

# **Paper 1 - Fundamentals of Economics and Management**

# Answer to MTP\_Foundation\_Syllabus 2012\_Dec 2017\_Set 2

## Paper 1 - Fundamentals of Economics and Management

Full Marks :100

Time allowed: 3 hours

### PART A (50 Marks)

I. Choose the correct answer from the given four alternatives: [10x1=10]

- The famous book "An enquiry into the nature and causes of wealth of Nation" was written by \_\_\_\_\_  
**(a) Adam Smith**  
(b) Samuelson  
(c) Robertson  
(d) JB Say
- \_\_\_\_\_ cost remains constant even when production is stopped  
(a) Variable  
**(b) Fixed**  
(c) Semi - variable  
(d) Marginal
- Equilibrium state is achieved at \_\_\_\_\_  
(a) The peak point of supply curve  
(b) The bottom point of demand curve  
(c) The inflation point of demand curve  
**(d) The intersection of demand and supply curves**
- Homogenous product is the characteristic of  
**(a) Perfect Competition**  
(b) Monopoly  
(c) Oligopoly  
(d) Duopoly
- The MPC value always \_\_\_\_\_  
**(a)  $1 > mpc > 0$**   
(b)  $1 < mpc < 0$   
(c)  $1 > mpc < 0$   
(d)  $1 < mpc > 0$
- India is a/an \_\_\_\_\_ country.  
(a) developed  
(b) developing  
(c) under-developed  
**(d) developed country among the developing countries and developing country among the developed countries**

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7. Which of the following is the oldest system of money?

**(a) Barter**

(b) Plastic money

(c) Credit money

(d) Gold

8. Optional money is a

(a) Legal tender money

**(b) Non-legal tender money**

(c) Limited legal tender money

(d) Full bodied money

9. Which is the apex bank for agricultural credit in India?

(a) RBI

(b) SIDBI

**(c) NABARD**

(d) IDBI

10. EXIM Bank was established in

**(a) March. 1982**

(b) January, 1984

(c) Feb. 2001

(d) August 1975

II. Fill in the blanks:

[5×1=5]

1. According to \_\_\_\_\_ definition economics is a social science.

2. Price rigidity is the feature of \_\_\_\_\_ market.

3. Real GNP per capita = \_\_\_\_\_.

4. Bathing soaps industry is an example of \_\_\_\_\_ market.

5. \_\_\_\_\_ is the apex bank in banking system in India.

Answer:

1. Welfare or Marshall
2. Oligopoly
3. Real GNP / Population
4. Monopolistic Competition
5. RBI (Reserve Bank of India)

III. Match the following:

[5×1=5]

Column 'A'			Column 'B'
1.	Perfect Competition	A	$\frac{\Delta C}{\Delta y}$
2.	Principles of Economics	B	Large no. of buyers and sellers

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3.	MPC	C	Cheque
4.	Current A/c	D	Government Policy
5.	Near Money	E	Marshall

**Answer:**

Column 'A'		Column 'B'	
1.	Perfect Competition	B	Large no. of buyers and sellers
2.	Principles of Economics	E	Marshall
3.	MPC	A	$\frac{\Delta C}{\Delta y}$
4.	Current A/c	D	No match
5.	Near Money	C	Cheque

**IV. State whether the following statements are True(or) False.**

**[5×1=5]**

1. The terms micro & macro are introduced by Ragnar Frisch.
2. There is a inverse relationship between price and demand.
3. When the TP is maximum, then the AP is zero.
4. When the price level increases, the value of money also increases.
5. ICICI is a public sector bank.

**Answer:**

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

**V. Define the following (any five):**

**[5×1=5]**

1. **Selling costs**
2. **Economic growth**
3. **Gresham's Law**
4. **Implicit Cost**
5. **Oligopoly**
6. **IDBI**
7. **Deflation**
8. **Rent**

**Answer:**

### 1. Selling costs

An important feature of monopolistic competition market is that every firm makes expenditure to sell more output. Advertisement through newspapers, journals, electronic media, sales representatives, exhibitions, free sampling help to promote the sales. Lot of

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expenditure is made on these items under this market.

