FDDI AIST Business Aptitude

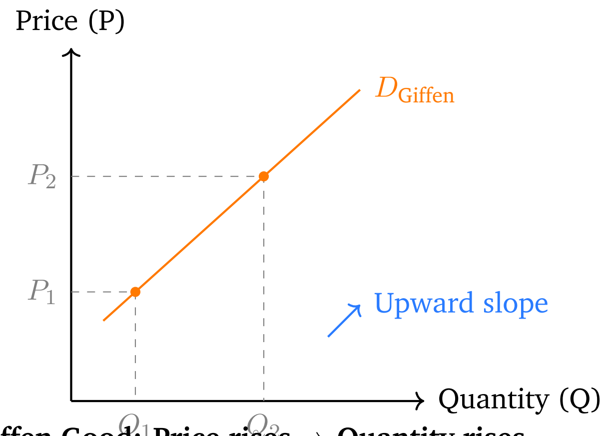
Sample Paper – 4

Duration: 30 Minutes **Maximum Marks: 50**

Instructions

- This paper contains **25** Multiple Choice Questions (Single Correct Answer), modelled on the Business Aptitude portion of **FDDI AIST** (BBA programme).
- Each correct answer carries **+2 marks**. There is **no negative marking** for incorrect or unattempted answers.
- Only **one** option is correct per question.
- Syllabus: Business organisations, economics, marketing, management, banking & finance, corporate GK.
- Use of mobile phones, calculators, or electronic gadgets is strictly prohibited. Rough sheets will be provided.

Q1. Which of the following statements **correctly** describes a **Giffen good**?



Giffen Good: Price rises ⇒ Quantity rises

(A) A Giffen good is a luxury good for which demand rises as price rises, because consumers associate a higher price with superior status — this is called conspicuous consumption.

(B) A Giffen good obeys the normal Law of Demand and has a downward-sloping demand curve, with quantity demanded falling as price rises.

(C) A Giffen good is a substitute good; when the price of a Giffen good rises, consumers switch away from it to cheaper alternatives, increasing demand for those substitutes.

(D) A Giffen good is an inferior good for which quantity demanded **rises** as price **rises**, because the negative income effect outweighs the substitution effect — producing an upward-sloping demand curve.

Q2. A consumer can only use a printer if she also has ink cartridges. When the price of ink cartridges rises sharply, her demand for printers also falls. This simultaneous demand for two goods that must be used **together** is called:

(A) Joint demand (complementary demand) — goods are demanded together, and a rise in the price of one causes demand for **both** to fall.

(B) Composite demand, where a single good is demanded for several different uses at the same time.

(C) Derived demand, where demand for a good arises only because it is needed to produce another final good or service.

(D) Competitive demand, where two goods are close substitutes and a price rise in one shifts demand towards the other.

Q3. According to the **Expenditure Method** of measuring GDP, which of the following equations is **correct**?

(A) GDP $= C + I + G + X$, where C = Private Consumption, I = Investment, G = Government Expenditure, and X = Total Exports (imports ignored).

(B) GDP $= C + I + G + (X - M)$, where C = Private Consumption, I = Investment, G = Government Expenditure, X = Exports, and M = Imports.

(C) GDP $= C + S + T$, where C = Private Consumption, S = Savings, and T = Taxes collected by the government.

(D) GDP $=$ NNP $+$ Depreciation $-$ Net Factor Income from Abroad, reconciling national and domestic output measures.

Q4. An economy experiences a **persistent fall** in the general price level over several consecutive months. Real debt burdens rise, and consumers delay purchases expecting prices to fall further. Which phenomenon does this describe?

(A) Disinflation — the *rate* of inflation is falling, but the general price level is still rising (just more slowly).

(B) Stagflation — a combination of persistently high inflation and stagnant economic growth occurring simultaneously.

(C) Deflation — a persistent fall in the general price level that increases the real burden of debt and can trigger a deflationary spiral of falling demand and output.

(D) Hyperinflation — an extremely rapid and uncontrolled rise in the general price level, often exceeding 50% per month.

Q5. Under the **WTO Dispute Settlement Mechanism (DSM)**, which of the following statements about the **Appellate Body** and the enforceability of rulings is **correct**?

(A) WTO panel rulings are advisory only — member countries are free to ignore them if the ruling conflicts with domestic legislation or national interest.

(B) Only the complaining (winning) party may appeal a panel ruling to the WTO Appellate Body; the losing party has no right of appeal.

(C) WTO rulings are automatically enforced by the United Nations Security Council through mandatory trade sanctions against non-compliant members.

(D) Either party may appeal a panel ruling to the WTO Appellate Body; the final ruling is **legally binding** on all parties and represents a significantly stronger enforcement mechanism than under the old GATT system.

Q6. A footwear company offers buy-one-get-one-free coupons, runs an in-store lucky-draw contest, and distributes free samples at shopping malls to boost immediate sales during the festive season. Which **marketing tool** does this describe?

