Paper 1 - Fundamentals of Economics and Management

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Full Marks :100 **Time allowed: 3 hours**

PART A
(Fundamentals of Economics)

I. Choose the correct answer from the given four alternatives: [10 x 1 = 10]

1. 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

2. Curvature of PPF is due to ______________
   (a) **Increase in opportunity cost**
   (b) Decrease in opportunity cost
   (c) Fall in demand
   (d) Fall in supply

3. 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**

4. Which of these is associated with a monopolistic competitive market –
   (a) Normal in short run
   (b) Homogeneous Product
   (c) **Product differentiation**
   (d) Single buyer

5. The MPC value always _____________________
   (a) **1>mpc > 0**
   (b) 1<mpc < 0
   (c) 1> mpc < 0
   (d) 1<mpc > 0

6. Formula for investment multiplier (k) =
   (a) $\frac{\Delta Y}{\Delta I}$

(b) $\frac{1}{1-mpc}$

(c) $\frac{1}{mps}$

(d) **All the above**

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 **Welfare** (or) **Marshall** definition economics is a social science.
2. Price rigidity is the feature of **Oligopoly** market
3. Real GNP per capita = **Real GNP/Population**
4. Bathing soaps industry is an example of **Monopolistic Competition** market
5. **RBI (Reserve Bank of India)** is the apex bank in banking system in India

III. Match the following **[5×1=5]**

Column 'A'		Column 'B'	
1.	Supply	A	$\frac{\Delta s}{\Delta y}$

2.	Principles of Economics	B	Business People
3.	MPS	C	Cheque
4.	Current A/c	D	Government Policy
5.	Near Money	E	Marshall

Answer:

Column 'A'		Column 'B'	
1.	Supply	D	Government Policy
2.	Principles of Economics	E	Marshall
3.	MPS	A	$\frac{\Delta s}{\Delta y}$
4.	Current A/c	B	Business People
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.
   True

2. There is a inverse relationship between income and demand.
   False

3. When the TP is maximum, then the AP is zero.
   False

4. Bank is said to be dealer in debt.
   True

5. ICICI is a public sector bank.
   False

V. Give the answer in one sentence for any five from the following: [5×1=5]

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 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. If 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. Over draft

This is a facility allowed by the bank to the current account holders. They are allowed to withdraw money with or without security in excess of the balance available in their account up to a limit. Interest is charged on the amount of actual withdrawal.

5. Science and Technology

Science means accumulation of knowledge. Technology means refinement in tools. For rapid economic progress, the application of science and technology (S and T) to agriculture, industry, transport and to all other economic and non-economic activities has become essential.

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. Demand:

Demand means ‗desire'. But in Economics, demand means desire backed by the purchasing power and willing to pay the price.

8. Rent:

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

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.

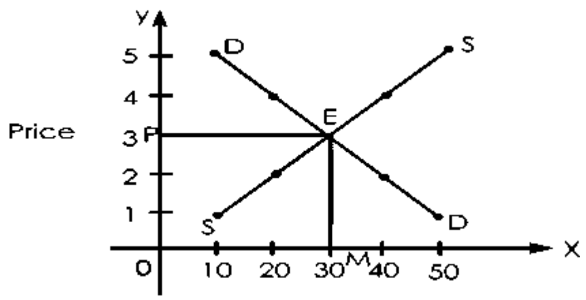
6. **Perfect knowledge of market:**
   Buyers and sellers in this market will have a clear knowledge about market conditions. So that there will be one price throughout the market. Because of perfect knowledge, sales and purchases of commodities take place as one price.

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. Define Commercial Bank and explain the function of commercial banks.

Answer:

Commercial Banks:-

A commercial bank is a financial intermediary. It accepts the deposits from the surplus units and lends these financial resources to the deficit units. The main aim of the commercial banking sector is profit making.

A bank is a financial institution. It is a profit-making business firm dealing with money. Modern banks in India are joint stock companies registered under the Indian Companies Act.

Definition of Bank:

Sayers define bank as, "an institution whose debts (bank deposits) are widely accepted in settlement of other peoples debts".
According to **Crowther**, a bank "collects money from those who have it to spare or who are saving it out of their incomes and lends this money to those who require it'.

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

A. Acceptance of deposits:

One of the primary functions of a commercial bank is to accept deposits from the public. The deposits accepted by the banks are of the following types.

