

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

## 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 : (Fundamentals of Economics)

(I) Choose the correct answer from the given four alternatives: [1×20=20]

- (i) Micro Economics theory deals with
  - (a) Economy as a whole
  - (b) Individual units
  - (c) Economic growth
  - (d) All the above
  
- (ii) Who was the father of Economics?
  - (a) Marshall
  - (b) Adam Smith
  - (c) Robbins
  - (d) Keynes
  
- (iii) If an economy is working at the point left to PPF curve that shows \_\_\_\_\_
  - (a) Full employment
  - (b) Unemployment
  - (c) Excess production
  - (d) None of the above
  
- (iv) Point elasticity was propounded by
  - (a) Adam Smith
  - (b) Marshall
  - (c) Robbins
  - (d) Keynes
  
- (v) Luxury goods have \_\_\_\_\_ degree of elasticity.
  - (a) High
  - (b) Low
  - (c) Moderate
  - (d) None
  
- (vi) Price elasticity demand of product will be more, if it
  - (a) Has no substitutes
  - (b) Has a number of substitutes
  - (c) Is an item of necessity
  - (d) Is a life saving product
  
- (vii) An increase in price will result in an increase in total revenue if
  - (a) Percentage change in quantity demanded is greater than the percentage change in price
  - (b) Percentage change in quantity demanded is less than the percentage change in price
  - (c) Percentage change in quantity demanded is equal to the percentage change in price
  - (d) None of the above

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- (viii) Returns to a variable factor operates in \_\_\_\_\_
- (a) Short run
  - (b) Long run
  - (c) either 'a' or 'b'
  - (d) neither 'a' nor 'b'
- (ix) All factors of production become variable in \_\_\_\_\_ .
- (a) Medium run
  - (b) Short run
  - (c) Long run
  - (d) None of the above
- (x) Which of these will have highly inelastic supply
- (a) Perishable goods
  - (b) Consumer durables goods
  - (c) Item of elite class consumption
  - (d) All the three
- (xi) Why does the Law of Increasing Returns operate?
- (a) Full use of fixed indivisible factors
  - (b) Efficiency of variable factors
  - (c) Need to reach the right combination
  - (d) All the above
- (xii) Which of the following is/are the essential features of the market?
- (a) Buyers
  - (b) Sellers
  - (c) Price
  - (d) All the above
- (xiii) In the long run price is governed by \_\_\_\_\_ .
- (a) Cost of production
  - (b) Demand- Supply forces
  - (c) Marginal utility
  - (d) None of the above
- (xiv) What is the maximum point of TP?
- (a) When AP become zero
  - (b) When MP become zero
  - (c) At the intersecting point of AP & MP
  - (d) None of these
- (xv) Optional money is a
- (a) Legal tender money
  - (b) Non-legal tender money
  - (c) Limited legal tender money
  - (d) Full bodied money
- (xvi) Financial markets are classified into Money Market and \_\_\_\_\_.
- (a) Bullion Market
  - (b) Capital Market
  - (c) Stock Market
  - (d) National Market
- (xvii) Which of these is near money?
- (a) Bills of exchange
  - (b) Savings Bond

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- (c) Gilt edged securities  
(d) All of these

(xviii) Which is the apex bank for agricultural credit in India

- (a) RBI  
(b) SIDBI  
(c) NABARD  
(d) IDBI

(xix) \_\_\_\_\_ account can be opened by businessmen

- (a) Current  
(b) Fixed Deposit  
(c) Recurring Deposit  
(d) Time Deposit

(xx) Commercial Paper was introduced in Indian Money market in January

- (a) 1990  
(b) 1980  
(c) 1970  
(d) 1960

(II) Match the terms in Column I with the relevant terms in Column II

[1×5=5]

Column A	Column B
(1) Commercial Banks	(A) Monopoly
(2) Deflation	(B) Average Fixed Cost
(3) One firm	(C) Discounting Bills
(4) land	(D) Loss of Borrowers
(5) AC - AVC	(E) Fixed Factor

(III) State whether the following statements are True/False?

[1×5=5]

- (i) In perfect market  $AR > MR$  ( )  
(ii) When TP is maximum, then AP is zero ( )  
(iii) PPC is also called PPF ( )  
(iv) Collateral loans are given by Commercial Banks without security ( )  
(v) Money is treated as means of trade and commerce ( )

(IV) Answer any four of the following questions.

[4×5=20]

- (1) State the determinants of demand.  
(2) State the causes for falling nature of demand curve.  
(3) What do you understand by the term 'labour'? State its features.  
(4) What are the features of Perfect Competition?  
(5) Explain the function of commercial Bank.  
(6) Fisher's quantity theory of money has a few criticisms. State them.