## 2. Economic growth

The expansion in the capacity of an economy to produce goods and services over a period of time is called Economic growth. An outward shift of production possibilities frontier of an economy also called Economic growth.

## 3. Gresham's Law

The Law states that bad money drives good money out of circulation. This is true in case of bimetallism where two metal standard (gold and silver) operate side by side. In such a case one metal currency drives the other out of circulation. It also means cheap money drives out dear money. If a country uses both money as well as metal money, people will use the paper and hold the metal money.

## 4. Implicit Cost

An implicit cost is any cost that has already occurred but is not necessarily shown or reported as a separate expense. It represents an opportunity cost that arises when a company allocates internal resources toward a project without any explicit compensation for the utilization of resources. Examples of implicit costs include the loss of interest income on funds, and the depreciation of machinery for a capital project.

## 5. Oligopoly

Oligopoly is a market structure in which a small number of firms has the large majority of market share. An oligopoly is similar to a monopoly, except that rather than one firm, two or more firms dominate the market. There is no precise upper limit to the number of firms in an oligopoly, but the number must be low enough that the actions of one firm significantly impact and influence the others.

## 6. IDBI

IDBI or Industrial Development Bank of India was established in July 1964. It is the apex bank in industrial credit. Till 1976 it was the subsidiary bank to RBI but after 1976 it was formed as an autonomous cooperation.

## 7. Deflation

In economics, **deflation** is a decrease in the general price level of goods and services. Deflation occurs when the inflation rate falls below 0% (a negative inflation rate).

## 8. Rent

Rent is the remuneration of land. According to David Ricardo rent is the differential surplus.

VI. Answer any One of the following questions:

[1×10=10]

1. State the features of perfect competition market and explain price determination under this market.

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## **Answer:**

Where there a large number of buyers and sellers are engaged in the exchange of homogeneous goods without any restrictions is called perfect competition market.

## **Definition:**

"The more nearly perfect market is the stronger tendency for the same price to be paid for the same thing in all parts of the market". — Alfred Marshall

## **Features of Perfect Market:**

The perfect competition market has the following features:

### **1. Large number of sellers and buyers:**

There will be a large number of sellers and buyers for a good in this market. It means the output of a buyer or a seller is a small part of the total output. A single producer or seller cannot change the price by his actions. None of them is large enough to influence the price. Therefore a seller takes the price decided by the market. The producer is a price taker.

### **2. Homogeneous Commodities:**

Products in this market are similar in every aspect. A consumer gets the same good whenever he purchases. As a result there will be one price all over the market.

### **3. Free entry and exit:**

Any firm can enter into the production as per its desire. Finally it can leave the production at any time. This helps new firms to enter into business when conditions are favourable. As long as a firm earns super normal profits, it usually stays in competition. But when the firm ends up with losses, it would leave the market.

### **4. Mobility of factors of production:**

Factors of production will move from one production to another easily. This is also useful for free entry and exit of firms factors (land, labour, capital) move to the production activities where they get higher incomes.

### **5. Absence of transport cost:**

Under perfect market transport costs should not be added in the price. If transport costs are added to the goods which are available at the less price at the near markets and they are available at the higher prices at distant markets, then existing of two prices for the same thing in different parts is against for perfect market. So transport cost should not be added.

### **6. Perfect knowledge of market:**

Buyers and sellers in this market will have a clear knowledge about market conditions. So that there will be one price throughout the market. Because of perfect knowledge, sales and purchases of commodities take place as one price.

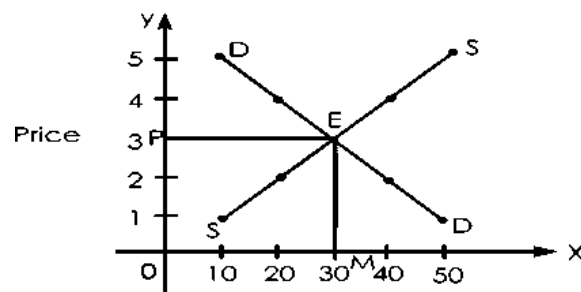
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### Price determination:

In a perfect situation price is decided by the market. Market brings about a balance between the commodities that come for sale and those demanded by consumers. It means the forces of supply and demand determine the price of the good. Equilibrium price is established at the point where the supply and demand are equal. A table helps us to understand and the changes in supply, demand and equilibrium price.

