

PILOT PAPER – 2023-2027 SYLLABUS

CL1.3 Business Fundamentals

Certificate Level

Time allowed: 2 Hours.

Total Marks: 100

Exam Structure

- 50 Multiple Choice Questions (MCQ)
 - **Fundamentals of Management**
 - Segment A 05 MCQs
 - Segment B 05 MCQs
 - Segment C 15 MCQs
 - Segment D 05 MCQs
 - **Fundamentals of Economics**
 - Segment A 02 MCQs
 - Segment B 05 MCQs
 - Segment C 05 MCQs
 - Segment D 08 MCQs
- Each 02 marks and 100 marks in total.

All questions are compulsory.

Segment A - Fundamentals of Management

1. An organization is a collection of people who.....:
 - a) share the profit at the end of the year.
 - b) work together to achieve common goals and objectives.
 - c) buy products and services.
 - d) work for a salary.

2. Management is a process of using limited resources (i)..... to achieve goals and objectives (ii).....:
 - a) (i) effectively (ii) efficiently
 - b) (i) effectively (ii) productively
 - c) (i) inefficiently (ii) effectively
 - d) (i) efficiently (ii) effectively

3. Managers are categorized into three layers as (i) (ii)and (iii) from top to the bottom of the organizational hierarchy:
 - a) (i) Senior managers (ii) Middle managers (iii) Junior managers
 - b) (i) Junior managers (ii) Functional managers (iii) Senior managers
 - c) (i) Top level managers (ii) Middle level managers (iii) First line managers
 - d) (i) Functional managers (ii) Operational level manager (iii) Top level managers

4. What is the equally important managerial skill to be acquired by all three levels of managers in an organization:
 - a) Technical skills.
 - b) Conceptual skills.
 - c) Human skills.
 - d) Communication skills

5. Buyers, suppliers, competitors, social groups, and media are components of the of a business organization.
 - a) Task environment b) Societal environment
 - c) Macro environment d) Internal environment

Segment B - Fundamentals of Management

6. Human contributions such as the construction of the Great Wall in China, the Great Pyramids in Egypt and constructions and irrigation systems in Sri Lanka provide evidence for:
- a) Lack of management knowledge in the early civilization period.
 - b) Good management practices in the early civilization period.
 - c) Some intervention of the aliens in human activities.
 - d) The superpower of the human in the early civilization period.
7. 'One best method of working' known as (i)..... was introduced by (ii) in his management approach, (iii) ,.....:
- a) (i) work method (ii) F.W. Taylor (iii) behavioral science
 - b) (i) bureaucracy (ii) Henry Fayol (iii) administrative theory
 - c) (i) work motivation (ii) Abraham Maslow (iii) behavioral science
 - d) (i) science of work (ii) F.W. Taylor (iii) scientific management
8. These are three principles included in the administrative theory introduced by Henri Fayol:
- a) Division of work, work specialization, scientific training
 - b) Work specialization, departmentalization, authority
 - c) Division of work, authority, unity of command
 - d) Authority, scientific method, esprit de corps
9. These are three contributors to the behavioral school of management:
- a) Abraham Maslow, Elton Mayo, Fredrick Herzberg
 - b) Fredrick Herzberg, Henry Feyol, Abraham Maslow
 - c) F.W. Taylor, Elton Mayo, Henry Feyol,
 - d) Abraham Maslow, David McClelland, Lillian Gilbreth

10. Application of mathematical and statistical tools to solve managerial problems was introduced in this management approach:

- a) Scientific management
- b) Excellence management approach
- c) Behavioural approach
- d) Management science approach

Segment C - Fundamentals of Management

11. What are the four main functions of management?

- a) Plan, Decide, Study, Act
- b) Planning, Organizing, Leading, Controlling
- c) Problem identification, Decision making, Implementation, Checking
- d) Diagnose, Decide, Do, Deviate

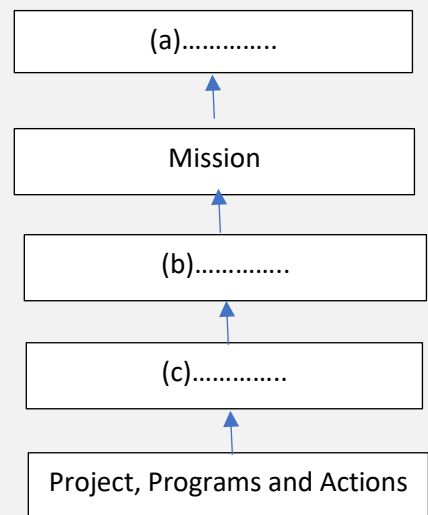
12. This managerial function deals with setting goals and objectives and deciding strategies.