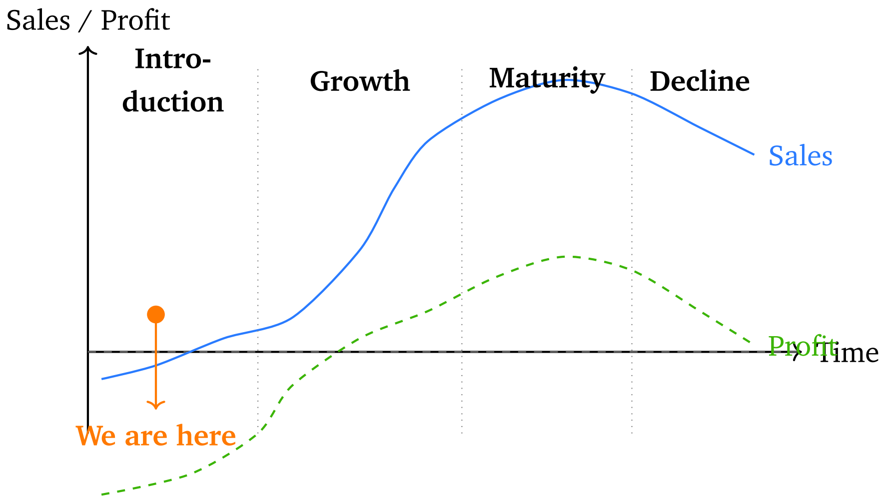
(A) Sales promotion — short-term incentives (coupons, contests, free samples) designed to stimulate **immediate** purchase or trial by consumers or trade intermediaries.

(B) Advertising — paid, non-personal communication through mass media (TV, print, digital) designed to build long-term brand awareness and preference.

(C) Public relations — managing the company's image and reputation through earned (unpaid) media coverage and community engagement activities.

(D) Personal selling — direct, face-to-face interaction by a salesperson with a potential customer to present the product and close a sale.

Q7. In the **Product Life Cycle (PLC)**, a newly launched smart footwear product has **low sales**, **negative profits**, and a marketing focus on building consumer awareness. Which PLC stage does this describe?



(A) Maturity stage, where sales are at their peak, competition is most intense, and the firm focuses on defending market share.

(B) Introduction stage, where sales are low, profits are negative or minimal, and the firm invests heavily in awareness-building and distribution.

(C) Growth stage, where sales rise rapidly, profits begin to emerge, and new competitors enter the market attracted by the opportunity.

(D) Decline stage, where sales fall steadily, profits shrink, and the firm considers withdrawing or repositioning the product.

Q8. A rainwear brand focuses its entire marketing campaign on states with **heavy annual rainfall** — Kerala, Assam, and coastal Maharashtra — while largely ignoring low-precipitation regions. What type of market segmentation is the brand using?

(A) Demographic segmentation, based on age, income, and gender of buyers concentrated in those particular states.

(B) Behavioural segmentation, based on the purchase occasion (rainy season) and frequency of usage of rainwear products.

(C) Geographic segmentation, based on the climate, rainfall pattern, and region of the target consumers.

(D) Psychographic segmentation, based on the lifestyle, outdoor preferences, and attitudes of consumers in those regions.

Q9. A manufacturer launches a **brand-new** electric scooter and runs advertisements explaining *what* the scooter is, *how* it works, *what* its key features are, and *where* consumers can buy it. What **type of advertising objective** does this represent?

(A) Persuasive advertising, which aims to convince consumers to prefer this brand over rival brands in an established product category.

(B) Reminder advertising, used in the Decline stage of the PLC to keep the product in the minds of consumers already familiar with it.

(C) Comparative advertising, which directly names a competitor and highlights specific performance advantages of the advertised product.

(D) Informative advertising, used in the **Introduction stage** of the PLC to build primary demand by educating consumers about the product's existence, features, and benefits.

Q10. A shoe company manages leather procurement from tanneries, oversees production at its factory, coordinates logistics with freight partners, and ensures timely delivery of finished footwear to retail outlets. Which management concept does this **end-to-end process** represent?

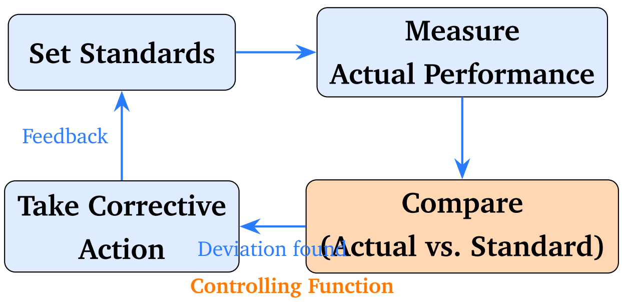
(A) Supply chain management — the integrated management of the flow of goods, information, and resources from raw material procurement through production to delivery of the final product to the consumer.

