **Planning**
(b) Organising
(c) Coordination
(d) All of the above
10. Decentralisation suffers from the following limitation
(a) Relief to top executive
(b) **Expensive**
(c) Quick decision
(d) Executive development

II. Fill in the blanks:

[5×1 = 5]

1. Likert suggested that _____ is the ideal system towards which organizations should work.
2. Theory _____ is based on a faulty conception of human nature.
3. _____ decisions refer to decisions techniques and rules.
4. Free Rein Leadership is also known as _____.
5. CPC means _____.

Answer:

1. System 4
2. X
3. Programmed
4. Laissez-fair Leadership
5. Critical Point control

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

III. Match the following

[5×1 =5]

	Column 'A'		Column 'B'
1.	Theory X	A	Social needs
2.	Theory Y	B	Management by exception
3.	Maslow's Model	C	Self direction and Self control
4.	Control by exception	D	Standing Plans
5.	Strategies	E	Inherent dislike for work

Answer:

	Column 'A'		Column 'B'
1.	Theory X	E	Inherent dislike for work
2.	Theory Y	C	Self direction and Self control
3.	Maslow's Model	A	Social needs
4.	Control by exception	B	Management by exception
5.	Strategies	D	Standing Plans

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

[5×1 =5]

1. Apprenticeship training is best example for off the job training.
2. Work is natural like rest or play according to Theory Y.
3. Authority means ability to do something.
4. Responsibility flows downwards.
5. A superior is always responsible to his subordinate.

Answer:

1. False;
2. True;
3. False;
4. False;
5. False.

V. Define any Five of the following:

[5×1= 5]

1. Responsibility Charting
2. Coercive power
3. Leadership continuum.
4. Esprit de corps
5. Participative Leadership
6. Decoding
7. Apathetic Groups
8. Meaning of Conflict

Answer:

1. Responsibility Charting:

A responsibility chart is a nice way of summarizing the relationship between tasks and actors (performers). The chart lists activities that are complicated or the decisions that must be made and the individuals who are responsible for each of them. On the vertical axis we show the tasks and on the horizontal axis we show the actors.

2. Coercive power

This is the ability to punish others for not carrying out orders or for not meeting certain requirements. The person who is in a position to coerce others forces or compels them to do or not to do something. The person who feels coerced complies for fear of punishment. For example, management may force workers to call off the strike by giving an ultimatum that otherwise they will be suspended. Coercive power is the opposite of reward power. Coercion may be direct or indirect, physical or psychological.

3. Leadership continuum

Tannenbaum and Schmidt have developed the concept of leadership continuum to highlight the range of possible leadership styles. At the left end of the continuum there is 'boss centered' (autocratic) leadership style while at the right end is the 'subordinate centered' (free-rein) - style. As one move from the left extreme to the right extreme, the degree of control goes down and the freedom of subordinates goes up.

4. Espirit de corps

It is one of the Fayol's fourteen principles of management. It means team work is essential for the success of an organization.

5. Participative Leadership

A consultative or democratic leader takes decisions in consultation and participation with the subordinates. He decentralizes authority and allows the subordinates to share his power. The leader does what the group wants and follows the majority opinion. He keeps the followers informed about matters affecting them. A democratic leader provides freedom of thinking and expression. He listens to the suggestions, grievances and opinions of the subordinates.

6. Decoding

It involves interpretation of the message by the receiver. Interpretation of message largely depends on the perception, past experience and attitudes of the receiver.

7. Apathetic Groups

These groups possess consistently indifferent attitudes towards informal groups and are characterized by dispersed, lack of cohesiveness, internal disunity and conflict.

8. Meaning of Conflict

Conflict is inequitable whenever two or more people interact, whether in the work place or at home. Conflict can occur between two or more individuals, two or more groups, or an individual and a group. When dealing with conflict in an organization, it is important to remember to address the issue, not the people.

