

PAPER - 1

BIT QUESTIONS

MCQs

Fundamentals of Economics and Management



**DIRECTORATE OF STUDIES
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**

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PAPER -1
Fundamentals of
Economics and Management
Bit Questions

FUNDAMENTALS OF ECONOMICS

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

1. The subject matter of economics is distributed into _____ parts.
(A) two
(B) three
(C) four
(D) five
2. The concept of 'Consumer Surplus' was introduced in Economics by
(A) Prof. Robbins
(B) Prof. Samuelson
(C) Prof. Smith
(D) Prof. Marshall
3. If the price elasticity of demand is $|0.5|$, then the commodity is
(A) Luxury
(B) Necessary
(C) Inferior
(D) Giffen
4. In the case of rare coins, supply curve will be
(A) Horizontal
(B) Vertical
(C) backward bending
(D) positively sloped
5. When the price elasticity of demand is equal to one, the demand curve is
(A) rectangular hyperbola
(B) parallel to the horizontal axis.
(C) parallel to the vertical axis
(D) negatively sloped straight line
6. Which one of the following is not a factor of production?
(A) Land
(B) Labour
(C) Capital
(D) Bank Loan
7. The 'Law of Variable Proportion' was first developed by
(A) Prof. Mill
(B) Prof. Marshall
(C) Prof. Ricardo
(D) Prof. Smith
8. Which one of the following cost can never become zero?
(A) Average cost
(B) Fixed cost
(C) Marginal cost
(D) Variable cost
9. All the factors of production become variable in the
(A) Short run
(B) long run
(C) very short run

- (D) very long run
10. Marginal cost is defined as
- (A) the change in total cost due to one unit change in output.
 - (B) the change in total cost due to one unit change in input.
 - (C) the ratio of total cost to total output
 - (D) the ratio of total cost to total input
11. If a firm produces 200 units of commodity X by employing 10 workers and 240 units of the same commodity by employing 12 workers, then the Average Product of the worker is
- (A) 20
 - (B) 40
 - (C) 200
 - (D) 240
12. Which one of the following is a feature of a perfect competition?
- (A) Selling Cost
 - (B) Group Behaviour
 - (C) Homogenous Product
 - (D) Differentiated Product
13. In the case of a perfectly competitive firm, the demand curve for product is
- (A) Elastic
 - (B) unit elastic
 - (C) perfectly elastic
 - (D) perfectly inelastic
14. Cartel is one form of
- (A) Monopoly
 - (B) Duopoly
 - (C) collusive oligopoly
 - (D) non-collusive oligopoly
15. Dynamic Pricing is mostly followed by
- (A) Automobile Manufacturing Companies
 - (B) Cooking Gas Supplying Companies
 - (C) On-line Companies
 - (D) Brand Name Food Companies
16. $PT = MV$ is the equation suggested by
- (A) J.M. Keynes
 - (B) A.W. Phillips
 - (C) Irving Fisher
 - (D) A.C. Pigou
17. All the following functions are associated with commercial bank except that
- (A) Commercial Bank cannot issue Paper Notes
 - (B) Commercial Bank acts as a Banker to the Government
 - (C) Commercial Banks are mostly privately – owned and privately – managed
 - (D) to accept Deposit from the Public is the most important function of a commercial bank
18. Gresham's Law is true where
- (A) only Barter System operates
 - (B) only Paper Currency operates
 - (C) only Metal Currency operates
 - (D) Both Paper and Metal Currencies operates
19. Quantity Theory of Money states that

- (A) Price Level is directly proportional to Money Supply
 - (B) Price Level is inversely proportional to Money Supply
 - (C) Price Level is not related to Money Supply
 - (D) Price Level is inversely related to Money Demand
20. The Growth definition of Economics was introduced by
- (A) J.M. Keynes and P.A. Samuelson
 - (B) Adam Smith
 - (C) Alfred Marshall
 - (D) Lionel Robbins
21. According to the 'Law of Demand, demand varies _____ with price.
- (A) Directly
 - (B) Indirectly
 - (C) Proportionately
 - (D) Inversely
22. When excess demand occurs in an unregulated market, there is a tendency for:
- (A) price to rise
 - (B) quantity supplied to decrease
 - (C) quantity demanded to increase
 - (D) price to fall
23. In the case of inferior goods, the consumer
- (A) purchases less with increase in income
 - (B) purchases less with decrease in price
 - (C) purchases more with increase in income
 - (D) purchases more with decrease in price
24. Let a firm employ 10 labourers to produce 150 units of output. If 11 labourers are employed to produce 166 units of output, then the marginal product is
- (A) 11
 - (B) 16
 - (C) 150
 - (D) 166
25. A rational producer produces in that region where
- (A) marginal physical product of the fixed input becomes negative
 - (B) marginal physical product of the variable input becomes negative
 - (C) marginal physical product of the fixed input becomes increasing
 - (D) marginal physical product of the variable input becomes declining
26. In a firm doubles all inputs, and output doubles as well, the firm is subject to
- (A) constant returns to scale
 - (B) increasing returns to scale
 - (C) decreasing returns to scale
 - (D) economies of scale
27. As output increases, AFC of a firm
- (A) Increases
 - (B) remains constant
 - (C) continuously declines
 - (D) initially increases, afterwards declines
28. Which of the first order condition for the profit of a firm be maximum?
- (A) $AC = MR$
 - (B) $MC = MR$
 - (C) $MR = AR$
 - (D) $AC = AR$