(B) Inventory management — the process of ordering, storing, and tracking stock levels to minimise holding costs and avoid stockouts.

(C) Total Quality Management (TQM) — a philosophy of continuous improvement applied to all processes and people within the organisation to achieve zero defects.

(D) Customer relationship management (CRM) — strategies and technologies used to manage and analyse interactions with existing and potential customers to improve retention.

Q11. After setting quarterly sales targets of Rs. 50 lakh, a sales manager compares **actual** sales against this standard, identifies that Region B has fallen short by Rs. 8 lakh, and reassigns sales staff to remedy the shortfall. Which **management function** is being performed?



(A) Planning, because targets and performance standards are being established for future operations.

(B) Controlling, which involves measuring actual performance against pre-set standards, identifying deviations, and taking corrective action.

(C) Organising, which involves arranging resources, assigning roles, and creating the departmental structure needed to execute the plan.

(D) Leading, which involves motivating, communicating with, and directing employees to work effectively towards organisational goals.

Q12. A young trainee at a traditional leather footwear workshop in Agra works **alongside a master craftsman** for two years, learning to cut, stitch, and finish leather shoes through close observation and guided practice. Which training method does this describe?

(A) Vestibule training, conducted in a simulated workshop environment away from the actual production area to avoid disrupting live operations.

(B) Lecture method, involving formal classroom instruction delivered by a subject-matter expert to a group of trainees.

(C) Apprenticeship training, where a learner acquires a skilled trade by working under the direct guidance of an experienced craftsperson over a defined training period.

(D) Job rotation, where the trainee moves systematically through several departments to gain broad experience of the organisation's operations.

Q13. The CEO of a footwear company articulates a bold vision of becoming Asia's most sustainable shoe brand by 2030. She inspires her team to **transcend individual targets**, challenges them to innovate, and motivates them to sacrifice short-term comfort for the larger organisational mission. Which leadership style does she exemplify?

(A) Autocratic leadership, where the leader makes all decisions independently, issues orders to subordinates, and maintains strict centralised control.

(B) Democratic leadership, where decisions are reached through group participation and majority consensus among team members.

(C) Laissez-faire leadership, where the leader provides minimal direction and employees are given complete freedom to make their own decisions.

(D) Transformational leadership, where the leader creates a compelling vision of the future and motivates employees to transcend self-interest for organisational goals, driving high innovation and change.

Q14. A large footwear conglomerate restructures into three **self-contained units**: Footwear Division, Accessories Division, and Retail Division. Each division has its own HR, Finance, Marketing, and Operations teams. What type of organisational structure is this?

(A) Divisional structure, where the organisation is divided into self-contained units based on product, geography, or customer type, with each division having its own functional departments.

(B) Functional structure, where the entire organisation is divided by function (HR, Finance, Marketing, Operations) serving all product lines through shared, centralised departments.

(C) Matrix structure, where employees report simultaneously to both a functional manager and a product or project manager, creating a dual chain of command.

(D) Line structure, where authority flows in a single unbroken line from top management down to the lowest level of workers.

Q15. Under the **Companies Act, 2013**, within what maximum time frame must every company hold its **Annual General Meeting (AGM)** after the close of the financial year, and what business is transacted at the AGM?

(A) Within 3 months of the close of the financial year; the AGM is used primarily for declaring the interim dividend and appointing statutory auditors.

(B) Within 6 months of the close of the financial year; shareholders vote on financial statements, dividends, and the appointment or reappointment of directors.

(C) Within 12 months of the date of the *previous* AGM, with no requirement linked to the close of the financial year.

(D) Within 9 months of the close of the financial year for all companies, irrespective of whether it is the first or a subsequent AGM.

Q16. The Reserve Bank of India (RBI) decides to **buy** government securities worth Rs. 50,000 crore from commercial banks in the open market. What is the **immediate effect** of this Open Market Operation (OMO)?

(A) The money supply **decreases** because the RBI is withdrawing securities from the economy and reducing the volume of financial assets held by banks.

(B) Interest rates **rise** because banks now hold securities instead of cash and therefore have less liquidity to lend to borrowers.

(C) The money supply **increases** because the RBI pays for the securities by crediting banks' reserve accounts, thereby injecting fresh liquidity into the banking system.

(D) Inflation **decreases** because the government reduces the outstanding quantity of bonds in circulation, tightening overall fiscal conditions.

Q17. Priya buys a contract giving her the **right (but not the obligation)** to purchase 100 shares at Rs. 500 per share, three months from today. If the market price rises to Rs. 600, she profits; if it falls, she simply lets the contract expire. What type of financial derivative has Priya purchased?