Price	Quantity demanded	Quantity supplied
1	50	10
2	40	20
3	30	30
4	20	40
5	10	50

The above table shows the demand and supply schedule of good. Changes in price are always causing a change in supply and demand. As price increases there is a fall in the quantity demanded. It means price and quantity demanded have negative relation. But rise in prices has increased the supply of goods. The relation between price and supply of goods is positive. Every time a change in price is causing some change in the supply as well as demand. At one price ` 30 it can be observed that quantity supplied and demanded are equal. This is called equilibrium price. This process is explained with the help of a diagram.



### Quantity Demand and Supplied

In the above diagram demand and supply are shown on OX-axis, price is shown on OY-axis. In the diagram DD is the demand curve and SS is the supply curve. Both curves intersect at point E. It means the demand, supply are equal at OM level. So the equilibrium price is determined as OP.

### 2. Explain the causes of Demand Pull and Cost Push Inflation.

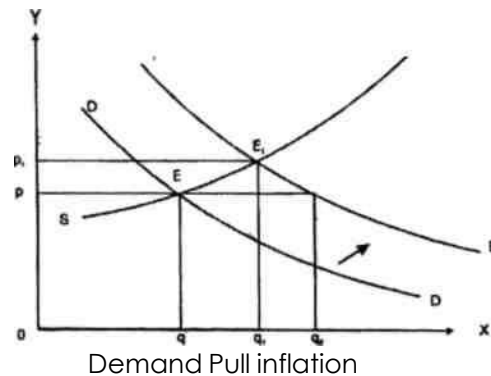
#### On the basis of Cause:

On the basis of cause, inflation is classified into two types.

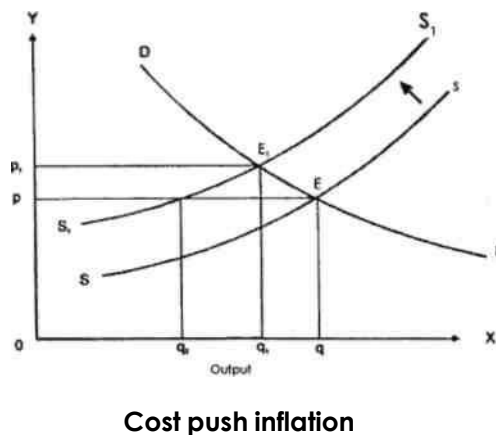
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**a. Demand-Pull inflation:**

Inflation, caused by the increase in the aggregate demand for commodities over aggregate supply is called demand - pull inflation. Aggregate demand increases due to increase in the income level of people caused by increased public spending and economic development. If the demand is responsible for the rise of price level it is said to be demand pull inflation.



- b. Inflation is caused by rise in the cost of production is called cost -push inflation.** Production may rise due to increase in wages forced by trade unions or government. If the cost of production is responsible for the rise of the price level it is said to be cost push inflation. It is also called supply side inflation.



**VII. Answer any two of the following:**

**[2×5 =10]**

**1. What are the central Economic problems of every economy?**

**Answer:**

**Central Problems of All economies**

Due to the scarcity of resources every economy should faces some problems. The central problems of all economics are explained as follows:

**What to produce:**

If the present is given importance the resources are diverted for the production of consumer goods. If future is given importance resources are diverted for the production of capital goods.



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### **How to produce:**

This problem is arisen because of unavailability of some resources. A country may produce by labour Intensive technique 'or' capital Intensive technique, depending upon its man power and stock of capital.

### **For whom to produce:**

A country may produce mass consumption goods at a large (for poor people) 'or' goods for upper classes. It is depend upon policies of the government.

## **2. Exception to the Law of Demand.**

### **Answer:**

The following points highlight the six important exceptions to the law of demand. The exceptions are:

1. Speculative Demand
2. Snob Appeal or Veblen Good
3. Using Price as an Index of Quality
4. Giffen Good
5. Possibility of Future Rise in Prices
6. Highly Essential Good.