(a) Current deposits:
These are the deposits made into the current account of a bank. They are most convenient to the businessmen, public authorities and joint stock companies because there are no restrictions on the number and the amount of withdrawals.

(b) Savings deposits:
These deposits are made into a savings bank account of the bank. They are most convenient to the small businessman, salaried employees, artisans and people belonging to the low and middle income groups. The interest paid on these deposits is comparatively low and is around 4% per annum.

(c) Term deposits:
They are also called fixed deposits because the money is deposited with the bank for a fixed period of time. The deposit can be withdrawn after the expiry of maturity period. The minimum period of deposit is 15 days. The rate of interest varies from 6% per annum to 12% per annum.

(d) Recurring or cumulative deposits:
These are the variants of fixed deposits. These deposits are very convenient to those who cannot save huge amounts at a time. These deposits carry interest at a rate more than that of savings bank and less than that of a term deposit.

B. Payment of loans and advances:

Another primary function if the commercial bank is to give loans and advances to different sections of the public like traders, industrialists, farmers, artisans etc.

(a) Demand loans/call loans:
A demand loan is a loan that should be repaid on demand by the bank. It does not have a specified maturity period. This loan is a kind of advance made with or without security. These are also called call loans. Normally call loans are given to other banks or financial institutions for a day or a few days.

(b) Short term loans:
These loans are given for a specified short period. They are sanctioned to businessmen and farmers etc. to finance working capital. Individuals may also receive such loans as personal loans. They are given against security.

(c) Cash credits:
A cash credit refers to an arrangement by which the bank allows its customer to borrow money upto a specified limit from an account opened for the purpose. The customer need not withdraw the entire amount in one installment.

(d) Overdraft:
This is a facility allowed by the bank to the current account holders. They are allowed to withdraw money with or without security in excess of the balance available in their account up to a limit. Interest is charged on the amount of actual withdrawal.

(e) Discounting of bills of exchange:
Bills of exchange are undertakings written by the buyers and given to sellers when the transaction is made on credit basis. The buyers undertake to make payment after a specified period or on a specified future date. The traders who posses such bills of exchange with them may approach the banks for discounting of the bills of exchange when they need money.

(f) Credit cards:
Now a days the banks have devised new methods of giving loans to the customers. One such popular method is issuance of the credit card. A credit cardholder can use his card to purchase goods on credit from specified firms and shops and also withdraw cash subjects to certain regulations.

C. Creation of Credit:
The commercial banks create credit. This is a unique function of commercial banks. Credit is created from out of the primary deposits of money the customers received from the public. Part of the total amount of these deposits is given as loans and advances to its customers.

D. Agency Functions:
Commercial banks perform certain agency functions also:
(i) Collection of cheques, drafts, bills of exchange etc. of their customers from other banks.
(ii) Collection of dividends and interest from business and industrial firms.
(iii) Purchase and sale of securities, shares, debentures, government securities on behalf of the customers.
(iv) Acting as trustees and keeping their funds in safe custody, acting as executors and executing the will of the customers after their death.
(v) Making payments such as insurance premium, income -tax, subscriptions etc. on behalf of their customers as per their advice.

E. General Utility Functions:

Besides the above agency functions, the commercial banks provide certain general utility services to their customers.

(i) They provide locker facility for the safe custody of the silver, gold ornaments, important and valuable documents.
(ii) They transfer money of the customers from one bank to the other by way of demand drafts, mail transfer.
(iii) With the use of computers and internet facility, now-a-days the banks are facilitating on -line transfer of money from one bank to the other.
(iv) They issue letters of credit to enable the customers to purchase commodities on the basis of credit.
(v) They endorse and provide guarantee to the shares issued by the joint stock companies and help them in rising capital.
(vi) Traveller's cheques are issued by the commercial banks to avoid the risk of carrying of cash.
(vii) They provide foreign exchange to the customers for exports and imports in connection with their business.
(viii) They convey information on behalf of their customers to the businessmen operating in other places and also collect information of such businessmen and provide it to the customers.
(ix) Recently the commercial banks have been establishing ATMs (Automated Teller Machines) at different locations so as to enable their customers to withdraw cash from their accounts at any ATM at any time in a day.

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.

How to produce:

This problem is arised 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. What are the features of perfect competition Market?

Answer:

Features of Perfect Competition Market:

The perfect competition market has the following features:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) Absence of transport cost:

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

(f) 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.

