

**Paper – 1 – Fundamentals of Economics and  
Management**

# MTP\_Foundation\_Syllabus 2016\_June 2018\_Set 2

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## Paper – 1 – Fundamentals of Economics and Management

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 (50 marks)

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

[20 × 1 = 20]

1. \_\_\_\_\_ is the father of Economics.
  - (a) Adam Smith
  - (b) L. Robbins
  - (c) J. R. Hicks
  - (d) A. Marshall
  
2. Economic theory assumes that the goal of firms is to maximize
  - (a) Sales
  - (b) Total revenue
  - (c) Profit
  - (d) Price
  
3. \_\_\_\_\_ is a gift of nature
  - (a) Land
  - (b) Labour
  - (c) Capital
  - (d) Organisation
  
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. \_\_\_\_\_ cost is also known as alternative cost
  - (a) Opportunity
  - (b) Real
  - (c) Actual
  - (d) Money

7. Quantity theory of money was explained by
- (a) Fisher
  - (b) Keynes
  - (c) Crowther
  - (d) Samuelson
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. Income minus Savings is equal to
- (a) Consumption
  - (b) Investment
  - (c) Production
  - (d) Demand
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

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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 is the apex bank for agriculture credit in India?
- (a) RBI
  - (b) SIDBI
  - (c) NABARD
  - (d) IDBI
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. Money market is controlled by
- (a) Government
  - (b) RBI
  - (c) SBI
  - (d) All the above
20. Financial markets are classified into Money market and \_\_\_\_\_
- (a) Bullion market
  - (b) Capital market
  - (c) Stock market
  - (d) National market

### II. Match the following

[5 x 1 = 5]

	Column 'A'		Column 'B'
1	Commercial Paper	A	Adam Smith
2	Central Bank	B	Money market
3	Wealth of Nation	C	Demand Curve
4	Fiscal policy	D	Credit Control
5	Contraction of demand	E	Public Debt

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

[5 x 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 income and demand.
4. Indian Railways is an example of perfect competition.
5. Average product is at its maximum, when  $AP = MP$ .

IV. Answer any two of the following

[4×5 = 20]

1. Explain about production possibility curve (PPC)
2. State the functions of Money.
3. What should be the essentials of a sound banking system?
4. Explain about NABARD
5. State the features of Monopoly market.
6. Differentiate between returns to a variable factor and returns to scale.

## Part B (50 marks)

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

[20 × 1 = 20]

- (1) "Leadership is the ability of a manager to induce subordinates to work with confidence and zeal" –
  - (a) Haimann
  - (b) Koontz and O'Donnell
  - (c) Davis
  - (d) Rensis Likert
- (2) T-group training is also known as
  - (a) Classroom Training
  - (b) Apprenticeship Training
  - (c) Internship Training
  - (d) Sensitivity Training
- (3) Carrot and Stick approach to motivation is adopted under which system?
  - (a) Exploitative Autocratic
  - (b) Benevolent Autocratic
  - (c) Consultative
  - (d) Democratic
- (4) Span of Management is also known as
  - (a) Span of Control
  - (b) Span of Supervision
  - (c) Span of authority
  - (d) All of the above

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- (5) A thirsty person may use body language by lifting the thumb to face in order to communicate that he needs a glass of drinking water. This process is called:
- (a) Medium
  - (b) Encoding
  - (c) Decoding
  - (d) Feedback
- (6) \_\_\_\_\_ 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
- (7) Who contends that "Training is an act of increasing the knowledge and skill of an employee for doing a particular job"?
- (a) Edwin Flippo
  - (b) Michael J. Jucius
  - (c) O. Jeff Harris
  - (d) Andrew Carnegie
- (8) "Control is any process that guides activity toward some predetermined goal" – by
- (a) Anthony
  - (b) O' Doneel
  - (c) Haynes and Massie
  - (d) Hicks and Gullet
- (9) MBO is a concept introduced by
- (a) Henri Fayol
  - (b) F.W. Taylor
  - (c) Peter Drucker
  - (d) George Terry
- (10) \_\_\_\_\_ was developed by du pont and Remington Rand Companies to help the process of scheduling maintenance of chemical plants.
- (a) CPM
  - (b) PERT
  - (c) MBO
  - (d) MBE
- (11) \_\_\_\_\_ decisions are repetitive and routine.
- (a) Organisational Decisions
  - (b) Non-routine Decisions
  - (c) Programmed Decisions
  - (d) Non - Programmed Decisions
- (12) Who avoids power and relinquishes the leadership position?
- (a) Autocratic Leader
  - (b) Democratic Leader
  - (c) Free rein Leader
  - (d) All of the above

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- (13) 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.
- (14) Delegation takes place between
- (a) Superior and subordinate
  - (b) Peers
  - (c) Subordinates and peers
  - (d) All of the above
- (15) Span of control is based on the theory of relationship propounded by \_\_\_\_\_.
- (a) Graicunas
  - (b) George Terry
  - (c) Barnard
  - (d) Simon
- (16) \_\_\_\_\_ involves the selection of language in which the message is to be given.
- (a) Medium
  - (b) Decoding
  - (c) Encoding
  - (d) Feedback
- (17) Tendency of people to interpret the same message in different ways may act as a \_\_\_\_\_ barrier.
- (a) Semantic
  - (b) Emotional
  - (c) Language
  - (d) Time
- (18) Filtering means \_\_\_\_\_
- (a) Hiding some messages
  - (b) Disclose the information
  - (c) Sending message
  - (d) None of the above
- (19) \_\_\_\_\_ implies diffusion of authority throughout the organization.
- (a) Delegation
  - (b) Centralisation
  - (c) Decentralisation
  - (d) None of the above
- (20) \_\_\_\_\_ refers to assigning rank and responsibility.
- (a) Training
  - (b) Development
  - (c) Placement
  - (d) Education

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## II. Match the following

[5 x 1 = 5]

	Column 'A'		Column 'B'
1	Encoding	A	Esteem Needs
2	Sensitivity Training	B	German Sociologist
3	Self Confidence	C	T – Group Training
4	Max Weber	D	Selection of language
5	Espirit de corps	E	Team work

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

[5 x 1 = 5]

1. A superior is always responsible to his subordinate.
2. Maintenance factors are also known as Hygiene factors.
3. Work is natural like rest or play according to Theory X.
4. The final step in decision making process is selection of an alternative.
5. Programmed decisions are of routine and repetitive nature which is to be dealt with according to specific procedure.

## IV. Answer any four of the following questions

[4×5= 20]

1. Importance of Staffing
2. Merits of Off-the-Job Training
3. Management Audit
4. Herzberg's Model
5. Guidelines for Effective Decision Making
6. Management information System (MIS)