

# Model Question Paper

## Principles of Management (SMB101)

- Answer all 100 questions.
- Each question carries one mark.

1. Mintzberg identified ten managerial roles which were grouped into three categories. The roles of entrepreneur, disturbance handler, resource allocator and negotiator can be categorized as
  - (a) Decisional roles
  - (b) Interpersonal roles
  - (c) Informational roles
  - (d) Administrative roles
  - (e) Organizational roles.
2. Managers at which of the following levels deal with the actual operation of various departments in an organization?
  - (a) First level
  - (b) Top level
  - (c) Middle level
  - (d) Zero level
  - (e) Frontline level.
3. The management function of influencing, motivating, and directing human resources toward the achievement of organizational goals is commonly referred to as
  - (a) Leading
  - (b) Controlling
  - (c) Planning
  - (d) Staffing
  - (e) Organizing.
4. Managers need certain skills to perform the functions associated with their jobs. Which of the following skills are important at all levels in the organization?
  - (a) Conceptual
  - (b) Design
  - (c) Human
  - (d) Technical
  - (e) Administrative.
5. The management function of organizing involves determining
  - I. Tasks to be performed.
  - II. How tasks can best be combined into specific jobs.
  - III. Authority and reporting relationships within the corporate hierarchy.
  - IV. Promotions and career planning.
  - (a) Both (I) and (III) above
  - (b) Both (II) and (IV) above
  - (c) (I), (II) and (III) above
  - (d) (II), (III) and (IV) above
  - (e) All (I), (II), (III) and (IV) above.
6. Which of Henry Fayol's principles of management states that 'work specialization leads to efficiency of operations'?
  - (a) Division of labor
  - (b) Stability
  - (c) Esprit de corps
  - (d) Discipline
  - (e) Decentralization.

7. As per the systems approach to management, an organization that interacts with external forces is termed as a/an
- Closed system
  - Model
  - Independent entity
  - Open system
  - Contingency unit.
8. Which of the following is/are the finding/s of Hawthorne Studies?
- Workplace culture sets its own production standards.
  - Fatigue is the main factor affecting the output.
  - Job performance depends on the individual worker.
- Only (I) above
  - Only (II) above
  - Only (III) above
  - Both (I) and (II) above
  - All (I), (II) and (III) above.
9. Which of the following approaches to management emphasized the human element, thus viewing the organization from an individuals' point of view?
- Management science approach
  - Scientific approach
  - Administrative approach
  - Systems approach
  - Behavioral approach.
10. Practicing ethical guidelines enables managers to become followers of moral management approach. They facilitate ethical business decisions. Which of the following is **not** an ethical guideline for managers?
- Upholding human dignity
  - Obeying the law
  - Top management commitment
  - Primum non-nocere
  - Telling the truth.
11. Which of the following is **not** a way by which business firms can fulfill their obligations towards their customers?
- Charging reasonable prices for their products
  - Ensuring provision of standardized and quality goods and services
  - Abstaining from unethical practices
  - Ensuring easy availability of goods and services
  - Creating a long-term and healthy relationship with creditors.
12. Which of the following refers to the involvement of employees in civic activities?
- Volunteerism
  - Fund-raising
  - Recycling
  - Valuing diversity
  - Quality of work life.
13. Which of the following types of management strives to follow ethical principles and doctrines?
- Immoral management
  - Moral management
  - Amoral management
  - Crisis management
  - Disaster management.

14. Based on the frequency of use, plans can be categorized as single-use plans and standing plans. Standing plans that furnish broad guidelines for channeling management thinking in a specified direction are called
- Procedures
  - Programs
  - Single-use plans
  - Policies
  - Rules.
15. Planning is a prerequisite not only for achieving success but also for surviving in a complex and competitive world. Which of the following is **not** a characteristic of planning?
- It is goal-oriented
  - It is a secondary function
  - It is an intellectual or rational process
  - It is forward-looking
  - It is an integrated process.
16. Sara is associated with a committee that is given the responsibility to review and institute a process for employees to use when requesting upgrades in computer equipment. Which type of objectives would Sara **most likely** develop?
- Intermediate-term objectives
  - Long-term objectives
  - Short-term objectives
  - Organizational objectives
  - Division objectives.
17. The key result areas in business suggested by Peter Drucker include
- Physical and financial resources.
  - Profitability.
  - Innovation.
  - Worker performance and attitude.
- Both (I) and (II) above
  - Both (III) and (IV) above
  - (I), (II) and (IV) above
  - (I), (III) and (IV) above
  - All (I), (II), (III) and (IV) above.
18. Which of the following is **not** a factor that would make Management by Objectives more effective?
- Emphasis on short-term goals
  - Top management support
  - Formulating clear objectives
  - Training for MBO
  - Encouraging participation.
19. Departmentation by 'time' is one of the oldest forms of departmentation, generally used at lower levels of the organization. Which of the following is an advantage of departmentation by 'time'?
- Lack of supervision in the night shifts
  - Employees may find it difficult to switch from one shift to another
  - Coordination and communication becomes a problem with several shifts
  - Employees may postpone work in order to get paid overtime
  - Workers may concentrate on the total system rather than concentrating on narrow and specified technical aspects.
20. The concept that defines the number of subordinates that report to a manager and that indirectly specifies the number of levels of management in an organization is called
- Authorized line of responsibility
  - Unity of command
  - Unity of direction
  - Span of control
  - Responsibility factor.

