



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT (PAPER - 4)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Who was the father of Economics ?	Marshall	Adam smith	Robbins	Keynes
2	Normative Economic theory deals with _____	What to produce	How to produce	Whom to produce	How the problem should be solved
3	In economics goods includes material things which _____	A can be transferred	can be visible	both A & B	None
4	Nature of PPF curve is _____	convex to the origin	concave to the origin	both	none
5	Point elasticity was propounded by:	Adam smith	Marshall	Robbins	Keynes
6	Luxury goods have ____ degree of elasticity.	High	low	Moderate	none
7	_____ is the functional relationship between physical inputs (i.e. factors of production), and physical outputs (i.e. quantity of good / service produced)	Input- Output Function	Demand – Supply Function	Production Function	Cost Function
8	At the point of Inflection, TP will generally-	Show increases trend	Show decreasing or increasing trends	Equal to Zero	be negative
9	Identify the correct statement.	Average product is at its maximum when Marginal Product is equal to Average Product.	Law of Increasing Returns to Scale relates to the effect of changes in factor proportions	Economies of Scale arise only because of invisibilities of factor proportions.	Internal Economies of scale can accrue only to the exporting sector.
10	Modes of production was propounded by _____	Adam Smith	Karl Marx	David Ricardo	Alfred Marshall
11	Which of the following is not a factor in market supply of a product?	cost of production	number of buyers	market price of the product	price of related products
12	The demand for salt is inelastic, because _____.	of low price	absence of it makes food tasteless	no substitutes	All the three
13	Price elasticity demand of product will be more elastic if it _____.	has no substitutes	has number of substitutes	is an item of necessity	is life saving product
14	All factor of production become variable in –	Medium – run	Short- run	Long –run	none of the above
15	What is the maximum point of TP?	When AP become zero	When MP become zero	At the intersecting point of AP& MP	None of these
16	A Rational Producer will operate in –	Stage I	Stage II	Stage III	All of the above
17	Capitalistic economy means where the wealth and income of the country are owned by the	state	land owners	state and public	bourgeoises
18	In the primitive age the factors used in production were mainly	Capital	Land	Labour	Both land and labour
19	If PPF is linear it implies _____	constant opportunity cost	diminishing apart cost	Increasing opportunity cost	none
20	Micro Economics theory deals with.	Economy as a whole	Individual units	Economic growth	all the above
21	Human wants are _____	limited	unlimited	undefined	none
22	Any point beyond PPF is _____	attainable	unattainable	both	none
23	If an economy is working at the point left to PPF curve that shows..	Full employment	unemployment	excess production	none



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24	If the price of burger rises from ₹12 per piece to ₹ 20 per piece as a result of which the daily sales decrease from 300 to 200 pieces per day. The price elasticity of demand can be estimated as:	0.5	0.8	0.25	2.1
25	An increase in price will result in an increase in total revenue if _____	percentage change in quantity demanded in greater than the percentage change in price	percentage change in quantity demanded is less than the percentage change in price	percentage change in quantity demanded is equal to the percentage change in price	none
26	Which of these will have highly inelastic supply?	perishable goods	consumer durables goods	Items of elite class consumption	All the three
27	The supply function of a product x is as $S_x = 5p_x + 3$. Where p_x stand for price. The quantity supplied corresponding to price of ` 2 will be	18	13	15	23
28	Variable factor means those factors of production	Which can be only changed in the long run?	Which can be changed in the short run?	Which can be never be changed	Both (a) & (b) correct
29	If the Marginal product of labour is below the Average product of Labour, it must be true that	The Marginal product of Labour is negative	The Marginal Product of Labour is Zero	The Marginal Product of Labour is falling	The Average product of Labour is negative
30	Why does the Law of Increasing Returns operate?	Full use of Fixed Indivisible Factors.	Efficiency of Variable Factors	Need to reach the right combination	All of the above
31	Internal Economies and Diseconomies arise due to –	Overall industry-level changes	Changes at the Firm Level	Both (a) and (b)	Neither (a) nor (b)
32	The labour surplus is the difference between value of output minus	Values of materials used	Values of fixed land used	Values of capital used	none
33	Socialistic nature of an economy means	income and wealth are owned by the capitalists	income and wealth are owned by the labour class	income and wealth are owned by the state and public	All
34	Which of the following is/are an essential feature of the market :	Buyers	Sellers	Price	All the three
35	In the long run price is governed by _____	Cost of Production	Demand supply forces	Marginal utility	None
36	In the long run a firm in perfect competition earns :	Normal profit only	Abnormal profit	Average profit of past five years	12.33% profits on capital employed
37	A firm faces the shut down situation when :	Price is less than average variable cost	Price is more than the average variable cost	Price is equal to fixed cost	Price is more than the average fixed cost
38	A firm that makes profit in excess of normal profit is earning	Economic profit	Costing profit	Normal profit	Super normal profit
39	The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as :	Oligopoly	Duopoly	Monopoly	Monopolistic competition