## **3. Features of Monopolistic Competition.**

### **Answer:**

The main features of Monopolistic Competition are:

#### **(i) A considerable number of producers:**

A commodity is produced by a considerable number of producers. Since there are more number of producers no one controls the output in the market. Competition will be high among the producers.

#### **(ii) Product differentiation:**

The commodity of each producer will be different from that of other producers. The difference may be due to material used, color design, smell, packaging, trademark etc. Because of this each product will have specific identification in the market.

#### **(iii) Entry and exist:**

Firms are allowed to enter into production and leave the market. When profits are high new firms will join. In case of losses inefficient firms will leave.

#### **(iv) Selling costs:**

An important feature of this market is every firm makes expenditure to sell more output. Advertisement through newspapers, journals, electronic media, sales representatives, exhibitions, free sampling help to promote the sales. Lot of expenditure is made on these items under this market.

#### **(v) Imperfect knowledge:**

Buyers will have an imperfect knowledge about commodities. Sometimes products may be the same but consumers think that a particular good is superior than another. Due to the advertisement and other devices consumers purchase the commodities.

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**(vi) Price decision:**

Each firm produces a commodity with small differences. It is due to this reason that a firm will decide the price for its product. The demand curve for a firm will be downwards sloping and more elastic.

#### 4. Salient features of Indian Economy.

**Answer:**

India is a developing country in the lower middle income group. The basic characteristics are –

- (i) Low per capita income:** The per capita income of an Indian in 2011 was \$1410. Barring a few countries, the per capita income (PCI) of the Indian people is the lowest in the world.
- (ii) Occupational pattern – Primary producing:** one of the basic characteristics of India being an underdeveloped country is that it is primary producing. A very high proportion of working population is engaged in agriculture, about 52 per cent and its contribution to national income was only 13.9 per cent in 2011-12. Since agricultural sector is a low income earning sector and also because the productivity per person engaged in it is very low.
- (iii) Heavy population pressure:** One of the major problems in India is the high level of birth rates which is also an evil effect of illiteracy. A positive attribute is the average life of citizen has increased which adds further to the working population. This is further identified with a falling death rate.
- (iv) Prevalence of chronic unemployment and under-employment:** In India cheap labour force is available in abundance. It is very difficult to engage in gainful employment to the entire working population, which is the result of a deficiency of capital in the country.
- (v) Steady improvement rate of capital formation:** In a country like India where the rate of population growth is 1.36 per cent (during 2011-12), about a high investment is needed to offset the additional burdens imposed by a rising population. Unless this balance is achieved, there is a danger that higher growth will only be obtained at the expense of unacceptable inflation.
- (vi) Maldistribution of Wealth/Assets:** Inequality in asset distribution is the principal cause of unequal distribution of income in the rural areas. It also signifies that the resource base of 50 per cent of the households is so weak that it can hardly provide them anything above the subsistence level of income.
- (vii) Poor quality of human capital:** Underdeveloped countries suffer from mass illiteracy. Illiteracy retards growth. A minimum level of education is necessary to acquire skills as also to comprehend social problems.
- (viii) Prevalence of low level technology:** In India, the most modern technique exists side by side with the most primitive in the same industry, but the majority of the productive units is produced with the help of inferior techniques as judged by the modern scientific standards. The sharp differences in productivity between developed and underdeveloped nations can be traced to a considerable degree to the application of superior techniques by the former.

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- (ix) **Low level of living of the average Indian:** Failure to secure a balanced diet manifests in India in the low calorie intake and low level of consumption of protein. Another factor is that in India cereals predominate, but in contrast the diet in the advanced countries is rich in content because it includes fruit, fish, meat, butter and sugar. The protein intake is nearly less than half of the level prevalent in advanced countries. This results in developing less strength to fight diseases and is also partly responsible for the low level of efficiency of the Indian workers. The picture regarding housing is equally bleak.
- (x) **Demographic characteristics of an underdeveloped country:** Demographic characteristics associated with underdevelopment are high density of population. Besides this, the average expectation of life is low and infant mortality rates are high. The density of population in India in 2010 was 412 per sq. km. as compared with that in USA, which is 34. Even in China density is 143 per sq. km. obviously, a higher density imposes greater burdens on land and other natural resources. The major problem for India is to harness the growing working age population in emerging areas of the economy, both in industry and services.