21. According to the BCG matrix, an SBU comprising speculative products that entail high risks, would be referred to as a
- (a) Question mark
  - (b) Bull
  - (c) Dog
  - (d) Cash cow
  - (e) Star.
22. Which of the following refers to the process that helps new employees adapt to the organization's culture?
- (a) Grapevine
  - (b) Recruitment
  - (c) Socialization
  - (d) Appraisal
  - (e) Training.
23. Which of the following types of departmentation refers to grouping of activities by tasks performed?
- (a) Functional departmentation
  - (b) Product departmentation
  - (c) Customer departmentation
  - (d) Geographic departmentation
  - (e) Matrix departmentation.
24. Which of the following is **not true** regarding programmed decisions?
- (a) They are made in well-structured situations
  - (b) They are based on established policies and procedures
  - (c) They require managers to exercise discretion
  - (d) They are made mostly by lower-level managers
  - (e) They limit the managers' flexibility.
25. Which of the following is/are the various levels of strategies in an organization?
- I. Corporate level.
  - II. Business level.
  - III. Functional level.
- (a) Only (I) above
  - (b) Only (II) above
  - (c) Only (III) above
  - (d) Both (I) and (II) above
  - (e) All (I), (II) and (III) above.
26. In SWOT analysis, which of the following are external environment characteristics of an organization?
- (a) Strengths and weaknesses
  - (b) Opportunities and threats
  - (c) Strengths and opportunities
  - (d) Weaknesses and threats
  - (e) Weaknesses and opportunities.
27. Power based upon one's expertise, special skills, or knowledge is
- (a) Coercive power
  - (b) Legitimate power
  - (c) Expert power
  - (d) Referent power
  - (e) Reward power.

28. Organizations that adopt a matrix structure generally pass through some structural stages. Which of the following can be **correctly** stated about these stages?
- I. As each stage of the matrix structure provides increasing amounts of horizontal integration, it makes administration simpler.
  - II. Because managerial integrators often coordinate directly with various members of functional departments assigned to assist them with their projects, dual authority is eliminated.
  - III. Teamwork is emphasized.
  - IV. A mature matrix is adopted when the functional and divisional dimensions are equally important.
- (a) Only (IV) above
  - (b) Both (I) and (II) above
  - (c) Both (III) and (IV) above
  - (d) (I), (II) and (III) above
  - (e) (I), (II) and (IV) above.
29. The tendency of a system to break down or degrade, become disorganized, or disintegrate is known as
- (a) Entropy
  - (b) Autonomy
  - (c) Equifinality
  - (d) Espirit de Corps
  - (e) Domino Effect.
30. Which of the following is/are feature(s) of competitive advantage?
- I. It is strongest when it is extremely difficult for or expensive for competitors to copy.
  - II. It is possible for a firm to build a competitive advantage over all other competitors.
  - III. It should ultimately create increased value for customers.
  - IV. It is generated on the basis of organizational competencies.
- (a) Only (I) above
  - (b) Both (I) and (III) above
  - (c) Both (II) and (IV) above
  - (d) (I), (III) and (IV) above
  - (e) All (I), (II), (III) and (IV) above.
31. Which of the following refers to a system of shared values, assumptions, beliefs, and norms that unite the members of an organization?
- (a) Organizational change
  - (b) Communication
  - (c) Organization restructuring
  - (d) Corporate social responsibility
  - (e) Organization culture.
32. Which of the following is/are advantage(s) of departmentation by process or equipment?
- I. It brings about horizontal coordination to projects.
  - II. It is beneficial when the equipment or machinery requires special operating skills.
  - III. The basic purpose of the departmentation is to get economic benefits.
- (a) Only (I) above
  - (b) Only (III) above
  - (c) Both (I) and (II) above
  - (d) Both (I) and (III) above
  - (e) Both (II) and (III) above.
33. Management is the act of getting things done through people. Which of the following is **not** a key aspect of management?
- (a) Managers carry out the functions of planning, organizing, staffing, leading and controlling
  - (b) Management is essential to any kind of organization
  - (c) Management is essential only at few hierarchical levels
  - (d) The goals of all managers is to generate surplus
  - (e) The aim of all managers is to improve productivity.

34. With respect to a SWOT analysis of the competitive environment in which a company operates, which of the following **cannot** be a potential ‘threat’ for a company?
- (a) Costly new regulatory requirements
  - (b) Loss of sales to substitute products
  - (c) Obsolete facilities
  - (d) Technological changes that undermine demand for a product
  - (e) Growing bargaining power of customers.
35. Which of the following theories of decision-making is based on the notion that individual attitudes towards risk vary?
- (a) Preference theory
  - (b) Decision trees
  - (c) Certainty
  - (d) Satisficing
  - (e) Garbage-can.
36. Proper planning makes half way done. Which of the following is the first major step in the planning process?
- (a) Developing premises
  - (b) Listing alternative ways of reaching organizational objectives
  - (c) Stating organizational objectives
  - (d) Developing plans to pursue chosen alternatives
  - (e) Putting plans into action.
37. Which of the following is not a means of avoiding line and staff conflicts?
- (a) Clarity in relationships
  - (b) Proper use of staff
  - (c) Completed staff work
  - (d) Holding staff accountable for result
  - (e) Exploiting staff.
38. Mark's Embroidery produces custom-made embroidery products. One department sells to retail customers, another department sells to catalog customers and a third department sells only to college bookstores. Mark's Embroidery is departmentalized by
- (a) Product
  - (b) Customer
  - (c) Geographical location
  - (d) Process
  - (e) Function.
39. Which of the following is **not** one of the six characteristics of open-system organizations?
- (a) Negative entropy
  - (b) Feedback mechanisms
  - (c) Dynamic homeostasis
  - (d) Technology
  - (e) Equifinality.
40. Which of the following is the process by which managers allocate a chunk of their work to subordinates along with sufficient authority to accomplish the work?
- (a) Delegation
  - (b) Power
  - (c) Motivation
  - (d) Feedback
  - (e) Departmentation.