29. Opportunity cost is measured in terms of the
- (A) optional cost that has been avoided
 - (B) negative cost that has been sacrificed
 - (C) accounting cost that has been paid
 - (D) next best alternative that has been foregone
30. Due to the operation of 'Laws of return to Scale' LAC curve is
- (A) Rectangular hyperbola
 - (B) U-Shaped
 - (C) Parallel to the horizontal axis
 - (D) Parallel to the vertical axis
31. The AR curve and industry demand curve are identical
- (A) in case of monopoly
 - (B) in case of oligopoly
 - (C) in case of monopolistic competition
 - (D) in case of perfect competition
32. OPEC is an example of
- (A) Perfect competition
 - (B) Monopolistic competition
 - (C) Monopoly
 - (D) Cartel
33. The relationship between money supply and price level is
- (A) Inverse
 - (B) Neutral
 - (C) Proportional
 - (D) non-proportional
34. Cash Balance Approach was given by
- (A) I. Fisher
 - (B) J. M. Keynes
 - (C) G. Crowther
 - (D) Cambridge University Professors
35. Which one of the following functions of commercial banks include collection of cheques, drafts, bill of exchange etc. of their customers from other banks?
- (A) Agency Function
 - (B) Creation of Credit
 - (C) Payment of Loans and Advances
 - (D) General Utility Function
36. Which one of the following is the apex bank for agricultural credit in India?
- (A) RBI
 - (B) IDBI
 - (C) SIDBI
 - (D) NABARD
37. Which of these would lead to fall in demand for money?
- (A) Inflation
 - (B) Increase in Real Income
 - (C) Increase in Real Rate of Interest
 - (D) None of the above
38. The rate at which the commercial banks borrow from the Reserve Bank of India is called as
- (A) REPO
 - (B) PLR

- (C) BPLR
 - (D) Bank rate
39. Commercial banks provide collateral loans against
- (A) Government Security
 - (B) Shares
 - (C) Bills of Exchange
 - (D) Commercial Paper
40. _____ defined economics as a science which deals with wealth.
- (A) J.B. Say
 - (B) A.C. Pigou
 - (C) Alfred Marshall
 - (D) Lionel Robbins
41. _____ goods are known as scarce goods.
- (A) Economic
 - (B) Durable
 - (C) Free
 - (D) Consumer
42. _____ is the first Law of Consumption.
- (A) The Law of Diminishing Marginal Utility
 - (B) The Law of Demand
 - (C) The Law of Increasing Returns
 - (D) All of the above
43. Factors of production may be of _____ types.
- (A) 4
 - (B) 3
 - (C) 2
 - (D) 5
44. The Law of Variable Proportions relates to _____ only.
- (A) long - run
 - (B) short - run
 - (C) very long run
 - (D) very short run
45. The total _____ curve will be a horizontal line.
- (A) Variable cost
 - (B) Fixed cost
 - (C) Marginal cost
 - (D) Cost
46. The supply curve always slopes _____
- (A) Upwards
 - (B) Downwards
 - (C) both (A) and (B)
 - (D) neither (A) nor (B)
47. _____ is the centre of all marketing policies.
- (A) Price
 - (B) Product
 - (C) Profit
 - (D) Publicity
48. In the long run, a firm in perfect competition earns _____
- (A) normal profit only

- (B) abnormal profit
 - (C) average profit of past 5 years
 - (D) 12.33 per cent profit on capital employed
49. Oligopoly means _____
- (A) Single seller
 - (B) few sellers
 - (C) large number of sellers
 - (D) no buyers
50. Penetration Pricing is adopted by following a _____
- (A) low price
 - (B) high price
 - (C) dual price
 - (D) support price
51. When the price of a complementary product falls, the demand for the other product will ____
- (A) Fall
 - (B) Increase
 - (C) remain stable
 - (D) drop by 25 per cent
52. The primary functions of money are of _____ types.
- (A) 2
 - (B) 3
 - (C) 4
 - (D) 5
53. The money supply affects the rate of interest; when the money supply increases, rate of interest will be decreased. It is explained by _____
- (A) Keynes
 - (B) Walker
 - (C) Robbins
 - (D) Crowther
54. SDRs are used in place of _____
- (A) commercial papers
 - (B) gold
 - (C) shares
 - (D) company deposits
55. _____ is one among the qualitative credit control instruments used by the RBI.
- (A) Bank Rate Policy
 - (B) Moral Suasion
 - (C) Open Market Operations
 - (D) Cash Reserve Ratio
56. Money market is controlled by the _____
- (A) RBI
 - (B) Government
 - (C) IDBI
 - (D) IMF
57. On the basis of functions, financial markets are classified into _____ types.
- (A) 5
 - (B) 4
 - (C) 3
 - (D) 2

58. The 'Welfare definition' of Economics was introduced by _____
- (A) Adam Smith
 - (B) Alfred Marshall
 - (C) Lionel Robbins
 - (D) J. R. Hicks
59. Micro-economics deals with the _____
- (A) economic behavior of the individual
 - (B) economy as a whole
 - (C) trade relations
 - (D) economic growth of the society
60. Point Elasticity was propounded by _____
- (A) Alfred Marshall
 - (B) Adam Smith
 - (C) Lionel Robbins
 - (D) Jacob Viner
61. Production creates _____ utility.
- (A) Place
 - (B) Time
 - (C) Form
 - (D) possession
62. A Production Function refers to _____
- (A) Scale of production
 - (B) relationship between resources
 - (C) relationship between inputs and output
 - (D) relationship between costs and output
63. _____ cost remains constant even if production is stopped.
- (A) Fixed
 - (B) Variable
 - (C) Semi-Variable
 - (D) Marginal
64. _____ refers to the quantity of a commodity which a firm is willing to produce and offer for sale.
- (A) Individual Supply
 - (B) Market Supply
 - (C) Individual Demand
 - (D) Market Demand
65. On the basis of area, markets are classified into _____ types.
- (A) 2
 - (B) 3
 - (C) 4
 - (D) 5
66. Total input is maximum when _____
- (A) $MP = 0$
 - (B) MP is increasing
 - (C) MP is decreasing
 - (D) MP is constant
67. Which of the following does not characterize monopolistic competition?
- (A) product differentiation
 - (B) many producers
 - (C) absence of advertising