FUTURES CONTRACT	OPTIONS CONTRACT
Obligation to buy/sell	Right (not obligation) to buy/sell
Both parties must perform	Holder may choose to lapse
No premium paid	Buyer pays a premium
Standardised; exchange-traded	Call (right to buy) / Put (right to sell)

Key differences: Futures vs. Options

(A) A Futures contract, which creates an **obligation** to buy or sell an asset at a fixed price on a specified future date — the holder cannot simply walk away.

(B) A Forward contract, a customised over-the-counter (OTC) agreement between two parties to trade an asset at an agreed price on a future date.

(C) A Swap contract, which is an agreement between two parties to exchange cash flows based on different financial instruments over a set period.

(D) A **Call Option**, giving the holder the **right (but not obligation)** to *buy* an asset at a pre-agreed strike price on or before the expiry date.

Q18. A company has long-term debt of Rs. 40 lakh and shareholders' equity of Rs. 20 lakh. Which of the following **correctly** calculates the **Debt-Equity Ratio** and interprets the result?

(A) Debt-Equity Ratio $= \frac{\text{Long-Term Debt}}{\text{Shareholders' Equity}} = \frac{40}{20} = 2{:}1$; the firm uses Rs. 2 of debt for every Rs. 1 of equity, indicating higher financial leverage and risk.

(B) Debt-Equity Ratio $= \frac{\text{Shareholders' Equity}}{\text{Long-Term Debt}} = \frac{20}{40} = 0.5{:}1$; a lower ratio indicates less reliance on equity and higher safety for creditors.

(C) Debt-Equity Ratio $= 60{:}40$, expressed as proportions of total capital raised by debt and equity respectively.

(D) The Debt-Equity Ratio cannot be calculated without first determining total assets and subtracting current liabilities from both figures.

Q19. A footwear importer brings a consignment of Italian leather shoes into India and pays a **levy to the government at the port of entry**, which is subsequently included in the final price charged to Indian consumers. What type of tax is this?

(A) Income Tax, a direct tax levied on the annual profits or earnings of the importing company, which cannot be passed on to consumers.

(B) Customs Duty, an **indirect tax** levied on goods **imported into or exported from** India under the Customs Act, 1962; the economic burden is passed on to the final consumer through higher prices.

(C) Goods and Services Tax (GST), levied at each stage of the supply chain on the supply of goods and services within the territory of India.

(D) Capital Gains Tax, levied on the profit earned from the sale of capital assets such as shares, property, or bonds.

Q20. When market conditions change unexpectedly, a sole proprietor immediately adjusts her product range, revises prices, and shifts her marketing strategy **without consulting anyone else**. Which **advantage** of sole proprietorship does this illustrate?

(A) Unlimited liability, which means the owner personally bears all the business's financial risks, including personal asset exposure.

(B) Lack of continuity, because the business depends entirely on the owner and may cease operations on her death or incapacity.

(C) Quick and flexible decision-making, because the owner alone decides without committee meetings or partner approvals, enabling rapid adaptation to changing market conditions.

(D) Limited access to capital, because a sole proprietor can raise funds only through personal savings, personal loans, or trade credit.

Q21. Two partners have been running an **unregistered** general partnership firm for three years. When a buyer refuses to pay Rs. 2 lakh for goods supplied, the partners wish to file a civil suit. What is the **legal consequence** of the firm's non-registration under the Indian Partnership Act, 1932?

(A) An unregistered firm retains full legal standing and can freely sue third parties in any civil court to recover outstanding dues.

(B) The partners must register the firm first; once registered retroactively, they can then file suit and recover dues from that date onwards.

(C) Registration is **compulsory** under the Indian Partnership Act, 1932; an unregistered firm is deemed illegal and all its contracts are void.

(D) Registration is **voluntary**, but an unregistered firm **cannot** sue third parties or its own partners in court to enforce contractual rights — it has no legal standing to file a civil suit.

Q22. Under the **Companies Act, 2013**, what are the **minimum** number of members required to incorporate a **Public Limited Company** and a **Private Limited Company**, respectively?

PUBLIC LTD. CO.	PRIVATE LTD. CO.
Min. members: 7	**Min. members: 2**
Max. members: **No limit**	Max. members: **200**
Min. directors: **3**	Min. directors: **2**

Membership requirements under Companies Act, 2013

(A) Public Limited Company: minimum **7** members; Private Limited Company: minimum **2** members (with a maximum of 200 members).

(B) Public Limited Company: minimum **2** members; Private Limited Company: minimum **7** members (with a maximum of 50 members).

(C) Both Public and Private Limited Companies require a minimum of **7** members at the time of incorporation.

(D) Public Limited Company: minimum **5** members; Private Limited Company: minimum **3** members (with a maximum of 100 members).

Q23. The **GST Council**, constituted under **Article 279A** of the Constitution of India, is the apex body that recommends GST rates, exemptions, and policies. Who **chairs** the GST Council?

(A) The Prime Minister of India, as the head of the Union government, who chairs all apex constitutional bodies.