3. What are the types of inflation?

Answer:

Types of Inflation:

Inflation is divided into different types based on rate of inflations and the causes of inflation. They are detailed below.

A. Based on rate of inflation:

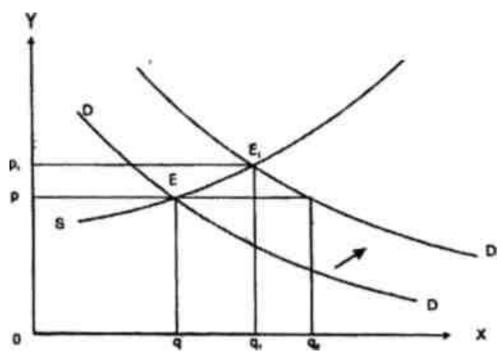
Based on rate of inflation it may be categorized into following types:

a. Creeping inflation:
   When rise in the prices is very slow and small, it is called creeping inflation. The rate of inflation does not exceed 3% per annum. It is the mildest form of inflation. It is not harmful.
b. Moderate inflation:
   When the rate of inflation in the range of 4 -10 per cent per annum, it is called moderate inflation. This is harmful to the economy.
c. Galloping inflation or Hyper inflation:
   If the inflation rate exceeds 10 percent, galloping inflation occurs. It may also be called hyper inflation.

B. On the basis of Cause:

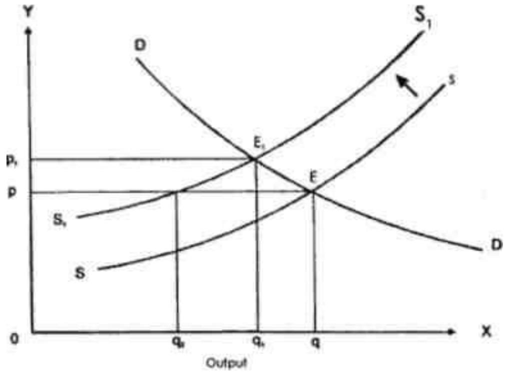
On the basis of cause, inflation is classified into two types.

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.



Demand Pull inflation

b. Cost Push inflation:
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.



Cost pull inflation

C. On the basis of Government:

a. Open inflation:
When the government does not control the prices through administrative measures and leave it to the market forces such type of inflation is called open inflation.

b. Suppressed inflation:
When the government imposes restrictions or controls price through administrative measures, suppressed inflation exists. When the government lifts the control, open inflation reappears.

D. According to Keynes
According to Keynes there are two types of inflation:
a. True inflation
b. Semi inflation
True inflation is formed after the full employment situation, semi inflation is formed before reaching the full employment.

4. State the static functions of money?

Answer:

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

Evolution of Money:

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

Definition of Money:

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

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

Functions of Money:

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

(I) Primary Functions.
- (a) Medium of Exchange.
- (b) Measure of Value.

(II) Secondary functions
- (a) Store of value.
- (b) Standard of deferred payments.
- (c) Transfer of money.

(III) Contingent functions.
- (a) Measurement and distribution of national income.
- (b) Money equalizes marginal utilities/productivities.
- (c) Basis of credit.
- (d) Liquidity

(I) Primary functions:

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

(a) Medium of Exchange:

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

(b) Measure of Value:

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

(II) Secondary functions:

Money has the following secondary functions:

(a) Store of value:

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

(b) Standard of deferred payments:

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

(c) Transfer of money:

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

(III) Contingent functions:

Besides the primary and secondary functions, money has certain contingent functions also. They may be stated as follows:

(a) Measurements and distribution of national income

Nations income of a country can be measured in money by aggregating the value of all commodities. Similarly national income can be distributed to different factors of production by making payments to them in money.

(b) Money equalizes marginal utilities/productivities

The consumers can equalize the marginal utilities of different commodities purchased by them with the help of money. They can thus maximize their satisfaction. Similarly the firms can also equalize the marginal productivities of different factors of production and maximize their profits.

(c) Basis of credit:

Credit is created by banks from out of the primary deposits of money. The supply of credit in an economy is dependent on the supply of nominal money. It is not possible to create credit if there is no reserve money.

(d) Liquidity:

Money is the most important liquid asset. In terms of liquidity it is superior to all other assets.