- (D) partial control over price
68. Pricing for selling the same commodity at different selling prices is known as _____
- (A) Skimming Pricing
 - (B) Differential Pricing
 - (C) Penetration Pricing
 - (D) Cost – Plus Pricing
69. In a perfect competition, a firm earns super normal profit when the AR of the firm _____ the ACT of the firm.
- (A) equals to
 - (B) exceeds
 - (C) is lower than
 - (D) neither exceeds nor is lower than
70. _____ refers to the market situations whether there is one seller and there is not close substitute to the commodity sold by the seller.
- (A) Perfect Competition
 - (B) Monopoly
 - (C) Oligopoly
 - (D) Monopolistic Competition
71. Cash Money is created by the _____
- (A) Central Bank of a country
 - (B) Commercial Banks
 - (C) State Bank of India
 - (D) Co-operative Banks
72. "Money is what money does". This definition was given by _____
- (A) Adam Smith
 - (B) Walker
 - (C) Robbins
 - (D) Robertson
73. Traditional function of a commercial bank is _____
- (A) issue of gift cheque
 - (B) credit creation
 - (C) providing locker facilities
 - (D) acceptance of deposits
74. _____ is one among the quantitative methods of credit control.
- (A) Bank Rate Policy
 - (B) Moral Suasion
 - (C) Direct Action
 - (D) Rationing of Credit
75. Securities market in India is regulated by the _____
- (A) Government
 - (B) RBI
 - (C) SEBI
 - (D) SBI
76. _____ market is the nerve centre of the financial system.
- (A) Money
 - (B) Capital
 - (C) Local
 - (D) National
77. _____ is the father of Economics.

- (A) Adam Smith
- (B) Alfred Marshall
- (C) Lionel Robbins
- (D) J.R. Hicks

78. _____ is an act to use the goods or service to satisfy the wants.

- (A) Production
- (B) Consumption
- (C) Savings
- (D) Distribution

79. The Law of Diminishing Marginal Utility was developed by _____

- (A) Stanley Jevons
- (B) Alfred Marshall
- (C) Adam Smith
- (D) J.R. Hicks

80. _____ demand is also known as Direct Demand.

- (A) Derived
- (B) Autonomous
- (C) Individual
- (D) Consumption

81. Total Outlay Method of measuring Elasticity of Demand was introduced by _____

- (A) Stanley Jevons
- (B) Alfred Marshall
- (C) Adam Smith
- (D) J.R. Hicks

82. When two or more different goods are produced together by a single firm, it is called as _____ supply.

- (A) joint
- (B) composite
- (C) excess
- (D) short

83. _____ is a gift of nature.

- (A) Land
- (B) Labour
- (C) Capital
- (D) Organisation

84. There are _____ stages of the Law of Variable Proportions

- (A) 2
- (B) 3
- (C) 4
- (D) 5

85. Which factor of production is considered as a produced means of production?

- (A) Land
- (B) Labour
- (C) Capital
- (D) Organisation

86. _____ means transformation of physical inputs into output.

- (A) Marketing
- (B) Production
- (C) Finance
- (D) Money

87. _____ cost is also known as Alternative Cost.
(A) Opportunity
(B) Actual
(C) Real
(D) Money
88. The additional cost incurred to produce an additional unit of output is _____.
(A) Marginal cost
(B) Variable cost
(C) Fixed cost
(D) Opportunity cost
89. On the basis of time element, markets can be classified into _____ types.
(A) 2
(B) 3
(C) 4
(D) 5
90. _____ competition exists when the basic features of Perfect Competition are not present.
(A) Pure
(B) Perfect
(C) Imperfect
(D) All of the above
91. The _____ states that bad money drives good money out of circulation.
(A) Law of Demand
(B) Law of Supply
(C) Gresham's Law
(D) Demand Schedule
92. Quantity Theory of Money was explained by _____.
(A) Fisher
(B) Keynes
(C) Crowther
(D) Samuelson
93. _____ account can be opened by business persons only.
(A) Current Deposit
(B) Savings Deposit
(C) Fixed Deposit
(D) Recurring Deposit
94. In India, Central Bank was established in _____.
(A) 1945
(B) 1955
(C) 1935
(D) 1965
95. Wealth was defined by
(A) Alfred Marshall
(B) Adam Smith
(C) Robbins
(D) Jacob
96. Income minus Savings is equal to _____.
(A) Consumption
(B) Production
(C) Investment

- (D) Demand
97. _____ means the desire backed by the necessary purchasing power.
(A) Consumption
(B) Production
(C) Investment
(D) Demand
98. 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
99. Production creates _____ utility.
(A) Place
(B) Time
(C) Form
(D) Possession
100. Law of Variable Proportions was developed by _____
(A) Alfred Marshall
(B) Adam Smith
(C) Robbins
(D) Jacob
101. The average _____ and output have inverse functional relationship.
(A) fixed cost
(B) variable cost
(C) marginal cost
(D) total cost
102. Economics of scales are divided into _____ types.
(A) 2
(B) 3
(C) 4
(D) 5
103. On the basis of competition, markets are classified into _____ types.
(A) 2
(B) 3
(C) 4
(D) 5
104. _____ means absence of competition.
(A) Monopoly
(B) Perfect
(C) Imperfect
(D) Oligopoly
105. The rate at which the commercial banks borrow from the RBI is called as _____
(A) REPO
(B) PLR
(C) BPLR
(D) Bank Rate
106. In a competitive market, _____ is the price - maker.
(A) Firm

- (B) Industry
- (C) Consumer
- (D) trade association

107. Long-run equilibrium price is known as _____

- (A) Market Price
- (B) Reserve Price
- (C) Normal Price
- (D) Support Price

108. _____ is a qualitative credit control instrument used by the Central Bank.

- (A) Bank Rate Policy
- (B) Moral Suasion
- (C) Open Market Operations
- (D) CCR

109. _____ was established as the apex bank for industrial credit.