(B) The **Union Finance Minister**, with the Finance Ministers (or Ministers in charge of Finance) of all States and Union Territories as members.

(C) The Chairman of the Central Board of Indirect Taxes and Customs (CBIC), who administers the GST on behalf of the Centre.

(D) The Governor of the Reserve Bank of India (RBI), as the monetary authority responsible for indirect tax impact on inflation.

Q24. The **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**, the flagship scheme of the **Skill India** initiative, was launched in which year and set what primary national target?

(A) Launched in **2020**, aiming to train 10 crore people in digital and technology skills under the Aatmanirbhar Bharat Abhiyan.

(B) Launched in **2014**, aiming to provide technical education to 50 lakh students enrolled in ITIs (Industrial Training Institutes) across India.

(C) Launched in **July 2015**, aiming to train **40 crore** people by 2022 in industry-relevant vocational skills to enhance their employability and livelihoods.

(D) Launched in **2017**, aiming to establish 100 new Skill Development Centres in Tier-2 and Tier-3 cities with public–private partnership funding.

Q25. The **Pradhan Mantri Jan Dhan Yojana (PMJDY)**, India's flagship national financial inclusion programme, was launched on which date, and which of the following **best** describes its core features?

(A) Launched on **January 26, 2015**; it provides subsidised home loans of up to Rs. 1 lakh to Below Poverty Line (BPL) households through public sector banks.

(B) Launched on **October 2, 2014**; it provides micro-finance loans to rural self-help groups (SHGs) and issues Kisan Credit Cards to small and marginal farmers.

(C) Launched on **August 15, 2014**; it provides life insurance coverage of Rs. 2 lakh to all unorganised sector workers registered with EPFO.

(D) Launched on **August 28, 2014**; it provides **zero-balance savings accounts** to unbanked households with a RuPay debit card, accidental insurance cover, and overdraft facility after six months of satisfactory operation.

Detailed Solutions

Q1.

Solution

Concept — Giffen and Veblen Goods: A Giffen good is a special category of inferior good for which the demand curve slopes *upward* — as price rises, quantity demanded also rises. This occurs because the *negative income effect* (the consumer feels poorer as price rises, so buys more of the cheap staple) dominates the *substitution effect* (the consumer would normally switch away from the now-pricier good). Classic examples include coarse grains and low-quality staples consumed by very poor households. A Veblen good (Option A) is different: it is a *luxury* good whose demand rises with price because a high price signals status and exclusivity (conspicuous consumption) — e.g., designer handbags, luxury cars.

Step 1 — Income Effect vs. Substitution Effect for Giffen Goods: When the price of a Giffen good rises, consumers become poorer in real terms (negative income effect). Because the good is inferior, being "poorer" makes them *consume more* of it (they cannot afford better alternatives). This income effect is so large it overwhelms the substitution effect, resulting in higher quantity demanded at a higher price.

Step 2 — Upward-Sloping Demand Curve: As illustrated in the diagram above, when price rises from P_1 to P_2, quantity demanded rises from Q_1 to Q_2 — an upward-sloping demand curve, which is the hallmark of a Giffen good.

Why other options are wrong:

- Option A: Describes a Veblen good (luxury, conspicuous consumption), not a Giffen good.
- Option B: A downward-sloping demand curve is the *normal* case; Giffen goods are precisely the *exception* with an upward-sloping curve.
- Option C: Describes the behaviour of a substitute good under competitive demand — not a Giffen good.
- **Option D: Correct** — Giffen good is an inferior good with quantity demanded rising as price rises, due to the income effect dominating the substitution effect.

Final Answer: Giffen good = inferior good with upward-sloping demand curve (income effect > substitution effect) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q1

Q2.

Solution

Concept — Joint Demand (Complementary Demand): Joint demand arises when two goods are demanded *together* because they are complementary — one is of little or no use without the other. Printers and ink cartridges, petrol and cars, bread and butter are classic examples. When the price of one complementary good rises, demand for both goods tends to fall, because the pair must be consumed together.

Step 1 — Distinguishing Joint from Composite Demand: In composite demand, a *single* good is demanded for *multiple uses* simultaneously (e.g., steel is demanded by the construction, automobile, and appliance industries). In joint demand, *two different goods* are demanded *together* for a single use.

Step 2 — Price Linkage: If printer ink becomes very expensive, fewer people will buy printers (because a printer is useless without affordable ink). Demand falls for *both* goods simultaneously — the defining feature of joint demand.

Why other options are wrong:

- **Option A: Correct** — printer + ink is a textbook case of joint (complementary) demand; a price rise in one reduces demand for both.
- Option B: Composite demand applies when one good (e.g., steel) is used for several purposes; the scenario involves two distinct goods used together.
- Option C: Derived demand (e.g., demand for labour derived from demand for the final product) involves input goods whose demand is secondary; the scenario involves consumer complementary goods, not inputs in production.
- Option D: Competitive demand describes substitutes (tea vs. coffee); printers and ink cartridges are complements, not substitutes.