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40	In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes :	Profits and new firms join the market	Profit and bar entry to new firms	Makes losses and exit the market	Quick profit and disappears
41	Which of these is associated with a monopolistic competitive market –	Product differentiation	Homogeneous Product	Normal in short run	Single buyer
42	In a competitive market _____ is the price maker :	Firm	Industry	Consumer	Trade association
43	A Monopoly demand curve is :	Same as its average revenue curve	Same as its supply curve	Same as marginal cost curve	None of these
44	When the firm is in the long period equilibrium it gets only :	normal profit	no loss no profit	super normal profit	loss
45	Equilibrium of the firm under perfect Market means ,when :	MR curve cuts the MC curve from below	MC curve cuts the MR curve from below	MC Curve and MR curve are Parallel to each other	AR curve is Equal to MC curve
46	Penetration pricing means :	price will reduced after gaining market share	reduce price when loosing market share	price will be raised later after gaining market share	None of these
47	One of the example of Oligopoly market is :	Cosmetic industry	Cartel	automobile industry	Technology
48	The forces of supply and demand determine the :	the quantity of the goods	the price of the goods	different prices from different customers	demand of customers
49	Excess profits earned by each firm during short time would attract :	new firms to enter into the market	market share of each firm will be less	there is no barrier on the entry into the market	All of the above
50	In monopoly market there is :	A singlefirm ,single product	A single firm, many substitute identical product	A single product , many firm	None of the above
51	the concept of monopolistic competition market was introduced by :	Alfred Marshall	Prof. Chamberlin	Karl Marx	John Rbinson
52	Which of the following is near money?	Bill of exchange	Saving bonds	Gilt edged securities	All the three
53	Optional money is a:	Legal tender money	Non-legal tender money	Limited legal tender money	Full bodied money
54	Which of the following function does money serve when used to measure the prices of different goods and services?	Store of value	Medium of exchange	Standard of value	Display of power
55	Which of these affects the demand for money?	Real income	Price level	Rate of interest	Both (a) and (c)
56	Which of these would lead to fall in demand for money?	Inflation	Increase in real income	Increase in real rate of interest	Increase in wealth
57	Supply of money refers to :	Total money held by the public	Total money held by RBI	Total money with all the commercial banks and RBI	Total money in Government account
58	Which is the apex bank for agricultural credit in India?	RBI	SIDBI	NABARD	IDBI
59	RBI check inflation by	Increasing bank rate	Increasing CRR	Both	None
60	If the country is passing through recession, the RBI would	Buy bonds	Reduce CRR	Ease out bank rate	All or any of the above three