- (A) IDBI
- (B) ICICI
- (C) EXIM bank
- (D) NABARD

110. Financial markets are classified into Money Market and _____

- (A) Bullion Market
- (B) Capital Market
- (C) Stock Market
- (D) National Market

111. Commercial Paper was introduced in Indian money market in January _____

- (A) 1990
- (B) 1980
- (C) 1970
- (D) 1960

Answer:

1.	C	2.	D	3.	B	4.	B	5.	A
6.	D	7.	B	8.	B	9.	B	10.	A
11.	A	12.	C	13.	C	14.	C	15.	C
16.	C	17.	A	18.	D	19.	A	20.	A
21.	D	22.	A	23.	A	24.	B	25.	D
26.	A	27.	C	28.	B	29.	D	30.	B
31.	D	32.	D	33.	C	34.	D	35.	A
36.	D	37.	C	38.	D	39.	A	40.	A
41.	A	42.	A	43.	A	44.	B	45.	B
46.	A	47.	B	48.	A	49.	B	50.	A
51.	B	52.	A	53.	A	54.	B	55.	B
56.	A	57.	D	58.	B	59.	A	60.	A
61.	C	62.	C	63.	A	64.	A	65.	B
66.	A	67.	C	68.	B	69.	B	70.	B
71.	A	72.	B	73.	D	74.	A	75.	C
76.	A	77.	A	78.	B	79.	B	80.	B
81.	B	82.	A	83.	A	84.	B	85.	C
86.	B	87.	A	88.	A	89.	B	90.	C
91.	C	92.	A	93.	A	94.	C	95.	B
96.	A	97.	D	98.	A	99.	C	100.	A
101.	A	102.	A	103.	A	104.	A	105.	D

106	B	107	C	108	B	109	A	110	B
111	A								

II. Match the following:

1.

	Column 'A'		Column 'B'
1.	Treasury Bill	A	Central Bank
2.	Term Deposit	B	Commercial Bank
3.	Issuing Notes	C	Money Market
4.	Acceptance of Deposits	D	Cumulative Deposits
5.	Recurring Deposits	E	Fixed Deposits

2.

	Column 'A'		Column 'B'
1.	M ₃	A	Demand forecasting
2.	Central Bank	B	Price Maker
3.	Collective Opinion Method	C	M ₂ + Time Deposit
4.	Monopoly	D	Price Taker
5.	Perfect Competition	E	Control of credit

3.

	Column 'A'		Column 'B'
1.	Exceptions to the Law of Demand	A	K. E. Boulding
2.	Oligopoly Market	B	Robert Giffen
3.	Quantity Theory of Money	C	A. A. Cournot
4.	Elasticity of Demand	D	Irving Fisher
5.	Micro – economics	E	Alfred Marshall

4.

	Column 'A'		Column 'B'
1.	Bad money drives good money out of circulation.	A	J. M. Keynes
2.	Wealth of Nations	B	A.C.Pigou
3.	Concept of Consumer Surplus	C	Gresham's Law
4.	Macro – economic Theory	D	Adam Smith
5.	Increase in wealth means increase in welfare	E	Alfred Marshall

5.

	Column 'A'		Column 'B'
1.	Definition of Scarcity	A	Giffen
2.	Inferior Goods	B	Crowther
3.	One who brings all the factors together and produces the output.	C	Walker
4.	Money is what money does	D	Robbins
5.	Inflation denotes that value of Money is falling.	E	Entrepreneur

6.

	Column 'A'		Column 'B'
1.	Acceptance of Deposit	A	Fixed Factor
2.	Law of Demand	B	Monopoly
3.	Land	C	Commercial Bank
4.	Price Discrimination	D	Treasury Bills
5.	Money Market	E	Alfred Marshall

Answer:

1.

1.	C
2.	E
3.	A
4.	B
5.	D

2.

1.	C
2.	E
3.	A
4.	B
5.	D

3.

1.	B
2.	C
3.	D
4.	E
5.	A

4.

1.	C
2.	D
3.	E
4.	A
5.	B

5.

1.	D
2.	A
3.	E
4.	C
5.	B

6.

1.	C
2.	E
3.	A
4.	B
5.	D

III. State whether the following statement is True or False:

1. 'Scarcity' definition of Economics is given by P.A. Samuelson.
2. The Law of Return to Scale is relevant in the long run.
3. There exists no clear distinction between Firm and Industry in Monopoly.
4. Target Pricing is used by the Gas Companies.
5. Security Market is controlled by the RBI.
6. The Law of Variable Proportions is relevant to Short Run.
7. Average revenue curve under perfect competition is vertical straight line.

8. An increase in price will cause a demand curve to shift to the right.
9. Money market is controlled by RBI.
10. M_1 is considered as the most important measure of money.
11. According to Adam Smith, man is an economic man.
12. On the basis of time element, markets are classified into two types.
13. When the output is zero, variable cost is also zero.
14. Saving deposit is a demand deposit.
15. In India, the Central Bank was nationalized by the Government in 1949.
16. All economic goods are called as wants.
17. In perfect competition, there is large number of firms producing heterogeneous goods.
18. When the output is zero, the fixed cost is also zero.
19. Fixed deposit is a time deposit.
20. When the price level increases, the value of money also increases.
21. Macro-economics studies the economy as a single unit.
22. Law of Supply explains the functional relationship between the supply of goods and the demand for goods.
23. The concept of Monopolistic Competition was introduced by Adam Smith.
24. Credit creation is inversely related to CRR.
25. Production function expresses the relationship between the physical inputs and physical output of a firm for a given state of technology.
26. Public expenditure comes under the monetary policy.
27. Demand Deposits consist of Fixed Deposits and Recurring Deposits.
28. Macro – Economics is also called as Income and Employment Theory.
29. The Price Demand curve slopes downwards from left to right.

