

# **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. All economic questions arise from the fact that
  - (a) inflation is inevitable.
  - (b) both wants and resources are unlimited.
  - (c) unemployment is inevitable.
  - (d) resources are scarce.
  
2. Economic theory assumes that the goal of firms is to maximize
  - (a) sales
  - (b) total revenue
  - (c) profit
  - (d) price
  
3. Money market deals with \_\_\_\_\_.
  - (a) short term credit
  - (b) long term credit
  - (c) both a & b
  - (d) none of the above
  
4. Certificate of deposits are issued by the banks to \_\_\_\_\_.
  - (a) individual
  - (b) companies
  - (c) P.S.U.s
  - (d) all the above
  
5. Generally commercial bills are prepared for the period of \_\_\_\_\_ days.
  - (a) 90
  - (b) 180
  - (c) 360
  - (d) 365
  
6. Marginal revenue is
  - (a) total revenue minus total cost
  - (b) total revenue divided by quantity of output

- (c) the change in total revenue divided by the change in output  
(d) the change in total revenue divided by the change in the quantity of an input used
7. If a firm shuts down in the short run and produces no output, its total cost is  
(a) zero  
(b) equal to variable cost  
(c) equal to fixed cost  
(d) explicit costs only
8. Repo transactions means  
(a) Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date.  
(b) Sale of securities by the holder to the investor with the agreement to resell them at a pre-determined rate and date.  
(c) Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date.  
(d) Sale of securities by the holder to the investor to the investor with the agreement to purchase them at market driven rate.
9. EXIM Bank is authorized to raise loan from \_\_\_\_\_.  
(a) Reserve Bank of India  
(b) Government of India  
(c) International Market  
(d) Trading activities
10. Which of these affects the demand for money?  
(a) Real Income  
(b) Price level  
(c) Rate of Interest  
(d) All of the above
11. When the price of complementary products falls, the demand of the other product will  
(a) Fall  
(b) Increases  
(c) Remain stable  
(d) Drops by 25%
12. Cross elasticity of unrelated products will be  
(a) Infinite  
(b) zero  
(c)  $>1$   
(d)  $<1$
13. Change in cost of production of the concerned goods causes.  
(a) The demand curve to shift  
(b) The supply curve to shift  
(c) Increase in quantity demanded

- (d) Decrease in quantity supplied
14. A goods can be considered inferior goods in economics if increase in disposal income of the consumer causes
- (a) An increase in demand
  - (b) No change in demand
  - (c) Decrease in demand
  - (d) Less than proportionate change in demand
15. Which of the following is /are an essential feature of the market
- (a) Buyers
  - (b) Sellers
  - (c) Price
  - (d) All the three
16. Bonds and Government Securities refer to \_\_\_\_\_ money.
- (a) Near
  - (b) Call
  - (c) Optional
  - (d) None of the above
17. In the long run a firm in perfect competition earns
- (a) Normal profit only
  - (b) Abnormal profit
  - (c) Average profit
  - (d) 8.33% of capital employed
18. Variable factor means those factors of production
- (a) Which can be only charged in the long run
  - (b) Which can be changed in the short run
  - (c) Which can be never be changed
  - (d) Any of the above
19. Human wants are
- (a) limited
  - (b) unlimited
  - (c) undefined
  - (d) none
20. Economic resources are
- (a) Unlimited
  - (b) Limited in supply and use
  - (c) Limited in supply but have alternative uses
  - (d) Unproductive

**II. Match the following**

**[5 × 1 = 5]**

	Column 'A'		Column 'B'
1.	Land	A	Adam Smith
2.	Central Bank	B	Fixed factor
3.	Wealth of Nation	C	Demand Curve
4.	Fiscal policy	D	Credit Control
5.	Contraction of demand	E	Public Debt

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

**[5 × 1 = 5]**

1. Production function explains the relationship between input and output.
2. The supply curve in case of land is parallel to X-axis
3. There is an inverse relationship between price and demand.
4. Indian Railways is an example of oligopoly.
5. Average product is at its maximum, when AP = MP.