- a) Decision making
- b) Leading
- c) Planning
- d) Organizing

13. What are the suitable terms to fill the blanks in the figure of planning hierarchy?

- a) (i) Goals and Objectives (ii) Strategies (iii) Vision
- b) (i) Vision (ii) Goals and Objectives (iii) Strategies
- c) (i) Strategies (ii) Goals and Objectives (iii) Vision
- d) (i) Vision (ii) Strategies (iii) Goals and Objectives

Figure: Hierarchy of Planning



14. The fundamental, unique purpose of existence that creates an organization unique from others and identifies the scope of its operations in terms of its products, markets and technology'. This is a definition for:

- a) Goals
- b) Vision
- c) Mission
- d) Objectives

15. What is an example of a goal of the Government Forest Department:

- a) Increasing the extent of forest resources by 30% by the year 2025.
- b) Forest Coverage of Sri Lanka is 30% of the whole land extent.
- c) Last year's expenditure for forest conversation was Rs 200 Mn.
- d) Government Forest Department has nine divisions.

16. What statement best describes the process of organizing:

- a) The process of leading people to meet the goals and objectives of the organization effectively.
- b) The process of drawing a best organizational chart of an organization to describe how organizational members are positioned and grouped.
- c) The process of encouraging people to work committedly by fulfilling their needs and wants to maximize their satisfaction.
- d) The process of identifying and assigning work, allocating resources, delegating authority, deciding the best work methods, and structuring the organization to meet the goals and objectives.

17. Dividing the total workload into tasks that can logically and comfortably be performed by individuals or groups is known as;

- a) Departmentalization
- b) Division of work
- c) Organizing
- d) Delegation

18. This is an example of a member of a secondary group:

- a) A member of a quality circle
- b) A member of a football team
- c) A regular traveler in a particular compartment of a train
- d) A member of a welfare group who participates in activities occasionally

19. 'The ability to exert power to change the behaviour of individuals and groups', presents the definition for;

- a) Politics
- b) Leadership
- c) Power
- d) Motivation

20. The motivational theory formulated by Abraham Maslow recognized that there are five needs common to mankind, and they can be arranged in a hierarchy. Accordingly, which one of the following is arranged in the correct order:

- a) physiological, esteem, social, safety, self-actualization
- b) physiological, social, safety, esteem, self-actualization
- c) physiological, safety, esteem, social, self-actualization
- d) physiological, safety, social, esteem, self-actualization

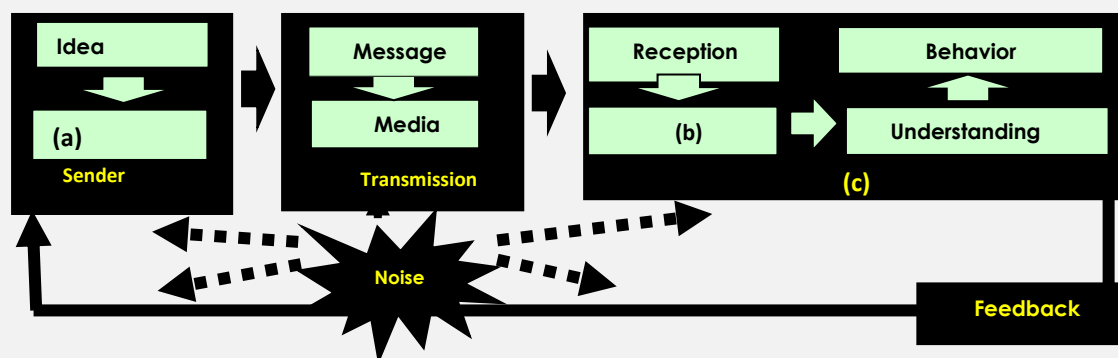
21. Which theory explains that there is a level at which a person can be neither satisfied nor dissatisfied:

- a) Two-factor theory
- b) Expectancy theory
- c) Equity theory
- d) ERG theory

22. Select the best terms to fill the gaps in the figure of the process of communication below:

- a) (i) decoding (ii) encoding (iii) receiver
- b) (i) receiver (ii) encoding (iii) decoding
- c) (i) encoding (ii) receiver (iii) decoding
- d) (i) encoding (ii) decoding (iii) receiver

