

FOUNDATION COURSE EXAMINATION

June 2019

P-1(FEM)  
Syllabus 2016

Fundamentals of Economics and Management

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Wherever necessary, suitable assumptions may be made and clearly stated in the answer.*

*This paper has been divided into Two Sections A & B each carrying 50 marks. Further each section has been divided into two parts each.*

SECTION A

(FUNDAMENTALS OF ECONOMICS)

(50 Marks)

PART A

Answer the following questions:

1. (a) **Choose the correct answer from amongst the *four* alternatives given** (You may write only the Roman numeral and Alphabet chosen for your answer):  $1 \times 20 = 20$
- (i) 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.
- (ii) According to the 'Law of Demand, demand varies \_\_\_\_\_ with price.
- (A) directly
  - (B) indirectly
  - (C) proportionately
  - (D) inversely
- (iii) 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.

- (iv) 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.
- (v) 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
- (vi) 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.
- (vii) If 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.
- (viii) As output increases, AFC of a firm
- (A) increases.
  - (B) remains constant.
  - (C) continuously declines.
  - (D) initially increases, afterwards declines.

- (ix) Which is the first order condition for the profit of a firm be maximum?
- (A)  $AC = MR$
  - (B)  $MC = MR$
  - (C)  $MR = AR$
  - (D)  $AC = AR$
- (x) 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.
- (xi) 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.
- (xii) 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.
- (xiii) OPEC is an example of
- (A) Perfect competition.
  - (B) Monopolistic competition.
  - (C) Monopoly.
  - (D) Cartel.

- (xiv) The relationship between money supply and price level is
- (A) inverse.
  - (B) neutral.
  - (C) proportional.
  - (D) non-proportional.
- (xv) Cash Balance Approach was given by
- (A) I. Fisher
  - (B) J. M. Keynes
  - (C) G. Crowther
  - (D) Cambridge University Professors
- (xvi) 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
- (xvii) Which one of the following is the apex bank for agricultural credit in India?
- (A) RBI
  - (B) IDBI
  - (C) SIDBI
  - (D) NABARD
- (xviii) 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

(xix) 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.

(xx) Commercial banks provide collateral loans against

- (A) Government Security.
- (B) Shares.
- (C) Bills of Exchange.
- (D) Commercial Paper.

(b) Match the statement under column I with the most appropriate statement under column II (You may opt to write only the numeral and the matched alphabet instead of copying contents into the answer book): 1×5=5

	Column-I		Column-II
1.	M <sub>3</sub>	(A)	Demand forecasting
2.	Central Bank	(B)	Price maker
3.	Collective Opinion Method	(C)	M <sub>2</sub> + Time Deposit
4.	Monopoly	(D)	Price taker
5.	Perfect Competition	(E)	Control of Credit

(c) State whether the following statements are *True* or *False*. (You may write only the Roman numeral and whether *True* or *False* without copying the statements into the answer book): 1×5=5

- (i) The Law of Variable Proportions is relevant to Short Run.
- (ii) Average revenue curve under perfect competition is vertical straight line.
- (iii) An increase in price will cause a demand curve to shift to the right.
- (iv) Money market is controlled by RBI.
- (v) M<sub>1</sub> is considered as the most important measure of money.

**PART B**

Answer *any four* questions from Question No. 2 to 7. Each question carries 5 marks.

2. State whether the Economics is Science or Art. 5
3. Briefly discuss the importance of Elasticity of Demand. 5
4. "The concept of opportunity cost has been widely used by modern economists in various fields" — Briefly explain different applications of opportunity cost. 5
5. Narrate the features of OLIGOPOLY Market. 5
6. Briefly enumerate the functions of Indian Money Market. 5
7. What are the essential conditions of Sound Banking System? Discuss briefly. 5

**SECTION B**

**(FUNDAMENTALS OF MANAGEMENT)**

(50 Marks)

**PART-A**

Answer the following questions:

8. (a) **Choose the correct answer from amongst the four alternatives given** (You may write only the Roman numeral and Alphabet chosen for your answer): 1×20=20
  - (i) 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
  - (ii) Under Fayol's fourteen 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

- (iii) In the organizations, reporting relationship is a function of
- (A) Planning.
  - (B) Organizing.
  - (C) Leading.
  - (D) Controlling.
- (iv) Which one of the following is not included in 'The Managerial Activities'?
- (A) Commanding
  - (B) Controlling
  - (C) Accounting
  - (D) Organizing
- (v) Heuristic techniques refer to
- (A) Trial and Error technique.
  - (B) Group Decision-making technique.
  - (C) Brain Storming technique.
  - (D) Critical Problem solving technique.
- (vi) 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.
- (vii) 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.

- (viii) 'Cybernetics' relates to
- (A) Feed-back control.
  - (B) Feed-forward control.
  - (C) Steering control.
  - (D) Critical point control.
- (ix) Directing is a
- (A) Discreet process.
  - (B) Continuous process.
  - (C) One-way process.
  - (D) Circular process.
- (x) 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.
- (xi) In making a decision, 'game theory' is useful under conditions of
- (A) Certainty.
  - (B) Various probabilities.
  - (C) Competitive rivalry.
  - (D) Irregular demand.
- (xii) 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.

- (xiii) 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
- (xiv) Which leadership style permits quick decision making?
- (A) Democratic Style
  - (B) Laissez-Fair Leadership
  - (C) Authoritarian Leadership
  - (D) None of the above
- (xv) Programmed decisions are concerned with
- (A) Basic decisions.
  - (B) Unique decisions.
  - (C) Repetitive and Routine decisions.
  - (D) Non-routine decisions.
- (xvi) Channels of communication in an informal organization is known as
- (A) Grapevine.
  - (B) Gangplank.
  - (C) Upward communication.
  - (D) Downward communication.
- (xvii) When communication flows from top to bottom is known as
- (A) Upward communication.
  - (B) Downward communication.
  - (C) Horizontal communication.
  - (D) Formal communication.

- (xviii) 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.
- (xix) 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.
- (xx) Existence, Relatedness and Growth (ERG) theory was propounded by
- (A) Alderfer.
  - (B) Likert.
  - (C) Vroom.
  - (D) Herzberg.

- (b) Match the statement under column I with the most appropriate statement under column II (You may opt to write only the numeral and the matched alphabet instead of copying contents into the answer book): 1×5=5

	Column-I		Column-II
1.	Need for Acceptance	(A)	Methods of Training
2.	Manpower Planning	(B)	Technique of Control
3.	Planning	(C)	Social Need
4.	Job Rotation	(D)	Goal Oriented
5.	Financial Statement	(E)	Process of Staffing

- (c) **State whether the following statements are *True* or *False*.** (You may write only the Roman numeral and whether *True* or *False* without copying the statements into the answer book): 1×5=5

- (i) Division of work is necessary to enjoy the benefits of specialisation.
- (ii) Decoding is said to be the carrier of message sent by a person to another.
- (iii) Responsibility is absolute and can be delegated.
- (iv) Leadership Continuum was developed by Tannenbaum and Schmidt.
- (v) Brain Storming is one of the participative techniques.

### PART B

Answer *any two* questions from Question No. 9 to 11. Each question carries 10 marks.

9. (a) Briefly explain any five major features of Planning.
- (b) Explain the importance of staffing in an organization. 5+5=10
10. (a) Distinguish between Delegation of Authority and Decentralization of Authority.
- (b) What are the grounds on which Herzberg's two factors Theory of Motivation is criticized?— Explain. 5+5=10
11. (a) Briefly explain the guidelines for effective Decision Making.
- (b) State how to overcome the Barriers in Communication. 5+5=10
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