41. Which of the following is **not** allowed in a brainstorming session?
- Clear definition of the problem
  - Criticism of poor ideas
  - Large number of alternatives
  - Recording of all alternatives
  - Building on alternatives generated.
42. Which of the following statements are **true** with respect to power and the types of power?
- Legitimate power is similar to authority and is very important in the organizational context.
  - Legitimate power works only downwards.
  - Referent power functions at superior and peer levels.
  - Coercive power is used to ensure a minimum standard of performance.
  - Power can be personal.
- Both (I) and (II) above
  - Both (III) and (IV) above
  - (I), (III) and (IV) above
  - (I), (IV) and (V) above
  - All (I), (II), (III), (IV) and (V) above.
43. Which of the following involves major changes in organizational structure and changes in some major components of the organization?
- Restructuring
  - Span of control
  - Transfer
  - Planning
  - Organizing.
44. The degree to which decision making is concentrated at a single point in the organization is referred to as
- Conflict
  - Centralization
  - Line authority
  - Departmentation
  - Grapevine.
45. Which of the following statements is **not true** of staff authority?
- A staff manager is a generalist
  - A staff manager assists others
  - A staff manager serves authority
  - A staff manager makes plans
  - A staff manager solves special problems.
46. Technosoft Ltd. is facing the problem of allocating resources to its newly set up computer peripherals division, because of some practical constraints like limited availability of resources, time, man-hours etc. Which of the following decision-making techniques can help solve the problem?
- Linear programming
  - Decision tree
  - Simulation
  - Waiting-line method
  - Game theory.
47. Which of the following is **not** a significant way through which culture is transmitted to employees in an organization?
- Stories
  - Rituals
  - Myths
  - Language
  - Rewards.

48. Which approach to management includes the three schools of scientific management, administrative theory and bureaucratic management?
- (a) Classical approach
  - (b) Behavioral approach
  - (c) Quantitative approach
  - (d) Custodial approach
  - (e) Systems approach.
49. Which of the following management functions involves designing and maintaining a formal structure of roles and positions?
- (a) Planning
  - (b) Organizing
  - (c) Staffing
  - (d) Leading
  - (e) Controlling.
50. Group decision-making is practiced in many large and complex organizations. Which of the following is **not true** regarding group decisions?
- (a) Group decisions are faster
  - (b) Group decisions tend to be more accurate
  - (c) Group decisions are more creative
  - (d) Group decisions are more widely accepted
  - (e) Group decisions have the advantage of pooling of expertise.
51. Which of the following indicates the characteristics of an individual who should be hired for the job?
- (a) Job analysis
  - (b) Job description
  - (c) Job specification
  - (d) Job rotation
  - (e) Job enlargement.
52. Managerial creativity process involves certain phases. Which of the following is **not** a phase of the creativity process?
- (a) Unconscious scanning
  - (b) Intuition
  - (c) Insight
  - (d) Logical formulation
  - (e) Brainstorming.
53. Which of the following is the process of identifying and attempting to attract candidates who are capable of effectively filling up job vacancies?
- (a) Motivation
  - (b) Recruitment
  - (c) Selection
  - (d) Performance appraisal
  - (e) Socialization.
54. Which of the following are the key elements of Herzberg's two-factor theory of motivation?
- I. Motivators.
  - II. Hygiene factors.
  - III. Valence factors.
- (a) Only (I) above
  - (b) Only (II) above
  - (c) Both (I) and (II) above
  - (d) Both (I) and (III) above
  - (e) Both (II) and (III) above.



55. Application blank is one of the steps in a typical selection process. Which of the following is **not true** with regard to application blank?
- (a) Application blank is an efficient method of gathering information about the applicant's previous work history and education background
  - (b) The data provided in the application blank is used formally to decide whether a candidate merits further evaluation
  - (c) Interviewers use application blank to familiarize themselves with candidates before interviewing them
  - (d) The application blank can also include reasons for applying, expected salary and positions last held
  - (e) Candidates who pass the preliminary screening are required to complete a formal application form specially designed to obtain the required information about the candidate.
56. Formal appraisals are usually conducted annually or semi annually or on a systematic basis. Which of the following is a mix of all the four approaches to formal performance appraisal?
- (a) Peer assessment
  - (b) Superior's rating of subordinates
  - (c) 360-degree appraisal
  - (d) Subordinates' ratings of superiors
  - (e) Comprehensive review.
57. The employee performance rating method 'BARS' stands for
- (a) Behaviorally Assisted Rating Scales
  - (b) Behaviorally Aided Rating Scales
  - (c) Behaviorally Anchored Rating Scales
  - (d) Benchmark Anchored Rating Scales
  - (e) Benchmark Assisted Rating Scales.
58. Abraham Maslow's hierarchy of human needs theory is classified into various groups. An organization satisfies which of the following needs of its employees by providing a well-furnished office, a car, a personal assistant and other benefits such as stock options, club memberships, etc.?
- (a) Physiological
  - (b) Safety and security
  - (c) Social
  - (d) Esteem
  - (e) Self-actualization.
59. Several factors lead to organizational change. Which of the following is **not** a factor that leads to organizational change?
- (a) Nature of workforce
  - (b) Technology
  - (c) Economic factor
  - (d) Habit
  - (e) Competition.
60. Which of the following refers to the process of using creative ideas and looking at things in a new light?
- (a) Initiative
  - (b) Motivation
  - (c) Management
  - (d) Perception
  - (e) Innovation.
61. Which of the following is a theory proposed by Douglas McGregor, that has a pessimistic and rigid view of human nature?
- (a) Theory X
  - (b) Theory Y
  - (c) Theory Z
  - (d) Expectancy theory
  - (e) ERG theory.