Figure: Process of Communication



23. What is the most effective communication mode to pass working instructions to the laborers in a garment factory:

- a) Writing a formal letter
- b) Face-to-face oral instructions
- c) Sending a circular
- d) Distributing leaflets

24. What are the functions of controlling:

- a) Setting goals and objectives, dividing work, measuring performance, changing goals and objectives
- b) Setting key performance indicators, measuring actual performance, comparing KPIs and actual performance, deciding and implementing corrective actions
- c) Plan the workflow, give work instructions, supervise employees, punish people who do not align with instructions
- d) Collect information, check the accuracy of the information, call meetings, discuss the deviations

25. What is a non-financial controlling method:

- a) Financial reporting
- b) Financial auditing
- c) CCTV
- d) Bank reconciliation

Segment D - Fundamentals of Management

26. What do you mean by “stakeholders”:

- a) They are one kind of shareholders
- b) People who have invested money in the company
- c) All the parties who have an interest in the activities of an organization
- d) External parties who influence an organization

27. The statement -‘The systems of rules, practices, and processes by which a firm directed and controlled to balance the interest of Company’s many stakeholders’- defines:

- a) Corporate social responsibility
- b) Multiple objectives of a corporate
- b) Balancing corporate multiple stakeholders
- d) Corporate governance

28. Agency theory is used to explain the relationship between principles and agents and resolve conflicts between two parties. Who are the principles and agents to be considered in corporate governance:

- a) Principles – managers and Agents- employees
- b) Principles – companies and Agents- sellers
- c) Principles –shareholders and Agents- managers
- d) Principles – government and Agents- board of directors

29. What is the liability of the corporation for the shareholders of the company:

- a) Paying the maximum dividends possible
- b) Ensuring long-term growth and securing the investment
- c) Increasing share prices strategically
- d) Ignoring the requirement of interests of minority shareholders

30. Which of the following is not a responsibility of the board of directors concerning with the governance of a company:

- a) Appointment of external auditors
- b) Ensuring proper internal controls are in place
- c) Reporting to shareholders
- d) Setting the strategic goals of the company

Segment A - Fundamentals of Economics

31. Economics is the study of:

- a) People making irrational choices.
- b) Social welfare of countries.
- c) Assumptions, theories, and models in human behavior.
- d) Human behavior with respect to scarce resources and unlimited wants.

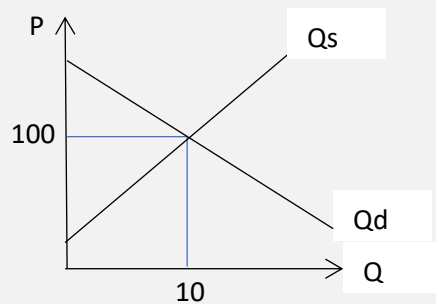
32. Opportunity cost is defined as:

- a) The amount given up when choosing one activity over all other alternatives.
- b) The amount given up when choosing one activity over the next best alternative.
- c) The opportunity to earn a profit that is greater than the one currently being made.
- d) The amount that is given up when choosing an activity that is not as good as the next best alternative.

Segment B - Fundamentals of Economics

33. Using the information given below, identify the correct statement that indicates consumer surplus and the producer surplus.

$$Q_d = 50 - 0.4P \quad Q_s = -30 + 0.4P$$



- a) Consumer surplus=125, producer surplus=100
- b) Consumer surplus=250, producer surplus=250
- c) Consumer surplus=100, producer surplus=125
- d) Consumer surplus=125, producer surplus=125

34. Which of the following factors cause to shift the supply curve to left:

- a) Technological progress.
- b) A fall in the cost of factors of production.
- c) A rise in the price of other goods.
- d) An improvement in productivity of existing factors of production.

35. Hot Buns bakery makes such great tea buns that consumers do not respond much to changes in the price. If the owner is only interested in increasing revenue, the owner should:

- a) Lower the price of the tea buns.
- b) Leave the price of the tea buns constants.
- c) Raise the price of the tea buns.
- d) Reduce costs.

36. Out of the followings which statement correctly represent the possible consequence of imposing a maximum price for a product:

- a) Black market will be created for the product.
- b) Can lead to efficient allocation of resources.
- c) Price will be set above the equilibrium price.
- d) The government might have to purchase the amount of surplus.

37. An externality is defined as:

- a) An additional cost imposed by the government on producers.
- b) An additional gain received by consumers from decisions made by the government.
- c) A cost or benefit that arises from production or consumption and falls on someone other than the producer or the consumer.
- d) The additional amount consumers have to pay to consume an additional amount of a good or service.