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61	Manipulation in CRR enables the RBI to _____	Influence the lending ability of the commercial banks	Check unemployment growth	Check poverty	Increase GDP
62	EXIM Bank is authorized to raise loan from :	RBI	Government of India	International market	Trading activities
63	RBI was nationalized in:	June 1947	Jan. 1949	March 1954	April 1936
64	FERA has been replaced by:	FINA	FEMA	FENA	M RTP
65	Repo transaction means :	Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date	Sale of securities by the holder to the investor with the agreement to resell them at a predetermined rate and date.	Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date	Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate.
66	Reverse Repo transaction means :	Sale of securities by the holder to the investor with the agreement to purchase them at a predetermined rate and date	Sale or purchase of securities by the holder to the investor with the commitment to sell or purchase them at a predetermined rate and date	Sale and purchase of securities by the holder to the investor with the agreement to purchase them at the prevailing rate and date	Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate
67	Given a reserve ratio of 20% in initial deposit of ₹1000 in a banking system would create secondary deposit of ₹ _____	₹ 3,000	₹ 5,000	₹ 4,000	₹ 6,000
68	Money market deals with the _____	Short term credit	Long term credit	both A & B	None
69	Money market includes _____	Government securities	treasury bill	bills of exchange	All the above
70	In Indian money market, who are the main borrowers of short term funds	central government	State government	local bodies	All the above
71	Money market is controlled by _____	Government	R.B.I	S.B.I	all the above
72	In April 1999 the government of India introduced the bills for the period of _____	91 days	182 days	364 days	None
73	In call money market funds are borrowed of rent without any security for the period of _____	one day	14 days	a & b	NONE
74	If buyer of the goods is called _____	Drawer	drawee	payee	none
75	Certificate of deposits are issued by the banks to _____	individual	companies	P.S.U.S	All the above
76	Which are unsecured promissory notes	Commercial paper	Certificate of deposits	Treasury bills	All the above
77	Commercial banks provide collateral loans against _____	bonds	Govt. security	both A & B	None



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78	Profit is the difference between _____	Total cost and total revenue	Total revenue and total cost	both A & B	None
79	The internal business environment includes factors such as :	business philosophy & business priorities	management structure	capital structure	All
80	The term 'T' in SWOT Analysis is :	Transparency	Total revenue	Threat	Transaction
81	The components of micro business environment are-	Firms and consumers	Market & competitors	Organization	All
82	The term 'S' in PESTEL stands for-	Strength	Socio-economic	Sustainability	None
83	VUCA is an acronym , first used in :	1984	1987	1997	1992
84	In PESTEL Analysis, government policy, political stability or instability, corruption, foreign trade policy, tax policy, labour law, trade restrictions etc. are related to:	Political factors	Economic factors	Environmental factors	Legal factors
85	The term 'W' in SWOT Analysis is :	Wealth	Wellness	Waste	Weakness
86	NPCI has been pivotal to the emergence of the digital payment ecosystem in India. NPCI stands for:	National Payments Corporation of India	National Public Corporation of India	National Payments Cell of India	Nature Public Corporation of India
87	Which of the following is not a component of VUCAFU?	Uncertainty	Ambiguity	Clarity	Volatility
88	Who considered co-ordination as a permeating function of management passing through the managerial functions of planning, organizing, staffing, leading and controlling?	George Terry and Theo Haimann	Henry Fayol	Haynes and Massie	Hicks and Gullet
89	Which is inherent in managerial job and embodied in all the functions of management?	Planning	Organising	Control	Co-ordination
90	According to Mary Parker Follett which one is not the principle for achieving effective coordination?	Continuity	Early beginning	Self-coordination	Managerial Audit
91	Who emphasized harmony of objectives is crucial to the success of direction?	F.W.Taylor	Henry Fayol	Peter Drucker	George Terr
92	A manager has to exhibit the style of leadership depending on the :	Performance	Time	Situation	Period
93	Which of the following statements is not correct?	Management is a goal-oriented process	Management is a universal process	Management is a continuous process	Management is a rigid process
94	Which of the following is not a function of managers?	Designing	Organizing	Leading	Planning
95	Which of the following does not corroborate the concept of 'Management as a Science'?	Cause & Effect Relationship	Test of Validity	Personal Skill	Experimentation & Observation.
96	_____ involves missions and objectives.	Organizing	Planning	Staffing	Coordination
97	Management is the art and science of decision making and leadership.	Harold Koontz	Donald J. Clough	Louis Allan	Terry
98	Agency theory suggests that managers(the agents), particularly those of large , publicly-owned firms, may have different objectives from those of the:	Workers	Subordinates,	Shareholders,	Employees
99	The view that sees profit maximization as the main objective is known as:	Shareholder theory	Agency Theory	Stakeholder theory	Stewardship theory