Final Answer: Two goods demanded together (printer + ink) represent joint demand $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q2

Q3.

Solution

Concept — GDP by Expenditure Method: The Expenditure Method measures GDP by adding up all spending on final goods and services produced within a country's borders during a year. It is the most widely used method and is expressed through the national income identity.

Step 1 — The Formula:

$$\text{GDP} = C + I + G + (X - M)$$

- C = Private final consumption expenditure (households)
- I = Gross domestic investment (private firms + change in inventories)
- G = Government consumption and investment expenditure
- X = Value of exports (goods and services sold abroad)
- M = Value of imports (goods and services bought from abroad); subtracted because they do not represent domestic production

Step 2 — Why Imports Are Subtracted: Imports are already included in C, I, and G (because some consumption, investment, and government spending goes on imported goods). Subtracting M removes the foreign component, leaving only domestically produced output.

Why other options are wrong:

- Option A: Omitting imports (M) overstates GDP by including spending on foreign goods.
- **Option B: Correct** — GDP $= C+I+G+(X-M)$ is the standard expenditure method formula.
- Option C: $C + S + T$ is an identity from the income–expenditure approach, not the direct expenditure method formula.
- Option D: That formula converts NNP back to GDP and adjusts for NFIA; it belongs to the income method reconciliation, not the direct expenditure formula.

Final Answer: GDP (Expenditure Method) $= C + I + G + (X - M) \Rightarrow \boxed{\text{B}}$

$\boxed{\textbf{Answer: (B)}}$ Go Back to Q3

Q4.

Solution

Concept — Deflation: Deflation is a *persistent fall* in the *general price level* across the economy. It is the opposite of inflation. While lower prices may seem beneficial, sustained deflation is dangerous: it increases the real value of debts (debtors pay back more in real terms), encourages consumers to delay spending (anticipating further price falls), reduces business revenues, leads to job cuts, and can trigger a self-reinforcing *deflationary spiral*.

Step 1 — Deflation vs. Disinflation: *Disinflation* is a falling *rate* of inflation — prices are still rising, just more slowly (e.g., inflation falls from 6% to 3%). *Deflation* is when prices actually *fall* (inflation rate becomes negative, e.g., -2%). The scenario describes a persistent fall in the price level, which is deflation.

Step 2 — Effect on Debtors vs. Savers: Rising real debt burden (debtors must repay more goods/services' worth of debt) is a hallmark effect of deflation. Savers with cash benefit in the short term, but the overall economy suffers as aggregate demand collapses.

Why other options are wrong:

- Option A: Disinflation describes a declining rate of inflation (prices still rising); the scenario states a persistent fall in the price level, which is deflation.
- Option B: Stagflation combines high inflation with stagnant growth — the opposite of what is described.
- **Option C: Correct** — a persistent fall in the general price level increasing real debt burden is deflation.
- Option D: Hyperinflation is an extreme rapid rise in prices; the scenario describes falling prices.

Final Answer: Persistent fall in general price level with rising real debt burden = deflation $\Rightarrow \boxed{\text{C}}$

$\boxed{\textbf{Answer: (C)}}$ Go Back to Q4

Q5.

Solution

Concept — WTO Dispute Settlement Mechanism (DSM): The WTO's DSM is a rule-based, two-tier system for resolving trade disputes between member countries. A complaining country raises a dispute; a panel of experts investigates and issues a ruling. Either party may then appeal to the seven-member WTO *Appellate Body*. Once the Appellate Body issues its final report, the ruling is *legally binding* on both parties. The losing party must bring its measures into conformity with WTO rules or face authorised retaliation (trade countermeasures).

Step 1 — Improvement Over GATT: Under the old GATT system, the *consensus rule* meant that the losing party could block adoption of a ruling. The WTO introduced *negative consensus* — a ruling is adopted automatically *unless* all members (including the winning party) vote against it. This makes WTO rulings far more enforceable.

Step 2 — Appeal Rights: Both parties (the complaining member AND the responding member) have the right to appeal a panel ruling to the Appellate Body. The final Appellate Body report is legally binding.

Why other options are wrong:

- Option A: WTO panel and Appellate Body rulings are legally binding, not advisory.
- Option B: Both parties have the right of appeal, not just the complaining party.
- Option C: WTO enforcement is through the WTO's own Dispute Settlement Body, not the UN Security Council.
- **Option D: Correct** — either party may appeal to the Appellate Body, and the final ruling is legally binding — stronger enforcement than under GATT.

Final Answer: Either party may appeal; final WTO ruling is legally binding $\Rightarrow \boxed{\text{D}}$

$\boxed{\textbf{Answer: (D)}}$ **Go Back to Q5**

Q6.