62. Most of the conflict resolution techniques either focus on interpersonal relationships or structural changes. Which of the following is a traditional way of coping with conflict and involves agreeing in part with the other person's point of view?
- (a) Problem solving
  - (b) Forcing
  - (c) Smoothing
  - (d) Compromise
  - (e) Avoidance.
63. The inability of organizations to adapt to the changing environment is called
- (a) Organizational inflexibility
  - (b) Organizational conflict
  - (c) Retrenchment
  - (d) Organizational restructuring
  - (e) Grapevine.
64. Which of the following is an index that measures one variable relative to another?
- (a) Balance sheet
  - (b) Ratio
  - (c) Asset
  - (d) Budget
  - (e) Liability.
65. Which of the following is the first step in formulating a career strategy?
- (a) Monitoring progress
  - (b) Preparation of a personal profile
  - (c) Implementation of a career plan
  - (d) Development of contingency plans
  - (e) Development of strategic career alternatives.
66. Evaluation of the effectiveness and efficiency of various systems within an organization is referred to as
- (a) Budgeting
  - (b) Activity-based costing
  - (c) Quality control
  - (d) Management audit
  - (e) Transfer pricing.
67. Which of the following is/are the models of management proposed by Raymond E. Miles?
- I. Traditional model.
  - II. Human relations model.
  - III. Human resources model.
- (a) Only (I) above
  - (b) Only (II) above
  - (c) Only (III) above
  - (d) Both (I) and (III) above
  - (e) All (I), (II) and (III) above.
68. Organizations implement control in various ways and at various levels. Which of the following is **not** one of the ways of management control?
- (a) Feedback control
  - (b) Feedforward control
  - (c) Concurrent control
  - (d) Exception control
  - (e) Cybernetic control.

69. A useful way to classify various motivation theories is to look at their major thrust. Which of the following motivation theories emphasizes on the dynamics of motivation and how individuals are motivated?
- Content theories
  - Process theories
  - Transformational leadership theories
  - Transactional leadership theories
  - Situational leadership theories.
70. Which of the following shows managerial positions, current incumbents, potential replacements for each position and the age of each person?
- Gantt chart
  - Skills inventory
  - Manager inventory chart
  - Pie chart
  - PERT diagram.
71. Unanalyzed facts and figures can be referred to as
- Communication
  - Data
  - Hardware
  - Noise
  - Feedback.
72. In the management context, 'control' refers to the evaluation of performance and the implementation of corrective actions to accomplish organizational objectives. Which of the following is the **correct** sequence of the steps in controlling?
- Measurement of performance.
  - Comparison of actual and standard.
  - Analysis of causes of deviation.
  - Actual performance.
  - Corrective action plan.
- (III), (IV), (V), (I) and (II) above
  - (II), (III), (IV), (V) and (I) above
  - (I), (II), (IV), (III) and (V) above
  - (IV), (I), (II), (III) and (V) above
  - (V), (IV), (III), (II) and (I) above.
73. Communication is a process of exchanging ideas or information between two persons. During the communication process, when the message is converted to a symbolic form, it is known as
- Encoding
  - Transmission
  - Receiving
  - Decoding
  - Noise.
74. An organization incurs several costs in maintaining inventory. The cost of not having the inventory of the product requested by the customer is called
- Carrying cost
  - Item cost
  - Ordering cost
  - Stock-out cost
  - Superfluous cost.
75. Hersey and Blanchard defined which of the following as the extent to which followers have the ability and the willingness to accomplish a specific task?
- Training
  - Readiness
  - Instrumentality
  - Motivation
  - Valence.

76. Which of the following is **not** an example of current assets?
- (a) Prepaid expenses
  - (b) Cash and cash equivalents
  - (c) Marketable securities
  - (d) Trade payables
  - (e) Inventory.
77. Which of the following does **not** constitute a set of decisions that are included in an operations management program?
- (a) Capacity decisions
  - (b) Facilities decisions
  - (c) Quality decisions
  - (d) Materials/inventory decisions
  - (e) Budgeting decisions.
78. Professor Rensis Likert and his associates at the University of Michigan studied the patterns and styles of leaders and managers and suggested certain systems of management for understanding leadership behavior. A manager, exhibiting lack of confidence or trust in subordinates, will be categorized into which of Likert's management systems?
- (a) System 1 (exploitive-authoritative style)
  - (b) System 2 (benevolent-authoritative style)
  - (c) System 3 (consultative style)
  - (d) System 4 (participative leadership style)
  - (e) System 5 (consultative - authoritative style).
79. Which of the following financial ratios measures the ability of an organization to meet its short-term obligations by using its current assets?
- (a) Leverage
  - (b) Asset management
  - (c) Debt management
  - (d) Liquidity
  - (e) Profitability.
80. According to William Ouchi, organizations that exhibit a style of management that combines traits of Japanese and American companies are called
- (a) Theory X organizations
  - (b) Theory Y organizations
  - (c) Theory Z organizations
  - (d) Modern organizations
  - (e) Supportive organizations.
81. According to Kurt Lewin, a leader who involves employees in decision-making, delegates' authority, gathers inputs from employees, and makes the final decision by himself is most possibly using which style of leadership?
- (a) Democratic
  - (b) Laissez-faire
  - (c) Autocratic
  - (d) Consultative
  - (e) Benevolent authoritative.
82. In which of the following techniques for improving productivity are workers invited to participate in simplifying their work?
- (a) Time-event networks
  - (b) Value engineering
  - (c) Work simplification
  - (d) Quality circles
  - (e) Total quality management.

83. Management by walking around (MBWA) may be used as a control technique by managers to monitor the performance of their employees while they are performing their tasks. MBWA is primarily based on
- Statistical information
  - Oral reports
  - Written reports
  - Computer databases
  - Personal observation.
84. Which of the following management information systems is an interactive computer system that provides managers with the necessary information for making intelligent decisions?
- Transaction processing system
  - Decision support system
  - Office automation system
  - Executive support system
  - Line support system.
85. Information systems are resource management agents used to plan, monitor, control, and evaluate the utilization of 'management information' which is a major organizational resource. Which of the following is **not** a component of an information system?
- Hardware
  - Software
  - People
  - Data
  - Policies.
86. Which of the following control systems do lower-level managers' use more frequently?
- Financial control system.
  - Budgetary control system.
  - Quality control system.
  - Inventory control system.
- Both (I) and (II) above
  - Both (II) and (III) above
  - Both (III) and (IV) above
  - (I), (II) and (III) above
  - (II), (III) and (IV) above.
87. Organizations make use of five major types of information systems. Which of the following systems records any event or activity that involves the interaction of the organization with external agents?
- Transaction processing system
  - Office automation system
  - Decisions support system
  - Executive support system
  - Management information system.
88. Which of the following factor(s) can be measured or evaluated by using Graphic Rating Scales?
- Quality of work.
  - Attendance.
  - Dependability.
- Only (I) above
  - Only (II) above
  - Only (III) above
  - Both (I) and (III) above
  - All (I), (II) and (III) above.