PART B

(Fundamentals of Management)

I. Choose the correct answer from the given four alternatives: [10×1 =10]

1. Who is a person who advanced early scientific management principles?
   (a) Weber
   (b) **Taylor**
   (c) Vest
   (d) Fayol

2. A reporting relationship in which an employee receives orders from, and reports to, only one supervisor is known as:
   (a) Line of authority
   (b) Centralization.
   (c) Unity of direction.
   (d) **Unity of command.**

3. _____________ is the singleness of purpose that makes possible the creation of one plan of action to guide managers in resource allocations.
   (a) **Unity of direction**
   (b) Unity of command
   (c) Unity of authority
   (d) Unity of resources

4. The management process functions consist of
   (a) Planning, organising, staffing and directing
   (b) Planning, organising, leading and directing
   (c) Planning, organising, leading and staffing
   (d) **Planning, organizing, leading and controlling**

5. Which of the following is not a technique of planning?
   (a) Budgeting
   (b) **Balanced score card**
   (c) PERT CPM
   (d) Management by Objectives.

6. Which step in Maslow's Hierarchy of Needs Theory deals with achieving one's potential?
   (a) Esteem
   (b) Physiological
   (c) **Self-actualization**
   (d) Social

7. Which of the following is the second stage of group formation.
   (a) Forming stage

(b) Initial integration stage
(c) **Storming stage**
(d) None of the above

8. The study of forces operating within a group is known as ________________
   (a) Group Cohesiveness
   (b) **Group Dynamics**
   (c) Both (a) and (b)
   (d) None of the above

9. Sayles classifies informal groups are:
   (a) Apathetic Groups
   (b) Erratic Groups
   (c) Strategic Groups
   (d) **All of the above**

10. Which type of conflict-handling intention results in a person withdrawing from conflict?
    (a) competing
    (b) **avoiding**
    (c) accommodating
    (d) compromising

II. Fill in the blanks: **[5×1 = 5]**

1. Father of Bureaucratic Management is **Max Weber**
2. There should be **Parity** between authority and responsibility.
3. According to Herzberg's motivation hygiene theory, the opposite of satisfaction is **Dissatisfaction**
4. Democratic Leadership is also known as **Participative Leadership**
5. Intergroup bias occurs because of **Self –esteem**

III. Match the following **[5×1 =5]**

Column 'A'		Column 'B'	
1.	Informal Communication	A	Stage of Group Formation
2.	Hygiene Factors	B	Superior Subordinate Relationship
3.	Cybernetics	C	Grapevine Communication
4.	Forming	D	Norbert Weiner
5.	Span of Management	E	Herzberg's Model

Answer:

Column 'A'		Column 'B'	
1.	Informal Communication	C	Grapevine Communication

2.	Hygiene Factors	E	Herzberg's Model
3.	Cybernetics	D	Norbert Weiner
4.	Forming	A	Stage of Group Formation
5.	Span of Management	B	Superior Subordinate Relationship

IV. State whether the following statement is True (or) False. [5×1 =5]

1. Standing plans are flexible.
   False

2. Planning includes decision-making.
   True

3. Legitimate power is derived from the formal position of a person in an organization.
   True

4. Herzberg's Two Factor Theory states that there is hierarchy of needs.
   False

5. Task complexity sets a smooth ground for management.
   False

V. Define any Five of the following: [5×1 =5]

1. **Delegation of Authority**
   Delegation of Authority is ―the process a manager follows in dividing the work as signed to him so that he performs that part which only he, because of his unique organizational placement, can perform effectively and so that he can get others to help with what remains.

2. **Centralisation**
   Centralisation implies the concentration of Authority at the top level of the organization. According to Allier, ―Centralisation is a systematic and consistent reservation of authority at central points within an organization‖.

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 rants. It is one of the important participles of management.

5. **Encoding:**
   Encoding involves the section of language in which the message is to be given. The medium of expression may be speaking, writing, signaling, gesturing, physical contacting, handshake, hitting etc.

6. **Motivation:**
   The term motivation has been derived from the word ‗motive'. Motive means the urge to do something. Motivation may be defined as the process of inducing or inspiring people to take the desired course of action.

7. **Strategic Groups:**
   In case of strategic groups there is consistent antagonism, continuous pressures, high degree of internal unit and usually good production record in the long run.

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. What are the principles of Bureaucratic Management?

Answer:

The principles of Bureaucratic management:

Weber noted six major principals: -

(a) A formal hierarchical structure: -
Each level controls the level below and is controlled by the level above. A formal hierarchy is the basis of central planning and centralized decision making.