**IV. Answer any four of the following questions.**

**[4 × 5 = 20]**

1. What are the exceptions to the laws of demand? 5
2. State the functions of Indian Money Market. 5
3. What should be the essentials of a sound banking system? 5
4. Explain about the law of diminishing marginal utility 5
5. State the features of oligopoly market. 5
6. Differentiate between returns to a variable factor and returns to scale. 5

**Section B**

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

**[20 × 1 = 20]**

1. \_\_\_\_\_ decisions are repetitive and routine.
  - (a) Organisational Decisions
  - (b) Non-routine Decisions
  - (c) Programmed Decisions
  - (d) Non - Programmed Decisions
  
2. The criteria for evaluating the alternative in decision making is \_\_\_\_\_ .
  - (a) Resources available
  - (b) Time Constraint
  - (c) Accomplishment of common goals
  - (d) All of the above

3. Who avoids power and relinquishes the leadership position?
  - (a) Autocratic Leader
  - (b) Democratic Leader
  - (c) Free rein Leader
  - (d) All of the above
  
4. \_\_\_\_\_ without corresponding controls are apt to hollow hopes
  - (a) Planning
  - (b) Organising
  - (c) Staffing
  - (d) Directing
  
5. Labour absenteeism and labour turnover are reduced in case of \_\_\_\_\_
  - (a) Autocratic Leader
  - (b) Democratic Leader
  - (c) Free rein Leader
  - (d) None of the above
  
6. Manpower planning is also known as \_\_\_\_\_
  - (a) Human Resource Accounting
  - (b) Human Resource Planning
  - (c) Manpower Management
  - (d) All of the above
  
7. System 2 managers are \_\_\_\_\_
  - (a) Exploitative Autocratic
  - (b) Benevolent Autocratic
  - (c) Consultative Autocratic
  - (d) Democratic Autocratic
  
8. Duties should be assigned according to \_\_\_\_\_ of the subordinates.
  - (a) Qualification
  - (b) Experience
  - (c) Aptitude
  - (d) All of the above
  
9. Managers are reluctant to delegate authority due to the \_\_\_\_\_ reason.
  - (a) Lack of confidence in his subordinates
  - (b) Fear of losing his importance
  - (c) Their likelihood to dominate the whole show
  - (d) All of the above.
  
10. Delegation takes place between
  - (a) Superior and subordinate
  - (b) Peers
  - (c) Subordinates and peers
  - (d) All of the above

11. \_\_\_\_\_ 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
12. Span of control is based on the theory of relationship propounded by \_\_\_\_\_.
- (a) Graicunas
  - (b) George Terry
  - (c) Barnard
  - (d) Simon
13. \_\_\_\_\_ involves the selection of language in which the message is to be given.
- (a) Medium
  - (b) Decoding
  - (c) Encoding
  - (d) Feedback
14. Tendency of people to interpret the same message in different ways may act as a \_\_\_\_\_ barrier.
- (a) Semantic
  - (b) Emotional
  - (c) Language
  - (d) Time
15. Current Control may also be regarded as \_\_\_\_\_
- (a) Steering Control
  - (b) Internal Control
  - (c) External Control
  - (d) None of the above
16. Which leadership style permits quick decision making?
- (a) Democratic style
  - (b) Authoritarian style
  - (c) Free-reign
  - (d) All of the above
17. \_\_\_\_\_ refers to assigning rank and responsibility.
- (a) Training
  - (b) Development
  - (c) Placement
  - (d) Education
18. External sources of recruitment include:
- (a) Employment Exchanges

- (b) Advertisements
- (c) Employee walk-ins
- (d) All of the above

19. Filtering means \_\_\_\_\_

- (a) Hiding some messages
- (b) Disclose the information
- (c) Sending message
- (d) None of the above

20. \_\_\_\_\_ implies diffusion of authority throughout the organization.

- (a) Delegation
- (b) Centralisation
- (c) Decentralisation
- (d) None of the above

**I. 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

**III. State whether the following statement is 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.

**IV. Answer any four of the following questions.**

**[4 × 5 = 20]**

1. State the demerits of on-the-job training? 5
2. Write a note on Manpower Planning. 5
3. Write a note on approaches to planning. 5
4. State the conditions to be fulfilled for effective decentralization. 5
5. Describe the term 'Management Audit' and state its functions. 5
6. Discuss the importance of staffing. 5