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100	Which one of the following represents the best effort to reduce the agency problem?	paying senior managers a cash bonus each year based on the number of people employed by the company	giving senior managers bonuses consisting of shares of company share whenever the company improves its production efficiency	increasing the salary of the company president every time the company opens a new store	providing company cars to all managers employed by the firm for more than one year
101	Agency Theory' developed by :	Alchian and Demsetz	Jensen and Meckling	Jensen and Fama	All of the above
102	Who had said that leader's stewardship choice can motivate and facilitate reciprocal stewardship behavior from the employee?	Pearson and Marler	Alchian and Demsetz	Davis, Schoorman and Doanldson	Jensen and Meckling
103	According to Davis, Schoorman and Donaldson (1997), the managers being a steward of the company will try to protect and maximize _____ through firm performance.	shareholder's wealth	stakeholder's wealth	both (a) and (b)	none of the above
104	Which of the following regarding residual loss is correct?	Bonding costs do not have an effect on residual loss.	Residual loss is incurred by the agent because an agency relationship exists.	A reduction in residual loss is likely to be the result of an increase in monitoring costs	Under agency theory, residual loss can be reduced to zero by good governance.
105	Which of the following regarding agency theory is correct?	Agency theory only applies to large entities.	Agents are assumed to be in a position of power.	Agents act in the best interest of the principal.	Agency theory defines the relationship between agents and directors.
106	Which of the following is not an agency cost?	Residual loss.	Bonding costs.	Concurrent loss	Monitoring costs.
107	_____ is defined as the process of obtaining and maintaining the capable and competent people to fill all positions from top to operative level.	Staffing	Selection	Recruitment	Training
108	_____ 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.	Recruitment	Staffing	Selection	Development
109	Selection is a process of rejection and hence it is called a _____ process :	Positive	Negative	Either (a) or (b)	None of the above
110	T-group training is also known as :	Classroom Training	Apprenticeship Training	Internship Training	Sensitivity Training
111	Training conducted away from the actual work setting is called:	On-the-Job Training	Off-the-Job training	Step-by-Step Training	Job-Instruction Training
112	Which of the following are the methods of off-the-job training?	Role playing	Case studies	Lectures, classroom instruction	All of the above
113	External sources of recruitment include:	Employment Exchanges	Advertisements	Employee walk-ins	All of the above



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114	_____ refers to the introduction of a person to the job and the organization.	Induction	Placement	Orientation	None of the above
115	Which activity brings the job-seeker and employer in contact with one another?	Recruitment	Selection	Induction	Placement
116	Who contends that “Training is an act of increasing the knowledge and skill of an employee for doing a particular job”?	Edwin Flippo	Michael J. Jucius	O. Jeff Harris	Andrew Carnegie
117	The premises over which a firm has no control are known as	Controllable premises	Semi-Controllable premises	Uncontrollable premises	None of the above