### PART B (50 Marks) (Fundamentals of Management)

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

[10×1 =10]

- Labour absenteeism and labour turnover are reduced in case of
  - Autocratic Leader
  - Democratic Leader**
  - Free rein Leader
  - None of the above
- Manpower planning is also known as \_\_\_\_\_
  - Human Resource Accounting
  - Human Resource Planning**
  - Manpower Management
  - All of the above
- System 2 managers are \_\_\_\_\_
  - Exploitative Autocratic
  - Benevolent Autocratic**
  - Consultative Autocratic
  - Democratic Autocratic
- Duties should be assigned according to \_\_\_\_\_ of the subordinates.
  - Qualification
  - Experience
  - Aptitude
  - All of the above**
- Managers are reluctant to delegate authority due to the \_\_\_\_\_ reason.
  - Lack of confidence in his subordinates

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- (b) Fear of losing his importance  
(c) Their likelihood to dominate the whole show  
(d) **All of the above.**
6. Delegation takes place between  
(a) Superior and subordinate  
(b) Peers  
(c) Subordinates and peers  
(d) **All of the above**
7. \_\_\_\_\_ 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
8. Span of control is based on the theory of relationship propounded by \_\_\_\_\_.  
(a) **Graicunas**  
(b) George Terry  
(c) Barnard  
(d) Simon
9. \_\_\_\_\_ involves the selection of language in which the message is to be given.  
(a) Medium  
(b) Decoding  
(c) **Encoding**  
(d) Feedback
10. Tendency of people to interpret the same message in different ways may act as a \_\_\_\_\_ barrier.  
(a) **Semantic**  
(b) Emotional  
(c) Language  
(d) Time

### II. Fill in the blanks:

[5×1=5]

1. \_\_\_\_\_ means dispersal of authority throughout the organization.
2. MIS means \_\_\_\_\_.
3. According to Herzberg's motivation hygiene theory, the opposite of satisfaction is \_\_\_\_\_.
4. \_\_\_\_\_ refers to the introduction of a person to the job and the organisation.
5. \_\_\_\_\_ has emphasised the principle of self-co-ordination.

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**Answer:**

1. Decentralisation
2. Management Information System
3. Dissatisfaction
4. Induction
5. Henry Fayol

**III. Match the following**

**[5×1=5]**

	Column 'A'		Column 'B'
1.	Group discussion	A	Flows upwards
2.	Schedules	B	Oral Communication
3.	Power	C	Single use plan
4.	Responsibility	D	Flows downwards
5.	Authority	E	Ability to do something

**Answer:**

	Column 'A'		Column 'B'
1.	Group discussion	B	Oral Communication
2.	Schedules	C	Single use plan
3.	Power	E	Ability to do something
4.	Responsibility	A	Flows upwards
5.	Authority	D	Flows downwards

**IV. State whether the following statements are True (or) False.**

**[5×1= 5]**

1. The ability to grant or withdraw rewards is a key source of power.
2. Responsibility is absolute and can be delegated.
3. Tactical decisions are made repetitively following certain established rules, procedures and policies.
4. The distinction between maintenance factors and motivating factors are fixed.
5. The final step in decision making process is selection of an alternative.

**Answer:**

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

**V. Define any Five of the following:**

**[5×1 =5]**

1. Concurrent Control
2. Informal organization

- 3. Unity of Command**
- 4. Scalar Chain**
- 5. Advantages of oral communication**
- 6. Ranking**
- 7. Vestibule training**
- 8. Adjourning**

**Answer:**

### **1. Concurrent Control**

It is known as 'real time' or 'steering' control. It is concerned with the adjustment of performance before any major damage is done. For instance, the navigator of a ship adjusts its movements continuously or the driver of a car adjusts its steering continuously depending upon the direction of destination, obstacles and other factors. In a factory, control chart is an example of concurrent control. Concurrent control occurs while an activity is still taking place.