Solution

Concept — Sales Promotion: Sales promotion refers to short-term marketing incentives designed to *stimulate immediate* purchase, trial, or trade-up by consumers or by trade intermediaries (retailers, distributors). It differs from advertising (which builds long-term awareness) and personal selling (which involves direct interaction). Common tools include coupons, discounts, free samples, contests, sweepstakes, rebates, and trade-in allowances.

Step 1 — Identifying the Tools: Buy-one-get-one-free coupons, in-store lucky draws, and free samples are all classic sales promotion techniques. They are time-bound (festive season), action-oriented (stimulate immediate purchase), and targeted at consumers at the point of sale.

Step 2 — Distinguishing Sales Promotion from Advertising: Advertising is paid communication through mass media aimed at building brand equity and awareness over the long term. Sales promotion provides an *immediate, tangible incentive* for the consumer to act *now*. The two are often used together: advertising creates desire, sales promotion creates urgency.

Why other options are wrong:

- **Option A: Correct** — buy-one-get-one-free, contests, and free samples are all sales promotion tools designed for immediate sales stimulation.
- Option B: Advertising uses paid mass-media channels (TV, digital, print) and works over the long term to build awareness; the scenario describes in-store, short-term incentives.
- Option C: Public relations focuses on image building through earned media, community events, and press coverage — not discount coupons or lucky draws.
- Option D: Personal selling involves a salesperson directly engaging with one buyer at a time; coupons and free samples are impersonal mass-market tools.

Final Answer: Coupons, contests, and free samples are sales promotion tools $\Rightarrow$ $\boxed{\text{A}}$

Answer: (A) Go Back to Q6

Q7.

Solution

Concept — Product Life Cycle (PLC): Introduction Stage: The PLC describes the stages a product goes through from its launch to its withdrawal from the market: Introduction → Growth → Maturity → Decline. As shown in the diagram in Q7, each stage has a characteristic level of sales and profitability.

Step 1 — Introduction Stage Characteristics:

- *Sales:* Low and growing slowly — consumers are not yet aware of the product.
- *Profits:* Negative or very low — high launch costs (R&D, advertising, distribution set-up) outweigh revenues.
- *Advertising type:* Informative advertising to build primary demand and awareness.
- *Price strategy:* Skimming (high initial price for early adopters) or penetration (low price to build market share quickly).
- *Competition:* Little to none — the product is new to the market.

Step 2 — Why Profits Are Negative: The firm incurs heavy promotional spending to educate consumers, sets up distribution networks, and may have high per-unit costs due to low production volumes. All this expenditure precedes significant revenue generation.

Why other options are wrong:

- Option A: Maturity stage has peak sales, high competition, and positive (but declining) profits — the opposite of the described scenario.
- **Option B: Correct** — low sales, negative profits, and awareness-building investment characterise the Introduction stage.
- Option C: Growth stage sees rapidly rising sales, positive profits, and new competitors entering — not matching the scenario.
- Option D: Decline stage has falling sales and shrinking profits due to product obsolescence — not the scenario at launch.

Final Answer: Low sales, negative profits, and awareness investment = Introduction stage of PLC $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q7

Q8.

Solution

Concept — Geographic Segmentation: Market segmentation divides a heterogeneous market into homogeneous sub-groups. *Geographic segmentation* divides the market based on location-related variables such as country, region, state, city, urban/rural density, climate, or terrain. It is one of the oldest and simplest segmentation approaches.

Step 1 — Identifying the Basis: The rainwear brand targets states with *heavy annual rainfall* (Kerala, Assam, coastal Maharashtra). The determining factor is *climate/rainfall pattern* — a geographic variable.

Step 2 — Geographic vs. Other Segmentation Types:

- Geographic: climate, region, city size, terrain
- Demographic: age, gender, income, education, occupation
- Psychographic: lifestyle, values, personality, interests
- Behavioural: purchase occasion, usage rate, brand loyalty, benefits sought

Why other options are wrong:

- Option A: The brand is not targeting based on the demographics (age/income/gender) of buyers; it targets based on where they live and what climate they face.
- Option B: Behavioural segmentation would focus on when and how people buy rainwear (e.g., during monsoon versus year-round); the brand is targeting by *location/climate*.
- **Option C: Correct** — segmenting by climate and region (high-rainfall states) is geographic segmentation.
- Option D: Psychographic segmentation targets lifestyle and values; the brand is not targeting adventure-lovers or eco-conscious consumers, but rather everyone in high-rainfall areas.

Final Answer: Targeting consumers by climate and rainfall region is geographic segmentation $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q8

Q9.

Solution

Concept — Informative Advertising: Advertising objectives vary with the stage of the Product Life Cycle. In the *Introduction stage*, the firm's primary challenge is that consumers do not know the product exists. The advertising goal is therefore *informative*: to tell consumers what the product is, what it does, how it works, and where to find it. This builds *primary demand* (demand for the product category), not secondary demand (preference for a specific brand over competitors).