Answer:

1.	False
2.	True
3.	True
4.	True
5.	False
6.	True
7.	False
8.	False
9.	True
10.	True
11.	True
12.	False
13.	True
14.	False
15.	True
16.	True
17.	False
18.	False
19.	True
20.	False
21.	True
22.	False
23.	False
24.	True
25.	True
26.	False
27.	False
28.	True
29.	True

FUNDAMENTALS OF MANAGEMENT

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

1. The concept of 'Management by Objectives' was introduced by
 - (A) Frederick Herzberg.
 - (B) F.W. Taylor
 - (C) Elton Mayo
 - (D) Peter F. Drucker

2. Scalar Chain denotes
 - (A) a Production Process
 - (B) an Appraisal Process
 - (C) Span of Management.
 - (D) authority from the highest to the lowest ranks.

3. 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

4. Which one of the following elements is odd with Weber's Six Major Principles?
 - (A) Hierarchical Structure
 - (B) Unity of Command
 - (C) "In-focused" mission
 - (D) Technical Qualifications.

5. Decisions which are repetitive and can be established well in advance to solve the day-to-day problems in an organization are known as
 - (A) Programmed Decisions
 - (B) Non-programmed Decisions
 - (C) Personal Decisions
 - (D) Heuristic Techniques

6. In the case of selecting candidates in an organization, the first step is
 - (A) Preliminary Interview
 - (B) Back ground Investigation
 - (C) Blank Application
 - (D) Medical Examination

7. Reporting relationship is a step of
 - (A) Planning
 - (B) Organizing
 - (C) Leading
 - (D) Medical Examination

8. All the following principles are included in 'Directing' except
 - (A) Harmony of Objectives
 - (B) Unity of Command
 - (C) Coordination
 - (D) Follow up

9. Controlling involves

- (A) Determining the Objectives
 - (B) Setting Standards of Performance
 - (C) Identifying Activities for the Creation of Departments
 - (D) Directing the People towards Accomplishment of Common Goals
10. 'No news is good news' relate to
- (A) Historical Feedback Control
 - (B) Predictive Feed Forward Control
 - (C) Critical Point Control
 - (D) Control by Exception
11. Authority is
- (A) Right to do something
 - (B) Ability to do something
 - (C) Derived from many sources
 - (D) Not visible from organizational chart
12. Vroom's Theory of Motivation is known as
- (A) Need Hierarchy Theory
 - (B) Equity Theory
 - (C) Expectancy Theory
 - (D) Theory X and Theory Y
13. 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
14. Which one of the following elements is associated with Herzberg's Model?
- (A) Self - Actualization
 - (B) Safety
 - (C) Esteem
 - (D) Hygiene
15. Which one of the following methods is included in the 'off-the-job-training'?
- (A) Coaching
 - (B) Case Studies
 - (C) Apprenticeship Training
 - (D) Vestibule Training
16. Under the Likert's Four Management System, which one of the following adopts a paternalistic approach towards the subordinates?
- (A) System 1 - Exploitative Autocratic
 - (B) System 2 - Benevolent Autocratic
 - (C) System 3 - Consultative
 - (D) System 4 - Democratic
17. Which one of the following is not the merit of Oral communication?
- (A) Authenticity
 - (B) Effective
 - (C) Easy Communication
 - (D) Instant Feedback
18. 'Simulation' is useful
- (A) to observe the behavior of a system
 - (B) to find solution to the Waiting-line Problem
 - (C) to optimize the objective function
 - (D) to make decision under competition

19. Flow of communication among the same level of people is known as
- (A) Upward communication
 - (B) Downward communication
 - (C) Horizontal communication
 - (D) Formal communication
20. Which one of the following is not an objective of MIS?
- (A) To facilitate the Decision making process
 - (B) To provide requisite information at each level of management
 - (C) To support the Decision making Process
 - (D) To recruit people for the system
21. Which one of the following is not included in Scientific Management technique?
- (A) Division of labour
 - (B) Scientific selection
 - (C) Training and placement of workers
 - (D) Hierarchical Structure
22. Under Fayol's 14 Principles of Management, which one of the following factor is related with Esprit de Corps?
- (A) Division of work
 - (B) Team Work
 - (C) Personal ability
 - (D) Personal interest
23. In the organization, reporting relationship is a function of
- (A) Planning
 - (B) Organizing
 - (C) Leading
 - (D) Controlling
24. Which one of the following is not included in "The Managerial Activities"?
- (A) Commanding
 - (B) Controlling
 - (C) Accounting
 - (D) Organizing
25. Heuristic techniques refer to
- (A) Trial and Error technique
 - (B) Group Decision making technique
 - (C) Brain Storming technique
 - (D) Critical Problem Solving technique
26. Which one of the following is not correct in case of planning?
- (A) Planning is goal oriented
 - (B) Planning is pervasive
 - (C) Planning is discreet function
 - (D) Planning is flexible
27. PERT stands for
- (A) Progressive Evaluation and Review Tool
 - (B) Programme Evaluation and Review Technique
 - (C) Programme Evaluation and Regression Technique
 - (D) Progressive Evaluation and Regression Tool
28. 'Cybernetics' relates to
- (A) Feed-back control
 - (B) Feed-forward control

- (C) Steering control
 - (D) Critical point control
29. Directing is a
- (A) Discreet process
 - (B) Continuous process
 - (C) One-way process
 - (D) Circular process
30. Which one of the following is an example of non-routine decisions?
- (A) Decision related to fill up the vacated position of an organization
 - (B) Decision related to launch a new production plant
 - (C) Decision related to restructure the organization for improvement
 - (D) Decision related to take over a sick unit
31. In making a decision, 'game theory' is useful under conditions of
- (A) Certainty
 - (B) Various probabilities
 - (C) Competitive rivalry
 - (D) Irregular demand
32. Referent power is the
- (A) Power of ability to grant or withhold the rewards to others
 - (B) Power of ability to punish others for not carrying out orders
 - (C) Power of dominance over others through specialized knowledge
 - (D) Power of attracting peoples towards a person himself or herself
33. Which one of the following techniques does not imply 'On-the-job training' method?
- (A) Apprenticeship training
 - (B) T-Group training
 - (C) Vestibule training
 - (D) Self-improvement programmes
34. Which leadership style permits quick decision making?
- (A) Democratic Style
 - (B) Laissez Fair Leadership
 - (C) Authoritarian Leadership
 - (D) None of the above
35. Programmed decisions are concerned with
- (A) Basic decisions
 - (B) Unique decisions
 - (C) Repetitive and Routine decisions
 - (D) Non-routine decisions
36. Channels of communication in an informal organization is known as
- (A) Grapevine
 - (B) Gangplank
 - (C) Upward communication
 - (D) Downward communication
37. When communication flows from top to bottom is known as
- (A) Upward communication
 - (B) Downward communication
 - (C) Horizontal communication
 - (D) Formal communication
38. An individual's degree of like or dislike of oneself is known as
- (A) Self-belief