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ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
1	Who was the father of Economics ?	Adam smith	2
2	Normative Economic theory deals with _____	How the problem should be solved	4
3	In economics goods includes material things which _____	both A & B	3
4	Nature of PPF curve is _____	concave to the origin	2
5	Point elasticity was propounded by:	Marshall	2
6	Luxury goods have ____ degree of elasticity.	High	1
7	_____ is the functional relationship between physical inputs (i.e. factors of production), and physical outputs (i.e. quantity of good / service produced)	Production Function	3
8	At the point of Inflexion, TP will generally-	Show decreasing or increasing trends	2
9	Identify the correct statement.	Average product is at its maximum when Marginal Product is equal to Average Product.	1
10	Modes of production was propounded by	Karl Marx	2
11	Which of the following is not a factor in market supply of a product?	number of buyers	2
12	The demand for salt is inelastic, because _____.	no substitutes	3
13	Price elasticity demand of product will be more elastic if it _____.	has number of substitutes	2
14	All factor of production become variable in –	Long –run	3
15	What is the maximum point of TP?	When MP become zero	2
16	A Rational Producer will operate in –	Stage II	2
17	Capitalistic economy means where the wealth and income of the country are owned by the	bourgeoisies	4
18	In the primitive age the factors used in production were mainly	Both land and labour	4
19	If PPF is linear it implies ...	constant opportunity cost	1
20	Micro Economics theory deals with.	Individual units	2
21	Human wants are	unlimited	2
22	Any point beyond PPF is	unattainable	2
23	If an economy is working at the point left to PPF curve that sho	unemployment	2
24	If the price of burger rises from ₹ 12 per piece to ₹ 20 per piece as a result of which the daily sales decrease from 300 to 200 pieces per day. The price elasticity of demand can be estimated as:	0.5	1
25	An increase in price will result in an increase in total revenue if	percentage change in quantity demanded is less than the percentage change in price	2
26	Which of these will have highly inelastic supply?	perishable goods	1
27	The supply function of a product x is as $S_x = 5p_x + 3$. Where p_x stand for price. The quantity supplied corresponding to price of ` 2 will be	13	2
28	Variable factor means those factors of production	Both (a) & (b) correct	4
29	If the Marginal product of labour is below the Average product of Labour, it must be true that	The Marginal Product of Labour is falling	3
30	Why does the Law of Increasing Returns operate?	All of the above	4
31	Internal Economies and Diseconomies arise due to –	Changes at the Firm Level	2
32	The labour surplus is the difference between value of output mi	Values of materials used	1
33	Socialistic nature of an economy means	income and wealth are owned by the state and public	3
34	Which of the following is/are an essential feature of the market :	All the three	4
35	In the long run price is governed by	Cost of Production	1
36	In the long run a firm in perfect competition earns :	Normal profit only	1
37	A firm faces the shut down situation when :	Price is less than average variable cost	1



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
38	A firm that makes profit in excess of normal profit is earning	Super normal profit	4
39	The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as :	Monopolistic competition	4
40	In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes :	Profits and new firms join the market	1
41	Which of these is associated with a monopolistic competitive market –	Product differentiation	1
42	In a competitive market is the price maker :	Industry	2
43	A Monopoly demand curve is :	Same as its average revenue curve	1
44	When the firm is in the long period equilibrium it gets only :	normal profit	1
45	Equilibrium of the firm under perfect Market means ,when :	MC curve cuts the MR curve from from below	2
46	Penetration pricing means :	price will be raised later after gaining market share	3
47	One of the example of Oligopoly market is :	automobile industry	3
48	The forces of supply and demand determine the :	the price of the goods	2
49	Excess profits earned by each firm during short time would attract :	All of the above	4
50	In monopoly market there is :	A singlefirm ,single product	1
51	the concept of monopolistic competition market was introduced by :	Prof. Chamberlin	2
52	Which of the following is near money?	All the three	4
53	Optional money is a:	Non-legal tender money	2
54	Which of the following function does money serve when used to measure the prices of different goods and services?	Standard of value	3
55	Which of these affects the demand for money?	Both (a) and (c)	4
56	Which of these would lead to fall in demand for money?	Increase in real rate of interest	3
57	Supply of money refers to :	Total money held by the public	1
58	Which is the apex bank for agricultural credit in India?	NABARD	3
59	RBI check inflation by	Both	3
60	If the country is passing through recession, the RBI would	All or any of the above three	4
61	Manipulation in CRR enables the RBI to	Influence the lending ability of the commercial banks	1
62	EXIM Bank is authorized to raise loan from :	Government of India	2
63	RBI was nationalized in:	Jan. 1949	2
64	FERA has been replaced by:	FEMA	2
65	Repo transaction means :	Sale of securities by the bolder to the investor with the agreement to purchase them at a predetermined rate and date	1
66	Reverse Repo transaction means :	Sale of securities by the holder to the investor with the agreement to purchase them at market driven rate	4
67	Given a reserve ratio of 20% in initial deposit of ₹1,000 in a banking system would create secondary deposit of '.....'	₹ 4,000	3
68	Money market deals with the	Short term credit	1
69	Money market includes	All the above	4
70	In Indian money market, who are the main borrowers of short term funds	All the above	4
71	Money market is controlled by	R.B.I	2
72	In April 1999 the government of India introduced the bills for the period of	364 days	3
73	In call money market funds are borrowed of rent without any security for the period of...	one day	1
74	If buyer of the goods is called	drawee	2
75	Certificate of deposits are issued by the banks to	All the above	4