### **2. Informal organization**

Formal organisation represents deliberate or official channels of interactions. But it suffers from several weaknesses. Therefore, informal organisation is created to plug its loopholes and to satisfy the social and psychological needs of people. There is significant interaction between the individual and the informal group to which he belongs. The informal group demands the individual to conform to the behaviour pattern laid down by it. The individual in turn seeks to accomplish his goals by associating with the informal group.

### **3. Unity of Command**

At one time a subordinate should receive command and be accountable to only one superior. If a person reports to two superiors for the same job, confusion and conflict will arise. He may receive conflicting orders and his loyalty will be divided. Therefore, dual subordination should be avoided.

### **4. Scalar Chain**

Scalar chain is the chain of superior existing from the highest authority to the lowest ranks. It is one of superior existing from the highest authority to the lowest ranks. It is one of the important principles of management.

### **5. Advantages of oral communication**

The advantages of Oral Communication are:

- (a) It helps in speedy transfer of information with immediate feedback.
- (b) It gives a feeling of importance to the subordinate when exchanging information, ideas, thoughts, opinion and emotions with his superior.

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## **6. Ranking**

This method involves the examination of all jobs within an organization and an assessment of their relative worth. This technique has the advantage of simplicity but it has a number of potential difficulties also.

## **7. Vestibule training**

Under this method, the worker is provided with a real-life presentation but not on the job directly. Artificially an environment is created so that the worker may fit himself in that environment.

## **8. Adjourning**

In Adjourning stage the group prepares to disband. The high task performance is no longer the required goal. The attention is towards the wrapping up of the activities and responses of the group members. The responses of group members vary in this stage.

### **VI. Answer any four of the following questions.**

**[4×5=20]**

#### **1. State the demerits of on-the-job training?**

**5**

**Answer:**

#### **Demerits of on-the-job training:**

On-the-job training suffers from the following demerits:-

1. The trainee may learn in a haphazard manner. Since there is no direction under which the trainee learns while performing job, there would be disorganized learning on the part of the trainee.
2. Sometimes, inexperienced handling of machines and tools by the trainees may result in colossal losses to the organisation.
3. The productivity of employees who is undergoing training on-the-job would be dismal and disappointing. Further it affects the flow of work when the production undergoes different processes.
4. Sometimes it becomes very difficult for the trainee to work as well as learn. In spite of these limitations, on-the-job training is considered suitable to supervisors, operatives, and lower-level executives.

#### **2. Write a note on Manpower Planning.**

**5**

**Answer:**

#### **Manpower Planning –**

Also known as human resource planning, the manpower planning is “a process of determining and assuring that the organisation will have an adequate number of

qualified persons, available at the proper times, performing jobs which meet the needs of the entire enterprise and which provide satisfaction for the individuals involved" (Dale S. Beach).

Manpower planning consists of the following steps:-

- (a) Determination of the organisational objectives;
- (b) Determination of the skills and expertise required to achieve the organisational objectives;
- (c) Estimating the additional human resource requirements in the light of the organisation's current human resources;
- (d) Development of action plans to meet the anticipated human resource needs.

The main points in human resource planning are: current assessment, future assessment of the human resource needs and the development of future programme as well as career development.

### 3. Write a note on approaches to planning.

5

**Answer:**

#### **Approaches to Planning**

Independent of the above philosophies of planning, we may identify four different approaches to planning in actual practice in various organisations. These approaches are described as follows:

- (a) Top-down approach:** As the name indicates, top management takes the initiative in formulating major objectives, strategies, policies and derivative plans in comprehensive manner and communicates them down the line to middle and supervisory management levels for translating them into performance results. Managers other than those at top levels have little role in planning; they have only to concentrate on implementation and day-to-day control.
- (b) Bottom-up approach:** This is a virtual reversal of the above approach in the sense that the plan proposals originate at the supervisory management level, travel up the management hierarchy in a step-by-step manner and reach the top management level for review and approval. In this approach top management generally refrains from giving any guidelines to lower management levels on what to plan and how.
- (c) Composite approach:** Here the top management provides broad parameters and guidelines to line executives at middle and lower management levels, allows the needed flexibility and support to formulate tentative plans, which are reviewed and finalized by top management in consultation with all the managers at the appropriate levels. The approach is useful to evolve corporate-wide plans also, which partly draw inspiration from the planning ideas and perspectives generated at the lower level.