VI. Answer any four of the following questions.

[4×5=20]

1. State the distinction between delegation and decentralization.

5

Answer:

Distinction between Delegation and Decentralisation

Decentralisation is much more than delegation. Delegation means transfer of authority from one individual to another. But decentralisation implies diffusion of authority throughout the organisation. The main points of distinction between delegation and decentralisation are presented as follows:

- (i) Delegation is the process of devolution of authority whereas decentralisation is the end result which is achieved when delegation is systematically repeated up to the lowest level.
- (ii) Delegation can take place from one individual (superior) to another (subordinate) and be a complete process. But decentralisation is completed only when the fullest possible delegation is made at all levels of organisation.
- (iii) In delegation control rests entirely with the superior. But in decentralisation the top management exercises only overall control and delegates the authority for day today control to the departmental managers.
- (iv) Delegation is a must for management as subordinates must be given sufficient authority to perform their duties. But decentralisation is optional in the sense that top management may or may not disperse authority.
- (v) Delegation is a technique of management used to get things done through others. However, decentralisation is both a philosophy of management and a technique.

2. Write a note on 'Span of Management'

5

Answer:

Span of Management

Span of Management also known as span of control, span of supervision or span of authority represents the numerical limit of subordinates to be supervised and controlled by a single

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

supervisor. It is an important principle of building a sound organization. The principle is based on the theory of relationships propounded by Graicunas – a French management consultant who analysed the superior – subordinate relationship based on a mathematical formula.

No. of direct relationships = n

No. of cross relationships = n (n-1)

No. of group relationships = n [2n – 1 -1]

Total No. of relationships = n [2n/2 + (n-1)]

Where n represents the number of subordinates.

The concept of span of management is central to the classical organization theory. Proper span of management is considered a necessity for effective supervision, co-ordination and control. It is therefore critical to determine the ideal span. If the span of control is narrow, there will be more organizational levels which in turn may impede communication. If the span is widened, the supervisory load may become too heavy. Thus, sound organization structure required striking an optimum balance between organization levels, and supervisory work load.

3. Discuss any five principles of control.

5

Answer:

Principles of Control (Describe any five)

The following principles of control summaries the substantive parts of the above discussion on the controlling function.

1. **Principles of assurance of objective:** The task of control is to ensure that plans succeed by detecting deviations from plans and furnishing a basis for taking action to correct potential or actual deviations.
2. **Principle of future-directed controls:** The more a control system is based on feed forward rather than simple feedback of information, the more managers have the opportunity to perceive undesirable deviations from plans before they occur and to take action in time to prevent them. Control, like planning, should ideally be forward-looking, because of time lags in the system of information feedback. Hence control should be directed towards the future by devising proper information, forecasting, early warning and rapid response mechanisms.
3. **Principle of control responsibility:** The primary responsibility for the exercise of control rests in the manager charged with performance of the particular plans involved. There is unity of planning and control in each managerial position.
4. **Principle of efficiency of controls:** Control techniques and approaches are efficient if they detect and illuminate the nature and causes of deviations from plans with a minimum of costs or other unsought consequences. The results of control should be

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

worth their costs—both in monetary and human terms. The adverse human consequences of control have especially to be guarded against.

5. **Principle of direct control:** Higher the quality of every manager in a managerial system, they would ensure a high quality of managerial decision making and action behaviour.
6. **Principle of reflection of plans:** The more the plans are clear, complete and integrated, and the more the controls are designed to reflect such plans, the more effectively controls will serve the needs of managers. Clear, complete and integrated plans facilitate better control.
7. **Principle of organisational suitability:** The more that an organisational structure is clear, complete and integrated, and the more that controls are designed to reflect the place in the organization structure where responsibility for action lies, the more they will facilitate correction of deviations from plans. Responsibility for execution of plans and for correction of deviations must be pinpointed clearly in the organisational structure.
8. **Principle of individuality of controls:** The more that control techniques and information are understandable to individual managers who must utilise them for results, the more they will be actually used and the more they will result in effective control. Control techniques should be tailored to the personality and orientations of managers; at least they should be intelligible to them and within their power of understanding.
9. **Principle of standards:** Effective controls require objective, accurate and suitable standards. Measurement of performance by reference to standards should be verifiable, specific and simple. Standards should earn the respect of people who have to abide by them.
10. **Principle of critical point control:** Effective control requires attention to those factors critical to appraising performance against an individual plan. Managers should concentrate on salient features of performance in selective areas, picked up as of strategic importance.
11. **Principle of exception:** The more managers concentrate control efforts on exceptions, the more efficient will be the results of their control. This principle suggests that managers should concentrate on significant deviations, both positive and negative, from plans.
12. **Principle of flexibility of controls:** If controls are to remain effective, despite failure or unforeseen changes of plans, flexibility is required in their design. Since plans have to be flexible to order to be effective, control has also to be flexible.
13. **Principle of action:** Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organising, staffing and leading. The principle affirms the essential unity of management.