89. Which of the following strategies of overcoming resistance to change involves selectively providing information about a change so that it appears more attractive or necessary to potential resisters?
- Cooptation
  - Manipulation
  - Coercion
  - Negotiation
  - Participation.
90. Which of the following is **not** an upward communication?
- Cost accounting report
  - Purchase order summary
  - Sales report
  - Corporate policy statement
  - Production report.
91. Which of the following variables is at the heart of Fiedler's Contingency Theory?
- Least preferred leader
  - Least preferred task
  - Least preferred company
  - Least preferred position
  - Least preferred co-worker.
92. Which of the following ratios when high increases an organization's profitability resulting in a lesser need for investment in assets?
- Current
  - Activity
  - Liquidity
  - Profitability
  - Quick.
93. Which of the following statements is/are true with respect to content theories of motivation?
- Maslow's self-actualization and esteem needs correspond to Herzberg's motivators.
  - McClelland's need for achievement corresponds to Alderfer's relatedness needs.
  - Maslow's esteem needs correspond to Alderfer's need for power.
  - Herzberg's hygiene factors correspond to McClelland's need for affiliation, Maslow's social needs and Alderfer's existence needs.
- Only (I) above
  - Both (I) and (III) above
  - Both (II) and (IV) above
  - (II), (III) and (IV) above
  - All (I), (II), (III) and (IV) above.
94. Which of the following statements is/are **true** about 'Economic Order Quantity' (EOQ)?
- It is helpful for determining desirable inventory levels when demand is predictable.
  - EOQ is useful in determining inventory levels of parts and materials used in production, as well.
  - Decisions based on EOQ could lead to shortage or excess of inventory.
- Only (II) above
  - Only (III) above
  - Both (I) and (II) above
  - Both (I) and (III) above
  - All (I), (II) and (III) above.
95. Which one of the following is **not** a technique of financial control?
- Budgetary control
  - Quality circle
  - Break-even analysis
  - Responsibility accounting
  - Internal audit.

96. Assigning workers additional tasks on the same level, which increases the number of tasks they have to do, is known as
- (a) Job enrichment
  - (b) Job enlargement
  - (c) Job rotation
  - (d) Vertical job loading
  - (e) Job loading.
97. A Total Quality Management programme is **not** characterized by
- (a) A continual process
  - (b) Efforts by all organization members
  - (c) A focus on only a few critical work activities
  - (d) A focus on the production process
  - (e) Efforts to involve organization members.
98. Which of the following is/are inference(s) drawn from the Ohio State studies?
- I. The dimension 'initiating structure' is similar to the job centered leader behavior identified by Iowa studies.
  - II. The dimension 'consideration' emphasizes people related issues.
  - III. Ohio State studies consider initiating structure and consideration as the two ends of the same continuum.
  - IV. The two-dimensional approach led to the probability that a leader might place emphasis on both task and people related issues.
- (a) Only (IV) above
  - (b) Both (I) and (II) above
  - (c) Both (III) and (IV) above
  - (d) (I), (II) and (IV) above
  - (e) All (I), (II), (III) and (IV) above.
99. Which of the following costs decreases with an increase in inventory?
- (a) Cost of capital
  - (b) Storage space costs
  - (c) Obsolescence costs
  - (d) Ordering costs
  - (e) Insurance.
100. Productivity can be measured in two ways: total productivity and partial productivity. In both the cases it is expressed as a ratio of outputs to inputs. Which of the following inputs is common to both the measures of productivity?
- (a) Capital
  - (b) Energy
  - (c) Materials
  - (d) Labor
  - (e) Technology.