**(d) Team approach:** In the approach, the task of planning is entrusted to a select team of managers, whether they are line managers or staff experts. The team functions under the leadership of the chief executive. It does not finalize plans as such but initiates the planning process, identifies the areas of problems and opportunities, examines the internal and external environment, collects information, solicits ideas and formulates tentative proposals for consideration by the chief executive. The team is used by the latter as his brains trust; it may even be asked to monitor the progress of plans and review performance.

#### 4. State the conditions to be fulfilled for effective decentralization.

5

Answer:

##### Effective Decentralisation

Effective decentralisation requires fulfilment of the following conditions:

- (i) Appropriate centralisation:** Decentralisation can be effective when there is a centralised authority for overall planning and control. The central authority ensures close coordination between various operating units. Without such a cementing force, the decentralised organisation may fall apart into pieces.
- (ii) Development of managers:** Effective decentralisation requires a large number of highly competent managers who are capable of working independently. In order to develop such executives, top management must delegate authority and allow the subordinates to learn through experience in making decisions.
- (iii) Open communication:** A sound communication system should be established to ensure continuous interaction between superiors and subordinates. Necessary feedback on operating results should be made available to superiors. Open communication system will enable managers to provide advice and guidance to subordinates.
- (iv) Coordination:** Decentralisation tends to create rivalry and cooperating divisions. Departmental managers compete for scarce resources. Effective coordination is essential to prevent such disintegrating tendencies. Interdepartmental coordination helps to prevent the danger of fragmentation. Committees, liaison officers and other mechanisms of coordination may be used to ensure coordination.
- (v) Adequate controls:** Effective decentralisation needs an appropriate control system that will distribute the resources, lay down standards of performance and exercise control to ensure that the various operating units are working in the desired direction.

**5. Describe the term 'Management Audit' and state its functions.**

5

**Answer:**

**Management Audit:**

The term 'Management Audit' is defined as a systematic evaluation of the functioning, performance and effectiveness of management of an organisation. It is thus an independent appraisal of an organization's management by an outside firm.

Depending on the preferences and perspectives of top management audit may cover all or some major facts of functioning of the organisation and its management. A few major areas which could be exposed to the search lights of management audit are listed as follows:

- (1) Formulation of organisational objectives, strategies, policies and programmes of action and the manner in which they are pursued, as also the extent of success achieved.
- (2) Design and operation of organisational structures of roles, activities and relationships.
- (3) The manner and efficiency with which resources and assets are mobilised, developed, allocated, utilised and safeguarded, including the human resources.
- (4) Design and functioning of various systems and operations within the organisation.
- (5) The manner in which the management team anticipates and sizes up external environmental elements and designs appropriate adaptive strategies to cope with them.
- (6) The internal organisational climate - to what extent it is conducive for co-operation, harmony, creativity, productivity and satisfaction.
- (7) The quality of managerial decisions: their soundness, timeliness and effectiveness.

**6. Discuss the importance of staffing.**

5

**Answer:**

**Importance of staffing:**

Undoubtedly, staffing is a vital function of management more importantly because:

- (i) It facilitates discovery of competent and qualified people to take up various positions the organisation;
- (ii) It enhances productivity by placing right people on the right jobs;
- (iii) It helps in estimating the staffing requirements of the organisation in future (through manpower planning);
- (iv) It prepares the personnel to occupy the top positions within the organisation.
- (v) It helps development of people through the programmes of training and development;
- (vi) It helps the organisation to make the best use of existing workforce;
- (vii) It ensures adequate and equitable remuneration of workforce.

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- (viii) It results in high employee morale and job satisfaction by placing the right people on right jobs;
- (ix) It makes the top management aware of the requirements of manpower arising from transfer, promotion, turnover, retirement, death etc. of the present employees.

When the staffing function is performed effectively, the above payoffs would accrue to the organisation.