- (B) Self-concept
 - (C) Self-efficacy
 - (D) Self-esteem
39. Close supervision, control of subordinates, centralization of authority, autocratic leadership styles are the features of
- (A) Need hierarchy theory
 - (B) Two factor theory
 - (C) Theory X
 - (D) Theory Y
40. Existence, Relatedness and Growth (ERG) theory was propounded by
- (A) Alderfer
 - (B) Likert
 - (C) Vroom
 - (D) Herzberg
41. _____ is called as the father of Scientific Management.
- (A) Henri Fayol
 - (B) F.W. Taylor
 - (C) Max Weber
 - (D) Elton Mayo
42. Administrative function is the _____ managerial function.
- (A) top-level
 - (B) middle - level
 - (C) lower - level
 - (D) supervisory level
43. _____ form the basis for the functioning of an organization.
- (A) Profits
 - (B) Objectives
 - (C) Policies
 - (D) Strategies
44. _____ is a means to an end.
- (A) Organising
 - (B) Planning
 - (C) Controlling
 - (D) Coordinating
45. _____ is the foundation of most successful actions of all enterprises.
- (A) Controlling
 - (B) Planning
 - (C) Organising
 - (D) Directing
46. _____ process is called a negative process.
- (A) Training
 - (B) Placement
 - (C) Selection
 - (D) Induction
47. Control by Exception is also known as _____
- (A) Management by Exception
 - (B) Management by Objectives
 - (C) Decision making
 - (D) Management Information System

48. _____ is concerned with the total manner in which a manager influences the actions of subordinates.
- (A) Planning
 - (B) Organising
 - (C) Directing
 - (D) Staffing
49. _____ is the essence of management.
- (A) Directing
 - (B) Coordinating
 - (C) Controlling
 - (D) Planning
50. _____ refers to the process of passing information from one person to another and its understanding.
- (A) Planning
 - (B) Communicating
 - (C) Controlling
 - (D) Motivating
51. _____ defines management as the process of getting things done by and through others.
- (A) Hicks
 - (B) Massie
 - (C) Fayol
 - (D) Drucker
52. _____ has defined authority as the power to take decisions which guide the actions of others.
- (A) Simon
 - (B) Barnard
 - (C) Terry
 - (D) Taylor
53. _____ flows from the top-level management to the bottom level management.
- (A) Authority
 - (B) Performance
 - (C) Responsibility
 - (D) Accountability
54. _____ power is the ability to punish others for not carrying out orders.
- (A) Reward
 - (B) Legitimate
 - (C) Expert
 - (D) Coercive
55. The process of assigning work to others and giving them authority to do that is _____
- (A) Controlling
 - (B) Organising
 - (C) delegating authority
 - (D) directing
56. Under _____ leadership system, goals are set and work-related decisions are taken by the subordinates.
- (A) Exploitative
 - (B) Benevolent
 - (C) Authoritarian
 - (D) Democratic
57. _____ propounded the need-based theory of motivation.

- (A) Vroom
 - (B) Porter
 - (C) Maslow
 - (D) Mc Gregor
58. Autocratic Leadership is also known as _____ leadership.
- (A) Authoritarian
 - (B) Democratic
 - (C) free rein
 - (D) participative
59. _____ is not a quantitative technique of decision-making.
- (A) Linear programming
 - (B) Game Theory
 - (C) Management by Objectives
 - (D) Simulation
60. Decision making is expected to be based on _____
- (A) competitors policies
 - (B) rational thinking
 - (C) government policies
 - (D) workers activities
61. Father of the Principles of Management is _____
- (A) Drucker
 - (B) Terry
 - (C) Fayol
 - (D) Taylor
62. Management is the art of _____
- (A) managing customers
 - (B) making super normal profit
 - (C) keeping competitors under pressure
 - (D) getting things done by groups of people
63. Scientific Management is concerned with _____
- (A) co-operation, not individualism
 - (B) increased production through long experience
 - (C) application of scientific principles to the management of production
 - (D) increased sales
64. _____ is an intellectual process
- (A) Controlling
 - (B) Planning
 - (C) Organising
 - (D) Directing
65. The military organization leads to _____
- (A) Specialization
 - (B) unified control
 - (C) over loading
 - (D) over dependence
66. Which one of the following is not a barrier to effective communication?
- (A) Selective Perception
 - (B) Defensiveness
 - (C) Emotions
 - (D) Filtering

67. _____ refers to the introduction of a person to the job and the organization.
- (A) Induction
 - (B) Selection
 - (C) Recruitment
 - (D) Placement
68. _____ is the use of influence to motivate employees to achieve organizational goals.
- (A) Planning
 - (B) Organising
 - (C) Leading
 - (D) Motivating
69. The purpose of control is to _____
- (A) fix standard
 - (B) measure actual performance
 - (C) find out deviation
 - (D) (a), (b) & (c)
70. _____ is that managerial function which initiates organized action.
- (A) Directing
 - (B) Organising
 - (C) Leading
 - (D) Motivating
71. The elements of the management process are known as the _____ of management.
- (A) Functions
 - (B) Nature
 - (C) Concept
 - (D) Scope
72. Authority is derived from _____
- (A) Position
 - (B) Seniority
 - (C) technical competence
 - (D) qualifications
73. _____ power is derived from the formal position of a person in the organization.
- (A) Social
 - (B) Coercive
 - (C) Expert
 - (D) Legitimate
74. Concurrent Control is also known as _____
- (A) Feedback Control
 - (B) Feedforward Control
 - (C) Steering Control
 - (D) Critical Point Control
75. _____ leadership is a compromise between laissez fair and autocratic leadership.
- (A) Persuasive
 - (B) Democratic
 - (C) Institutional
 - (D) Free Rein
76. _____ of motivation is also known as Two factor Theory of Motivation.
- (A) Maslow's Theory
 - (B) Herzberg's Theory
 - (C) Mc Gregor's Theory
 - (D) Vroom's Theory