**END OF QUESTION PAPER**

## Suggested Answers

### Principles of Management (SMB101)

ANSWER	REASON
1.	A The roles of entrepreneur, disturbance handler, resource allocator, and negotiator can be categorized as decisional roles. Hence, we can infer that option (a) is correct.
2.	C Middle level managers deal with the actual operation of the organization's units. Hence, we can infer that option (c) is correct.
3.	A The management function of influencing, motivating, and directing human resources toward the achievement of organizational goals is leading. Hence, we can infer that option (a) is correct.
4.	C Human skills are important at all levels in the organization. Hence, we can infer that option (c) is correct.
5.	C The management function of organizing involves determining: <ul style="list-style-type: none"> <li>• Tasks to be performed.</li> <li>• How tasks can best be combined into specific jobs.</li> <li>• Authority and reporting relationships within the corporate hierarchy.</li> <li>• Promotions and career planning are part of the staffing function.</li> </ul> Hence, we can infer that option (c) is correct.
6.	A Henry Fayol's principle of division of labor states that 'work specialization leads to efficiency of operations'. Hence, we can infer that option (a) is correct.
7.	D An organization that interacts with external forces is an open system. Other options are not true with respect to the question. Hence, we can infer that option (d) is correct.
8.	A Workplace culture sets its own production standards is the finding of the Hawthorne studies. Statements (II) and (III) are pre-judgments of the Hawthorne studies. Hence, we can infer that option (a) is correct.
9.	E Behavioral approach to management emphasized the human element, thus viewing the organization from an individuals' point of view. Hence, we can infer that option (e) is correct.
10.	C Top management commitment is a mechanism for ethical management in organizations and not an ethical guideline for managers. Hence, we can infer that option (c) is correct.
11.	E Creating a long-term and healthy relationship with creditors is an obligation towards creditors that business firms should fulfill. Hence, we can infer that option (e) is correct.
12.	A Volunteerism refers to the involvement of employees in civic activities. Hence, we can infer that option (a) is correct.
13.	B Moral management strives to follow ethical principles and doctrines. Hence, we can infer that option (b) is correct.
14.	D Policies are standing plans that furnish broad guidelines for channeling management thinking in specified direction. Hence, we can infer that option (d) is correct.
15.	B Planning is a primary function as it precedes the execution of all other management functions. So it is not a secondary function. Options (a), (c), (d) and (e) are all characteristics of planning. Hence from above discussion, we can infer that option (b) is not a characteristic of planning.
16.	C An objective is the aim of an action. It implies a specific work to be accomplished within a given period of time. Short-term objective is developed to accomplish a work in a very short period of time. Hence, from above discussion, we can infer that option (c) is correct.
17.	E The key result areas in business suggested by Peter Drucker includes: <ul style="list-style-type: none"> <li>• Physical and financial resources.</li> <li>• Profitability.</li> <li>• Innovation.</li> <li>• Worker performance and attitude.</li> </ul> Hence, from above discussion, we can infer that option (e) is correct.
18.	A Emphasis on short-term goals is not a factor that would make Management by Objectives (MBO) more effective. Hence, from above discussion, we can infer that option (a) is correct.
19.	E In departmentation by time, workers may concentrate on narrow and specified technical aspects rather than the total system. Therefore, option (e) is the answer.
20.	D Span of control is the concept that defines the number of subordinates that report to a manager and that indirectly specifies the number of levels of management in an organization. Hence from above discussion, we can infer that option (d) is correct.
21.	A A question mark is a business unit that has a small relative market share in a rapidly growing market. The future performance of such a business unit is uncertain. Hence, from above discussion, we can infer that option (a) is correct.
22.	C Socialization refers to the process that helps new employees adapt to the organization's culture. Hence, from above discussion, we can infer that option (c) is correct.



23. A Functional departmentation is the grouping of activities by functions performed. Hence, from above discussion, we can infer that option (a) is correct.
24. C Programmed decisions require managers to exercise little discretion. Hence, from above discussion, we can infer that option (c) is correct.
25. E The three levels of strategy include (I) corporate level, (II) business level and (III) functional level. Hence, from above discussion, we can infer that option (e) is correct.
26. B In SWOT analysis, opportunities and threats are external characteristics of an organization. Hence, from above discussion, we can infer that option (b) is correct.
27. C Expert power is the power based upon one's expertise, special skills, or knowledge. Hence, from above discussion, we can infer that option (c) is correct.
28. C The following can be stated about these stages:
- Teamwork is emphasized.
  - A mature matrix is adopted when the functional and divisional dimensions are equally important.
- Statement (I) is not correct because even though each stage of the matrix structure provides increasing amounts of horizontal integration, but at the same time, it makes administration more complex.
- Statement (II) is not correct because dual authority exists to some degree, even with managerial integrators, because the integrators often coordinate directly with various members of functional departments (e.g. marketing, purchasing, engineering, etc.) assigned to assist them with their projects.
- Hence, from above discussion, we can infer that option (c) is correct.
29. A The tendency of a system to break down or degrade, become disorganized, or disintegrate is known as entropy. Hence, from above discussion, we can infer that option (a) is correct.
30. D The following is/are features of competitive advantage:
- I. It is strongest when it is extremely difficult for or expensive for competitors to copy
  - II. It is not possible for a firm to build a competitive advantage over all other competitors.
  - III. It should ultimately create increased value for customers.
  - IV. It is generated on the basis of organizational competencies.
- Hence, from above discussion, we can infer that option (d) is correct.
31. E Organization culture refers to a system of shared values, assumptions, beliefs, and norms that unite the members of an organization. Hence, from above discussion, we can infer that option (e) is correct.
32. E The following are advantages of departmentation by process or equipment:
- It is beneficial when the equipment or machinery requires special operating skills.
  - The basic purpose of the departmentation is to get economic benefits.
- Statement (I) is an advantage of a matrix organization. Hence, from above discussion, we can infer that option (e) is correct.
33. C Management is essential at all levels in a n organization. Hence, option (c) is not a key aspect of management. Hence, from above discussion, we can infer that option (c) is correct.
34. C Obsolete facilities are a potential resource weakness not a threat. Hence, from above discussion, we can infer that option (c) is correct.
35. A Preference theory is based on the notion that individual attitudes towards risk vary. Hence, from above discussion, we can infer that option (a) is correct.
36. C The planning process begins with stating organizational objectives Hence, from above discussion, we can infer that option (c) is correct.
37. E Exploiting staff is not a means of avoiding line and staff conflicts. Hence, from above discussion, we can infer that option (e) is correct.
38. B Mark's Embroidery is departmentalized by customer, i.e. to say customer divisions are divisions set up to service particular types of clients or customers. Under this method, activities are grouped according to the customers the organization serves and service to the customers is of top priority. (a) Product divisions are divisions created to concentrate on a single product or service or at least a relatively homogeneous set of products or services. (c) Geographic divisions are divisions that are designed to serve different geographic areas. Under this method, territory or location is taken as the basis for departmentation. (d) Process divisions are designed to departmentalize the activities through the different processes which the organization follows. (e) In Functional departmentation, activities are grouped according to their main functional or specialized areas such as Production, Finance, Marketing, HR, etc. Hence, from above discussion, we can infer that option (b) is correct.