Answer to MTP_Foundation_Syllabus 2012_Dec 2017_Set 1

4. State some important external sources of recruitment.

5

Answer:

The important external sources of recruitment include —

1. **Employment exchanges** – Employment exchanges run by government are regarded as a potential source of recruitment especially for unskilled, semiskilled and skilled operative jobs.
2. **Advertisement** – Advertisement in newspapers or trade and professional journals is another popular source of recruitment. Especially for the senior positions to lower-middle level positions.
3. **Educational Institutions** – Recruitment through educational institutions is also known as campus recruitment.
4. **Employee walk-ins** – It is commonly found that some people send unsolicited applications to the organisations enjoying goodwill and reputation. Organisation, if they find necessary, can consider these applicants for the suitable positions.
5. **Employee referrals** – Some organisations prefer using employees as the source of recruitment. They maintain informal system of recruitment where word-of-mouth would do when compared to formal system of organisation.
6. **Miscellaneous** – Among other methods of recruitment, 'gate hiring' is the most popular one in which people are hired at the factory gate itself.

5. “Bureaucratic structures evolved from traditional structures”. Comment.

5

Answer:

Bureaucratic structures evolved from traditional structures with the following changes:

1. Jurisdictional areas are clearly specified, activities are distributed as official duties (unlike traditional form where duties delegated by leader and changed at any time).
2. Organization follows hierarchical principle — subordinates follow orders or superiors, but have right of appeal (in contrast to more diffuse structure in traditional authority).
3. Abstract rules govern decisions and actions. Rules are stable, exhaustive, and can be learned. Decisions are recorded in permanent files (in traditional forms few explicit rules or written records).
4. Means of production or administration belong to office. Personal property separated from office property.
5. Officials are selected on basis of technical qualifications, appointed not elected, and compensated by salary.

6. Employment by the organization is a career. The official is a full-time employee and looks forward to a life-long career. After a trial period they get tenure of position and are protected from arbitrary dismissal.

6. What are the grounds on which Maslow's need hierarchy theory is criticized?

5

Answer:

Maslow's need hierarchy theory is widely criticised for the following reasons:

- (i) Needs are not the only determinant of behaviour. People seek objects and engage in behaviour that is in no way connected with the gratification of needs. There are other motivating factors like perceptions, expectations, experiences, etc.
- (ii) The theory gives an over simplification of human needs and motivation .Need recognition and fulfillment do not always follow the specific sequence of hierarchy suggested by Maslow, Need classification is somewhat artificial and arbitrary as human needs cannot be classified into neat watertight compartments. Therefore, the theory may not have universal validity.
- (iii) The hierarchy of needs is not always fixed. Different people may have different orders. For example, in case of creative people like singers, painters, etc., self-actualisation need may become a dominant motivating force even before the lower order needs are satisfied. Similarly, the need priorities of the same individual may change over time. As a result, a manager cannot keep up with a continuously revolving set of needs. Thus, Maslow's model presents a somewhat static picture of need structure. The theory does not recognise individual differences. Individuals differ in the relative intensity of their different needs.
- (iv) Maslow's theory is based on a relatively small sample. It is a clinically derived theory and its unit of analysis is the individual. That is why Maslow presented his model with apologies to those who insisted on conventional reliability, validity, sampling, etc.
- (v) There is no definite evidence that once a need is satisfied it loses its motivating force. It is also doubtful that satisfaction of one need automatically activates the next need in the hierarchy.
- (vi) Some persons will not aspire after their lower-order needs have been satisfied. Human behaviour is the outcome of several needs acting simultaneously.
- (vii) The same need may not lead to the same response in all individuals. Similarly, one particular behavior may be the result of different needs. There is lack of direct cause and effect relationship between need and behaviour.