Segment C - Fundamentals of Economics

38. Select the most suitable choices for blanks

The law of diminishing marginal returns says that the extra output generated will eventually begin to for each additional unit of the variable input in the production.

- a) fall, short run.
- b) rise, short run.
- c) rise, long run.
- d) fall, long run.

39. A line that connects all points where the Marginal Rate of Technical Substitution is equal to the Price Ratio of Factor Inputs is called:

- a) An isocost line
- b) An isoquant curve.
- c) Total product curve
- d) An expansion path.

40. A company's Total Revenue function is given as; $TR = 4Q^2 + 8Q + 9$ and its total cost function is given as; $TC = 40Q + 5$. The profit function and the output level that will maximize profits for the company are given respectively:

- a) $\Pi = 4Q^2 + 8Q + 4$ and 5
- b) $\Pi = 4Q - 32Q + 4$ and 4
- c) $\Pi = 4Q^2 - 32Q + 4$ and 5
- d) $\Pi = 4Q^2 - 32Q + 4$ and 4

41. Which of the following statements is correct about the perfect competitive market structure:

- a) In the long run equilibrium, every firm in a perfectly competitive industry earns economic profit.
- b) In a competitive market, the price always equals the marginal cost at the profit maximization output level in the short run.
- c) A firm's individual demand curve is represented through a horizontal demand curve.
- d) Perfect competition exists in a market when all firms are price makers as opposed to price takers.

42. Which of the following statements has correctly represented the pair of market structures which gives supernormal profits in the long run:

- a) Monopoly and Perfect Competition.
- b) Oligopoly and Monopolistic Competition.
- c) Monopoly and Oligopoly.
- d) Perfect Competition and Monopolistic Competition.

Segment D - Fundamentals of Economics

43. Which one of the following is not included in calculating Gross Domestic Product (GDP) under the expenditure approach:
- a) Vouchers are provided to school students to purchase uniforms.
 - b) Expenses incurred by a retailer to purchase goods and services for sale.
 - c) Purchase hundred new buses by the government.
 - d) Spending Rs.100 million to construct a new branch by a commercial bank.
44. What may be a possible outcome of a recessionary period of an economy:
- a) A lower rate of unemployment.
 - b) Lower demand for luxury commodities.
 - c) An increasing level of output.
 - d) Continuous investments on production.
45. In income approach, gross value added at basic price is estimated as:
- a) compensation of employees + gross operating surplus.
 - b) compensation of employees + gross operating surplus + (taxes on production - subsidies on production).
 - c) compensation of employees + net operating surplus + mixed income + consumption of fixed capital.
 - d) compensation of employees + net interest + rental income + gross corporate profits + mixed income.
46. You are given the following data for an open economy.

Private Consumption	$C = 250 + 0.6Y_d$
Gross Investment	$I = 180$
Government Spendings	$G = 90$
Net Exports	$NX = -25$
Government Transfer Payments	$Tr = 10$
Lump Sum Tax Income	$To = 35$

What is the sum of autonomous expenses:

- a) 50.
- b) 480.
- c) 350.
- d) 470.

47. Which factor causes demand-pull inflation:

- a) Decrease in Government Budget Deficit.
- b) Less power in Unions.
- c) Decline in the Money Supply of the Economy.
- d) Increase in Government Expenditures on infrastructure Development Project.

48. Suppose the Central Bank of Sri Lanka has decided to implement a contractionary monetary policy. What are the expected outcomes:

- a) The interest rate of the economy will increase, and business firms will expand their investments.
- b) The interest rate of the economy will decrease, and business firms will curtail their investments.
- c) The interest rate of the economy will increase, and business firms will curtail their investments.
- d) Firms may not make changes in their investment decisions based on monetary policy changes.

49. Which of the following is not a measure that can be taken by the government to rectify the current account deficit:

- a) Taking Direct Measures to restrict imports.
- b) Implementing Policies to accelerate the domestic deflation.
- c) Appreciation of the domestic currency.
- d) Providing tax concessions for the export-based companies.

50. If there is an increase in the value of the Sri Lankan Rupee against the US dollar:

- a) Sri Lankans will need more Rupees to purchase goods in the USA.
- b) Sri Lankans will receive more US dollars for each Rupee.
- c) In the foreign exchange market, the supply curve for US dollars shifts to the right.
- d) It will be more profitable for USA residents to buy products from Sri Lanka than it was previously.