39. D The six characteristics of open-system organizations include: cycle of events, feedback mechanisms, dynamic homeostasis, negative entropy, differentiation, and equifinality. Hence, from above discussion, we can infer that option (d) is correct.
40. A Delegation is the process by which managers allocate a chunk of their work to subordinates along with sufficient authority to accomplish the work. Hence, from above discussion, we can infer that option (a) is correct.
41. B Criticism of poor ideas is not allowed in a brainstorming session. Hence, from above discussion, we can infer that option (b) is correct.
42. C The following statements are true with respect to power and the types of power:  
 I. Legitimate power is similar to authority and is very important in the organizational context.  
 III. Referent power functions at superior and peer levels.  
 IV. Coercive power is used to ensure a minimum standard of performance.  
 Statement (II) is not true as legitimate power works both downwards and upwards.  
 Statement (V) is not true as power can be institutional or impersonal. Hence, from above discussion, we can infer that option (c) is correct.
43. A Restructuring involves major changes in organizational structure and changes in some major components of the organization. Hence, from above discussion, we can infer that option (a) is correct.
44. B The degree to which decision making is concentrated at a single point in the organization is referred to as centralization. Hence, from above discussion, we can infer that option (b) is correct.
45. A A staff manager is a specialist not a generalist. A line manager is a generalist. Hence, from above discussion, we can infer that option (a) is correct.
46. A Linear programming is a mathematical technique used in optimum allocation of resources in the organization.  
 • Decision tree is a graphical method for identifying alternative actions, estimating probabilities, and indicating the resulting expected pay-off.  
 • Simulation is the technique of developing a model that represents a real or existing system for solving complex problems that cannot be readily solved by other techniques.  
 • Waiting-line or queuing model is a mathematical model that describes the operating characteristics of queuing situations, in which service is provided to persons or units waiting in line.  
 • Game theory is a technique for determining the strategy that is likely to produce maximum profits in a competitive situation.  
 Hence, from above discussion, we can infer that option (a) is correct.
47. E The most significant ways that culture is transmitted to employees consist of shared beliefs, values, rituals, stories, myths and specialized language that foster a feeling of community among organization members. Culture is not transmitted through rewards. Hence, from above discussion, we can infer that option (e) is correct.
48. A Classical approach to management includes the three schools of scientific management, administrative theory and bureaucratic management. Hence, from above discussion, we can infer that option (a) is correct.
49. B Organizing involves designing and maintaining a formal structure of roles and positions. Hence, from above discussion, we can infer that option (b) is correct.
50. A Group decisions are slower than individual decisions due to the participation of several members. Hence, from above discussion, we can infer that option (a) is correct.
51. C Job specification indicates characteristics of the individual who should be hired for the job. Hence, from above discussion, we can infer that option (c) is correct.
52. E Brainstorming is not a phase of the creativity process. Hence, from above discussion, we can infer that option (e) is correct.
53. B Recruitment is process of identifying and attempting to attract candidates who are capable of effectively filling up job vacancies. Hence, from above discussion, we can infer that option (b) is correct.
54. C The following are key elements of Herzberg's two-factor theory of motivation:  
 I. Motivators.  
 II. Hygiene factors.  
 Hence, from above discussion, we can infer that option (c) is correct.
55. B Option (b) is not true with regard to application blank. The data provided in the application blank is used informally to decide whether a candidate merits further evaluation but not formally as given in the question. Hence, from above discussion, we can infer that option (b) is correct.

56. C In “360 degree appraisal,” an individual is evaluated using all the four approaches to formal appraisal. To be successful, these appraisals must be carefully designed and skillfully implemented. Hence, from above discussion, we can infer that option (c) is correct.
57. C BARS’ stands for Behaviorally Anchored Rating Scales. Hence, from above discussion, we can infer that option (c) is correct.
58. D An organization satisfies esteem needs of its employees by providing a well-furnished office, a car, a personal assistant and other benefits such as stock options, club memberships, etc. Hence, from above discussion, we can infer that option (d) is correct.
59. D Habit is not a factor that leads to organizational change. It is a source of resistance to change. Hence, from above discussion, we can infer that option (d) is correct.
60. E Innovation refers to the process of using creative ideas and looking at things in a new light. Hence, from above discussion, we can infer that option (e) is correct.
61. A Theory X theory, proposed by Douglas McGregor has a pessimistic and rigid view of human nature. Hence, from above discussion, we can infer that option (a) is correct.
62. D Compromise is a traditional way of coping with conflict and involves agreeing in part with the other person's point of view. Hence, from above discussion, we can infer that option (d) is correct.
63. A The inability of organizations to adapt to the changing environment is called organizational inflexibility. Hence, from above discussion, we can infer that option (a) is correct.
64. B Ratio is an index that measures one variable relative to another. Hence, from above discussion, we can infer that option (b) is correct.
65. B The first step in formulating a career strategy is the preparation of a personal profile. Hence, from above discussion, we can infer that option (b) is correct.
66. D Functioning of various systems in an organization can be better understood by conducting management audits. The management audit encompasses verification of various functioning systems within an organization. Hence, from above discussion, we can infer that option (d) is correct.
67. E The following are models of management proposed by Raymond E. Miles:  
 I. Traditional model.  
 II. Human relations model.  
 III. Human resources model.  
 Hence, from above discussion, we can infer that option (e) is correct.
68. D There is no such management control as ‘exception control’. Hence, from above discussion, we can infer that option (d) is correct.
69. B Process Theory focuses on the dynamics of motivation and how the motivation process takes place. The other theories are not applicable in this case. Hence, from above discussion, we can infer that option (b) is correct.
70. C Manager Inventory Chart shows managerial positions, current incumbents, potential replacements for each position, and the age of each person. Hence, from above discussion, we can infer that option (c) is correct.
71. B Unanalyzed facts and figures can be referred to as data. Hence, from above discussion, we can infer that option (b) is correct.
72. D The steps in controlling are actual performance, measurement of performance, comparison of actual and standard. Analysis of courses of deviation and corrective action plan. Hence, from above discussion, we can infer that option (d) is correct.
73. A The process of converting a message into a symbolic form is called Encoding. Hence, from above discussion, we can infer that option (a) is correct.
74. D The cost of not having the inventory or stock of the product requested by the customer is called stock-out cost. Hence, from above discussion, we can infer that option (d) is correct.
75. B Hersey and Blanchard define “readiness” as the extent to which followers have the ability and the willingness to accomplish a specific task. Hence, from above discussion, we can infer that option (b) is correct.
76. D Trade payables are a current liability and not a current asset. Hence, from above discussion, we can infer that option (d) is correct.
77. E Budgeting decisions do not constitute a set of decisions that are included in an operations management program. Hence, from above discussion, we can infer that option (e) is correct.
78. A A manager exhibiting a lack of confidence or trust in subordinates will be categorized into System 1 (exploitative-authoritative) of Likert's Management Systems. Hence, from above discussion, we can infer that option (a) is correct.
79. D Liquidity ratios measure the ability of an organization to meet its short-term obligations by using its current assets. Hence, from above discussion, we can infer that option (d) is correct.