77. _____ leader exercises complete control over the subordinates.
(A) Autocratic
(B) Democratic
(C) Participative
(D) Free Rein
78. Dispersal of authority throughout the organization is _____
(A) Delegation of Authority
(B) Decentralisation of Authority
(C) Wide Span of Control
(D) None of (A), (B) & (C)
79. _____ is an act of choice wherein a person comes to a conclusion about what has to be done in a given situation.
(A) Planning
(B) Organising
(C) Decision making
(D) Controlling
80. _____ is the father of Management.
(A) Fayol
(B) Drucker
(C) Taylor
(D) David
81. _____ is the chain of the superiors existing from the highest authority to the lowest ranks.
(A) Unity of Command
(B) Unity of Direction
(C) Scalar Chain
(D) Authority
82. Fayol viewed management as a process consisting of _____ functions which every manager performs.
(A) 4
(B) 5
(C) 6
(D) 7
83. Corporate Planning is done by the _____
(A) Top Level Management
(B) Lower Level Management
(C) Middle Level Management
(D) Consultant
84. _____ refers to training conducted away from actual work setting.
(A) Conference Method of Training
(B) Coaching
(C) Job Rotation
(D) Vestibule Training
85. _____ involves interpretation of the message by the receiver.
(A) Encoding
(B) Decoding
(C) Feedback
(D) Medium
86. _____ is that managerial function which analyses the alternatives available.
(A) Planning

- (B) Organising
 - (C) Directing
 - (D) Staffing
87. _____ is the essence of Management.
- (A) Decentralisation
 - (B) Span of Management
 - (C) Training
 - (D) Planning
88. _____ refers to the process of passing information from one person to another.
- (A) Planning
 - (B) Communication
 - (C) Controlling
 - (D) Motivation
89. Which one of the following is not related to Control?
- (A) To fix the standard
 - (B) To measure the actual performance
 - (C) To find out the deviation
 - (D) To communicate
90. Which one of the following was suggested by Fayol?
- (A) Management by Exception
 - (B) Unity of Direction
 - (C) Delegation of Authority
 - (D) Centralisation
91. Which one of the following is not a part of the communication process?
- (A) Encoding
 - (B) Decoding
 - (C) Medium
 - (D) Situation
92. _____ is necessary to take decisions to guide the actions of others.
- (A) Authority
 - (B) Planning
 - (C) Centralisation
 - (D) Responsibility
93. _____ is the process of entrusting part of the work by the superior to his/her subordinates.
- (A) Centralisation
 - (B) Accountability
 - (C) Delegation of Authority
 - (D) Responsibility
94. _____ flows from the lower-level management to the top level management.
- (A) Authority
 - (B) Responsibility
 - (C) Centralisation
 - (D) Decentralisation
95. A decision to launch a new product is a / an _____
- (A) Programmed Decision
 - (B) Non - routine Decision
 - (C) Personal Decision
 - (D) Organisational Decision

96. _____ process is an interplay of three elements – the leader, the follower and the situation.
- (A) Control
 - (B) Motivation
 - (C) Leadership
 - (D) Planning
97. _____ has modified the Hierarchy of Needs Theory of motivation.
- (A) Vroom
 - (B) Mc Gregor
 - (C) Herzberg
 - (D) Mc Clelland
98. There can be no leadership without _____
- (A) Managers
 - (B) Subordinates
 - (C) Followers
 - (D) Supervisors
99. _____ decisions are of non-repetitive nature.
- (A) Basic
 - (B) Routine
 - (C) Personal
 - (D) Policy
100. Bureaucracy Theory was invented by
- (A) Elton Mayo
 - (B) Henri Fayol
 - (C) Max Weber
 - (D) Peter Drucker
101. 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-ordinates
 - (C) to receive orders from superior
 - (D) to ask for obedience
102. Which one of the following is not the characteristics of Planning?
- (A) Planning is flexible
 - (B) Planning is pervasive
 - (C) Planning is goal – oriented
 - (D) Planning is a discreet function
103. 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
104. Management is a
- (A) Discreet process
 - (B) Continuous process
 - (C) One-way process
 - (D) Two-way process
105. Which one of the following is not a function of management?
- (A) Grouping
 - (B) Planning
 - (C) Staffing

- (D) Leading
106. Controlling involves
- (A) determining the objectives
 - (B) identifying the activities for the creation of department
 - (C) directing the people towards accomplishment of common goals
 - (D) setting standards of performance
107. 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
108. Direction is a
- (A) Discreet process
 - (B) Continuous process
 - (C) One way process
 - (D) Circular process
109. 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
110. 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
111. The last step of 'Staffing Process' is
- (A) Training and Development
 - (B) Placement and Induction
 - (C) Recruitment
 - (D) Selection
112. Leadership is the process of exerting influence on
- (A) Customers
 - (B) Competitors
 - (C) Suppliers
 - (D) Group Members
113. Coercive Power is the
- (A) power to grant or withhold the rewards to others
 - (B) power to punish others for not carrying out orders
 - (C) power to dominance over other through specialized knowledge
 - (D) power to attracting peoples towards a person himself or herself
114. 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
115. '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