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## Section – B : (Management)

(I) Choose the correct answer from the given four alternatives:

[1×20=20]

- (i) The message to be transmitted through verbal medium may be
  - (a) Orders
  - (b) Instructions
  - (c) Reports
  - (d) All of the above
- (ii) Which one is not a barrier to communication?
  - (a) Filtering
  - (b) Emotions
  - (c) Message
  - (d) Language
- (iii) Feedback may be
  - (a) Direct
  - (b) Indirect
  - (c) Either 'a' or 'b'
  - (d) None of the above
- (iv) Formal communication is always
  - (a) Written
  - (b) Oral
  - (c) Both 'a' and 'b'
  - (d) None of the above
- (v) \_\_\_\_\_ 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
- (vi) Which one of the following is the principle of direction?
  - (a) Harmony of objectives
  - (b) Unity of command
  - (c) Follow-up
  - (d) All of the above
- (vii) \_\_\_\_\_ is aimed at maintaining harmony among employees and groups in an organisation
  - (a) Direction
  - (b) Supervision
  - (c) Planning
  - (d) Control
- (viii) T-group training is also known as
  - (a) Classroom training
  - (b) Apprenticeship Training
  - (c) Internship training
  - (d) Sensitivity training
- (ix) The process of communication starts with \_\_\_\_\_
  - (a) Supervisor

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- (b) Sender
  - (c) Receiver
  - (d) Medium
- (x) CPC
- (a) Critical path control
  - (b) Critical point control
  - (c) Critical point complaint
  - (d) Critical point complex
- (xi) \_\_\_\_\_ skills are related to the problem identification and prescribing appropriate solution.
- (a) Decision making skills
  - (b) Interpersonal skills
  - (c) Operative skills
  - (d) All of the above
- (xii) \_\_\_\_\_ refers to the introduction of a person to the job and the organization.
- (a) Induction
  - (b) Introduction
  - (c) Orientation
  - (d) Placement
- (xiii) \_\_\_\_\_ is the primary force within the organization which tends to lead it towards achievement of goals.
- (a) Decentralisation
  - (b) Management
  - (c) Centralisation
  - (d) Delegation of authority
- (xiv) The first step in the organizing process is \_\_\_\_\_
- (a) Division of work
  - (b) Grouping of work
  - (c) Identifying the work
  - (d) Establishing formal reporting relationships
- (xv) Post control is also known as \_\_\_\_\_
- (a) Feedback control
  - (b) Concurrent Control
  - (c) Pre-control
  - (d) Fast forward control
- (xvi) Control function is closely connected to \_\_\_\_\_
- (a) Planning
  - (b) Organising
  - (c) Coordination
  - (d) All of the above
- (xvii) Tactical decisions are also known as
- (a) Operational Decisions
  - (b) Programmed decision
  - (c) Non-programmed decision
  - (d) Strategic Decision
- (xviii) \_\_\_\_\_ represents the numerical limit of subordinates to be supervised and controlled by a single supervisor.
- (a) Unity of command

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- (b) Unity of objectives
- (c) Span of control
- (d) Scalar Chain

(xix) The sequential set of steps in decision making is

- (a) Identification – Evaluation – Developing – Selection – Implementation
- (b) Identification –Developing – Evaluation – Implementation – Selection
- (c) Identification –Developing – Evaluation – Selection – Implementation
- (d) None of the above

(xx) Assignment of duties is meaningless unless adequate authority is given to \_\_\_\_\_.

- (a) Subordinates
- (b) Peers
- (c) Superiors
- (d) All of the above

(II) Match the terms in Column I with the relevant terms in Column II

[1×5=5]

Column A	Column B
(1) External source	(A) Rigid rules and regulations
(2) Strategies	(B) Oral Communication
(3) Bureaucratic Management	(C) Standing Plans
(4) Group Discussions	(D) Investment Plans
(5) Controllable premises	(E) Employment Exchange

(III) State whether the following statements are True/False?

[1×5=5]

- (i) The art of influencing others to direct their will, abilities and efforts to the achievements of goals is called leadership ( )
- (ii) Work is natural like rest or play according to theory X ( )
- (iii) Responsibility flows downwards ( )
- (iv) Division of work is necessary to enjoy the benefits of specialization ( )
- (v) Apprenticeship training is best example for off the job training ( )

(IV) Answer any four of the following questions.

[4×5=20]

- (1) Briefly explain the steps involved in planning process.
- (2) Write a note on 'Span of Management'.
- (3) Discuss the principles of Co-ordination.
- (4) Explain the importance of communication.
- (5) Which are the areas that would draw your attention as an Auditor while you are conducting management Audit?
- (6) What are the grounds on which Maslow's need hierarchy theory is criticized?