80. C Organizations that exhibit a style of management that combines traits of Japanese and American companies are called theory Z organizations. Hence, from above discussion, we can infer that option (c) is correct.
81. D A consultative leader involves employees in decision-making, delegates' authority, and gathers input from employees, but makes the final decision himself/herself. Hence, from above discussion, we can infer that option (d) is correct.
82. C In work simplification method, workers are invited to participate in simplifying their work. Hence, from above discussion, we can infer that option (c) is correct.
83. E Management by walking around (MBWA) is based primarily on personal observation. Hence, from above discussion, we can infer that option (d) is correct.
84. B Decision support system is an interactive computer system that provides managers with the necessary information for making intelligent decisions. Hence, from above discussion, we can infer that option (b) is correct.
85. E Policies are not a component of an information system. Hence, from above discussion, we can infer that option (e) is correct.
86. E Low level managers use budgetary control system to ensure organizational activities re carried out according to the budgets allocated, quality control systems & inventory control low-level managers use systems. Low level mangers generally not concerned with financial control system. Top-level management usually uses financial control system. Hence, from above discussion, we can infer that option (e) is correct.
87. A Transaction processing system systems records any event or activity that involves the interaction of the organization with external agents. Hence, from above discussion, we can infer that option (a) is correct.
88. E Graphic rating scales are performance appraisal forms listing a number of factors, including general behaviors and characteristics (such as attendance, quality of work, appearance, dependability, quantity of work and relationship with people), on which employee is rated by the supervisor. Hence, from above discussion, we can infer that option (e) is correct.
89. B Manipulation strategy of overcoming resistance to change, usually involves selectively providing information about a change so that it appears more attractive or necessary to potential resisters. Hence, from above discussion, we can infer that option (b) is correct.
90. D Except corporate policy statements, all the options given are examples of upward communication. Hence, from above discussion, we can infer that option (d) is correct.
91. E The variable that is at the heart of Fiedler's contingency theory is least preferred co-worker. Hence, from above discussion, we can infer that option (e) is correct.
92. B Activity rations when high increases an organization's profitability resulting in a lesser need for investment in assets. Hence, from above discussion, we can infer that option (b) is correct.
93. B The following statements are true with respect to content theories of motivation:
  - Maslow's self-actualization and esteem needs correspond to Herzberg's motivators.
  - Maslow's esteem needs correspond to Alderfer's need for power.
The following statements are not true with respect to content theories of motivation
  - McClelland's need for achievement corresponds to Alderfer's relatedness needs since McClelland's need for achievement corresponds to Alderfer's growth needs.
  - Herzber's hygiene factors correspond to McClelland's need for affiliation, Maslow's social needs and Alderfer's existence needs since Herzber's hygiene factors correspond to Maslow's safety and physiological needs and Alderfer's existence needs. Hence, from above discussion, we can infer that option (b) is correct.
94. D The following statements is/are true about 'economic order quantity (EOQ)':
  - It is helpful for determining desirable inventory levels when demand is predictable.
  - Decisions based on EOQ could lead to shortage or excess of inventory.
Statement (II) is not true as EOQ may not be useful in determining inventory levels of parts and materials used in production. Hence, from above discussion, we can infer that option (d) is correct.
95. B Financial control is relevant for those aspects of business operations whose outcomes are expressed in monetary terms. The major techniques of financial control at operative level are budgetary control, break-even analysis, Responsibility accounting and internal audit. Quality circle is not a technique of financial control and it is a technique of operating control. Hence, from above discussion, we can infer that option (b) is correct.
96. B Job enlargement is a job design approach that involves the allocation of a wider variety of similar tasks to a job in order to make it more challenging. Hence, from above discussion, we can infer that option (b) is correct.

97. C A TQM programme is a continual process involving all organization members that spans all production activities in the organization. Hence, from above discussion, we can infer that option (c) is correct.
98. D The following are inferences drawn from the Ohio State studies:
- The dimension 'initiating structure' identified by Ohio State studies is similar to the job centered leader behavior identified by Iowa studies.
  - 'Consideration' in Ohio studies emphasizes people related issues.
  - The two-dimensional approach led to the probability that a leader might place emphasis on both task and people related issues.
- Statement (III) is not an inference as Ohio State studies consider initiating structure and consideration as independent behaviors and not two ends of the same continuum. Hence, from above discussion, we can infer that option (d) is correct.
99. D Ordering costs decrease with an increase in inventory. The remaining costs increase with an increase in inventory. Hence, from above discussion, we can infer that option (d) is correct.
100. D Labor is a common input to both the productivity measures: total productivity and partial productivity. Hence, from above discussion, we can infer that option (d) is correct.

[< TOP OF THE DOCUMENT >](#)