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76	Which are unsecured promissory notes	Commercial paper	1
77	Commercial banks provide collateral loans against	both A & B	3
78	Profit is the difference between.....	Total revenue and total cost	2
79	The internal business environment includes factors such as :	All	4
80	The term 'T' in SWOT Analysis is :	Threat	3
81	The components of micro business environment are-	All	4
82	The term 'S' in PESTEL stands for-	Socio-economic	2
83	VUCA is an acronym , first used in :	1987	2
84	In PESTEL Analysis, government policy, political stability or instability, corruption, foreign trade policy, tax policy, labour law, trade restrictions etc. are related to:	Political factors	1
85	The term 'W' in SWOT Analysis is :	Weakness	4
86	NPCI has been pivotal to the emergence of the digital payment ecosystem in India. NPCI stands for:	National Payments Corporation of India	1
87	Which of the following is not a component of VUCAFU?	Clarity	3
88	Who considered co-ordination as a permeating function of management passing through the managerial functions of planning, organizing, staffing, leading and controlling?	George Terry and Theo Haimann	1
89	Which is inherent in managerial job and embodied in all the functions of management?	Co-ordination	4
90	According to Mary Parker Follett which one is not the principle for achieving effective coordination?	Managerial Audit	4
91	Who emphasized harmony of objectives is crucial to the success of direction?	F.W.Taylor	1
92	A manager has to exhibit the style of leadership depending on the :	Situation	3
93	Which of the following statements is not correct?	Management is a rigid process	4
94	Which of the following is not a function of managers?	Designing	1
95	Which of the following does not corroborate the concept of 'Management as a Science'?	Personal Skill	3
96	_____ involves missions and objectives.	Planning	2
97	Management is the art and science of decision making and leadership.	Donald J. Clough	2
98	Agency theory suggests that managers(the agents), particularly those of large , publicly-owned firms, may have different objectives from those of the:	Shareholders,	3
99	The view that sees profit maximization as the main objective is known as:	Shareholder theory	1
100	Which one of the following represents the best effort to reduce the agency problem?	giving senior managers bonuses consisting of shares of company share whenever the company improves its production efficiency	2
101	Agency Theory' developed by :	All of the above	4
102	Who had said that leader's stewardship choice can motivate and facilitate reciprocal stewardship behavior from the employee?	Pearson and Marler	1
103	According to Davis, Schoorman and Donaldson (1997), the managers being a steward of the company will try to protect and maximize -----through firm performance.	shareholder's wealth	1
104	Which of the following regarding residual loss is correct?	A reduction in residual loss is likely to be the result of an increase in monitoring costs	3
105	Which of the following regarding agency theory is correct?	Agents are assumed to be in a position of power.	2
106	Which of the following is not an agency cost?	Concurrent loss	3
107	_____ is defined as the process of obtaining and maintaining the capable and competent people to fill all positions from top to operative level.	Staffing	1



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108	_____ 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.	Staffing	2
109	Selection is a process of rejection and hence it is called a _____ process :	Negative	2
110	T-group training is also known as :	Sensitivity Training	4
111	Training conducted away from the actual work setting is called:	Off-the-Job training	2
112	Which of the following are the methods of off-the-job training?	All of the above	4
113	External sources of recruitment include:	All of the above	4
114	_____ refers to the introduction of a person to the job and the organization.	Induction	1
115	Which activity brings the job-seeker and employer in contact with one another?	Recruitment	1
116	Who contends that "Training is an act of increasing the knowledge and skill of an employee for doing a particular job"?	Edwin Flippo	1
117	The premises over which a firm has no control are known as	Uncontrollable premises	3