(b) Management by rules: -
Controlling by rules allows decisions made at high levels to be executed consistently by all lower levels.

(c) Organization by functional specialty: -
Work is to be done by specialists, and people are organized into units based on the type of work they do or skills they have.

(d) An "Up –focused" or "in focused" mission: -
If the mission is described as: "Up –focused", then the organization's purpose is to serve the stock holders, the board. If the mission is to serve the organisation itself and those within it, then the mission is described as "in–focussed"

(e) Purposely impersonal:-
The idea is to treat all employees equally and customers equally and not be influenced by individual differences.

(f) Employment based on technical qualifications: -
Selection and promotion is based on technical qualifications.

2. What are the advantages of Forecasting?

Answer:

The advantages of Forecasting:

(i) Forecasting plays an important role in planning. In fact, plans are based on forecast.

(ii) Forecasting helps the organization to derive the benefits from the environmental changes and protect from the advance effects.

(iii) Forecasting helps the manager to unify and coordinate the activities in the enterprise.

(iv) Forecasting facilitates control by identifying the weak spots in the organization.

(v) Forecasting helps the enterprise in the achievement of objectives effectively and smoothly.

3. Explain the importance of delegation of authority.

Answer:

The importance of delegation of authority:

(i) It enables the managers to distribute their workload to others. By reducing the workload for routine matters, they can concentrate on more important policy matters.

(ii) Delegation facilitates quick decisions because the authority to make decisions lies near the point of action. Subordinates need not approach the boss every time need for a decision arises.

(iii) Delegation helps to improve the job satisfaction, motivation and morale of subordinates. It helps to satisfy their needs for recognition, responsibility and freedom.

(iv) Delegation increases interaction and understanding among managers and subordinates.

(v) Delegation binds the formal organization together. It establishes superior –subordinate relationships and provides a basis for efficient functioning of the orgatisation.

(vi) Delegation enables a manager to obtain the specialized knowledge and expertise of subordinates.

4. Explain the comparison between Theory X and Theory Y.

Answer:

Comparison between Theory X and Theory Y:

Theory X	Theory Y
Inherent dislike for work	Work is natural like rest or play.
Combination and prefer to be directed by others.	Ambition and capable of directing their others own behavior.
Avoid responsibility	Accept and seek responsibility under proper conditions.
Lack of creativity and resist change	Creativity widely spread.
Focus on lower level (physiological and safety)	Both lower level and higher order needs to motivate workers like social, esteem and self – actualizations are sources of motivation.
External control and close supervision required to achieve organizational objectives.	Self –direction and self –control.
Centralization of authority and autocrat leadership	Decentralization and Democratic leadership.
People lack self – motivation	People are self – motivated.

5. Explain the features of Cohesive Groups.

Answer:

Features of Cohesive groups:

Groups in high cohesion are likely to exhibit the following characteristics:

(i) They have relatively few members

(ii) Members have similar interests and backgrounds.

(iii) They enjoy a high degree of status within the organization.

(iv) Members have ready access to one another that facilitates maintenance of interpersonal communication.

(v) Leader of such groups rewards Co-operative behavior.

(vi) They are pressured or threatened by some common outside force.

(vii) They enjoy a history of past success.

6. Explain the causes of organizational conflict.

Answer:

Causes of organizational conflict: -

(i) Managerial Expectations:
It is the job of an employee to meet the expectations of his manager, but if those expectations are mis-understood, conflict can arise. A manager should also encourage his/her employees to ask questions about their goals, and hold regular meetings to discuss the goals and how best to reach them.

(ii) Breakdown in Communication:
If a department requires information from another department in order to do its job, and the second department does not respond to the request for information, a conflict can arise. When people or departments are late in responding to information requests, or they are withholding information on purpose, it is best to address the situation immediately with a personal meeting with both sides to resolute the situation.

(iii) Misunderstanding the formation:
According to mediation expert Robert D. Benjamin, internal conflict can sometimes arises as the result of a simple misunderstanding. One person may misunderstand information, and that can trigger a series of conflicts. In order to deal with this kind of situation, it is best to have the persons admit their misunderstanding and work with the affected particulars to remedy the situation.

(iv) Lack of Accountability:
One source of frustration is a lack of accountability. If something has gone wrong, and no one is willing to take responsibility for the problem, this lack of accountability can start to permeate throughout the entire company until the issue is resolved.