116. 'Responsibility is the duty'. It was propounded by _____
- (A) Elton Mayo
 - (B) Peter Drucker
 - (C) Chester Barnard
 - (D) M.E. Hurtley

Answer:

1.	D	2.	D	3.	C	4.	B	5.	A
6.	C	7.	B	8.	C	9.	B	10.	D
11.	A	12.	C	13.	D	14.	D	15.	B
16.	B	17.	A	18.	A	19.	C	20.	D
21.	D	22.	B	23.	B	24.	C	25.	A
26.	C	27.	B	28.	A	29.	B	30.	B
31.	C	32.	D	33.	B	34.	C	35.	C
36.	A	37.	B	38.	C	39.	C	40.	A
41.	B	42.	A	43.	C	44.	C	45.	B
46.	C	47.	A	48.	C	49.	B	50.	B
51.	A	52.	A	53.	A	54.	D	55.	C
56.	D	57.	C	58.	A	59.	C	60.	B
61.	C	62.	D	63.	C	64.	B	65.	B
66.	B	67.	A	68.	C	69.	D	70.	A
71.	A	72.	A	73.	D	74.	C	75.	B
76.	B	77.	A	78.	B	79.	C	80.	B
81.	C	82.	B	83.	A	84.	D	85.	B
86.	A	87.	D	88.	B	89.	D	90.	B
91.	D	92.	A	93.	C	94.	B	95.	D
96.	C	97.	D	98.	C	99.	C	100.	C
101.	A	102.	D	103.	C	104.	B	105.	A
106.	D	107.	B	108.	B	109.	C	110.	B
111.	A	112.	D	113.	B	114.	A	115.	B
116.	D								

II. Match the following:

1.

	Column 'A'		Column 'B'
1.	Leadership Continuum	A	Max Weber
2.	Father of Scientific Management	B	Blake and Mouton
3.	Esprit de Corps	C	Tannenbaum and Schmidt
4.	Bureaucratic Management	D	H.Fayol
5.	Managerial Grid	E	F.W. Taylor

2.

	Column 'A'		Column 'B'
1.	Need for Acceptance	A	Methods of Training
2.	Manpower Planning	B	Technique of Control
3.	Planning	C	Social need

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4.	Job Rotation	D	Goal oriented
5.	Financial Statement	E	Process of Staffing

3.

	Column 'A'		Column 'B'
1.	Unity of command	A	Mahatma Gandhi
2.	German Sociologist	B	Henri Fayol
3.	Example for Referent Power	C	Rensis Likert
4.	System 4	D	Frederick Herzberg
5.	Two-factor Theory of Motivation	E	Max Weber

4.

	Column 'A'		Column 'B'
1.	Vroom	A	Example for referent power
2.	Taylor	B	Rational thinking
3.	Mahatma Gandhi	C	Self-control and self-direction
4.	Theory Y	D	Expectancy Theory
5.	Decision making	E	Scientific Management

5.

	Column 'A'		Column 'B'
1.	Planning	A	Means to exert influence
2.	Selection Process	B	Maslow
3.	Authority	C	Managerial Task
4.	Esteem Needs	D	Decision making
5.	Strategic Decision	E	Man Power Planning

6.

	Column A		Column B
1.	Unity of Command	A	Method of Training
2.	Specialization of Labour	B	Likert's System of Management
3.	Planning	C	Max Weber
4.	Group Discussion	D	Intellectual Process
5.	Benevolent Autocrat	E	Henri Fayol

Answer:

1.

1.	C
2.	E
3.	D
4.	A
5.	B

2.

1.	C
2.	E
3.	D
4.	A
5.	B

3.

1.	B
2.	E
3.	A
4.	C
5.	D

4.

1.	D
2.	E
3.	A
4.	C
5.	B

5.

1.	E
2.	C
3.	D
4.	A
5.	B

6.

1.	E
2.	C
3.	D
4.	A
5.	B

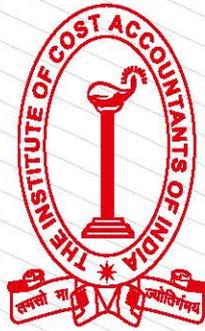
III. State whether the following statement is True or False:

1. Free-rein leadership involves complete delegation of authority.
2. Power can flow in any direction.
3. Employee referrals are external sources of recruitment.
4. 'Unity of Direction' states that one individual employee must receive orders from one individual superior only.
5. Creative Techniques are also known as Participative Techniques.
6. Division of work is necessary to enjoy the benefits of specialization.
7. Decoding is said to be the carrier of message sent by a person to another.
8. Responsibility is absolute and can be delegated.
9. Leadership Continuum was developed by Tannenbaum and Schmidt.
10. Brain Storming is one of the participative techniques.
11. Authority can be delegated but responsibility cannot be delegated.
12. Recruitment is a negative process.
13. Selective perception is not a barrier to communication.
14. Herzberg has modified Maslow's Hierarchy of Needs Theory
15. Decision making is not a selective process.
16. Man-power planning is related to Human Resource Management.
17. Absolute centralization means each and every decision is to be taken by the top management.
18. Motivation is vital for maximizing efficiency of operations.
19. The process of communication starts with encoding.
20. Long-term plans are prepared by all managers.
21. Training of the workers is the responsibility of the supervisors.
22. Management is a social process.
23. Theory Y gives importance to employees.
24. A business decision is inter-functional.
25. F.W. Taylor has been accepted as the Father of Scientific Management.
26. Standing Plans are used once and then these are discarded.
27. Two factor Theory was propounded by Herzberg.
28. Communication is a one-way process.
29. Apprenticeship is an example of 'off-the job' Training.

Answer:

1.	True
2.	True
3.	True
4.	False
5.	False
6.	True
7.	True
8.	False
9.	True
10.	False
11.	True
12.	False
13.	False
14.	True
15.	False
16.	True
17.	True
18.	True
19.	False
20.	False
21.	False
22.	True
23.	False
24.	True
25.	True
26.	False
27.	True
28.	False
29.	False

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