Step 1 — Three Types of Advertising Objectives:

- *Informative*: Used in Introduction stage — educates consumers about the new product.
- *Persuasive*: Used in Growth/Maturity stages — convinces consumers to prefer *this brand* over rivals.
- *Reminder*: Used in Maturity/Decline stages — keeps the brand top-of-mind for consumers already familiar with it.

Step 2 — Application: The electric scooter is brand-new (Introduction stage). The advertisements explain *what* it is, *how* it works, and *where* to buy it — pure informative communication, building primary demand in a category consumers have little knowledge of.

Why other options are wrong:

- Option A: Persuasive advertising requires established competing brands to compare against; at launch, the priority is informing, not persuading.
- Option B: Reminder advertising assumes high awareness — not appropriate at launch where awareness is zero.
- Option C: Comparative advertising is aggressive brand-vs-brand communication, not suitable for a new category launch.
- **Option D: Correct** — informative advertising in the Introduction stage builds primary demand by educating consumers.

Final Answer: Educating consumers about a new product at launch = informative advertising $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q9

Q10.

Solution

Concept — Supply Chain Management (SCM): Supply chain management is the active management of the *entire flow* of goods, information, and financial resources — from the procurement of raw materials, through production, to delivery of the finished product to the end consumer. It integrates suppliers, manufacturers, logistics providers, and retailers into a coordinated system to maximise value and minimise waste.

Step 1 — Key Activities in SCM:

- *Upstream*: Sourcing leather from tanneries, procurement contracts, quality checks.
- *Midstream*: Manufacturing, production scheduling, quality control.
- *Downstream*: Logistics, distribution, warehouse management, delivery to retail outlets.
- *Information flow*: Demand forecasting, order tracking, supplier communication.

Step 2 — SCM vs. Logistics: Logistics is the physical movement and storage of goods (a subset of SCM). SCM is the broader strategic integration of all activities from raw material to consumer delivery, including relationships with suppliers and customers.

Why other options are wrong:

- **Option A: Correct** — end-to-end management from leather sourcing to retail delivery is supply chain management.
- Option B: Inventory management is a component of SCM focused only on stock levels and ordering; it does not encompass procurement, production, or distribution.
- Option C: TQM is a quality philosophy applied to all internal processes; it does not specifically describe the external supplier-to-consumer flow of goods.
- Option D: CRM focuses on customer interactions and retention; it does not cover upstream procurement or logistics.

Final Answer: End-to-end management from raw material to consumer delivery = Supply Chain Management $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q10

Q11.

Solution

Concept — Controlling Function of Management: Controlling is the management function that involves *measuring actual performance*, *comparing it against pre-set standards*, *identifying deviations*, and *taking corrective action*. As shown in the control loop diagram in Q11, it forms a continuous feedback cycle: set standards → measure actual performance → compare → correct → feed back into planning.

Step 1 — Steps in the Controlling Process:

(a) Establish performance standards (target: Rs. 50 lakh per quarter).
(b) Measure actual performance (Region B achieved Rs. 42 lakh).
(c) Compare actual with standard (shortfall: Rs. 8 lakh).
(d) Identify causes of the deviation.
(e) Take corrective action (reassign sales staff).

Step 2 — Importance of Controlling: Controlling is often described as the *last but not least* management function. Without it, plans remain unfulfilled and deviations go undetected. It ensures that organisational goals are actually achieved.

Why other options are wrong:

- Option A: Planning involves setting targets *before* operations begin; the sales manager has already set targets and is now checking results.
- **Option B: Correct** — comparing actual performance against standards and taking corrective action is controlling.
- Option C: Organising involves structuring roles, departments, and resource allocation before execution.
- Option D: Leading involves motivating, communicating with, and directing employees; the scenario is about performance measurement and corrective action.

Final Answer: Measuring actual vs. standard, identifying deviation, corrective action = Controlling $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q11

Q12.

Solution

Concept — Apprenticeship Training: Apprenticeship is an on-the-job training method where an inexperienced worker (apprentice) learns a skilled trade by working *directly alongside* an experienced practitioner (master craftsperson, journeyman, or supervisor) over a defined period. The learner acquires skills through observation, guided practice, and gradually increasing responsibility. It is common in craft industries like leather goods, jewellery, tailoring, and traditional manufacturing.

Step 1 — Features of Apprenticeship Training:

- Conducted at the actual workplace, not in a classroom.
- Learning by doing — hands-on skill development.
- Mentor–apprentice relationship over an extended period (months to years).
- Results in a recognised trade certification upon completion.
- Governed in India by the Apprentices Act, 1961.

Step 2 — Why It Suits Craft Industries: Skills like leather cutting, shoe stitching, and jewellery setting are best learned through repeated physical practice under expert guidance, not through lectures or simulated environments.

Why other options are wrong:

- Option A: Vestibule training uses a separate, simulated training area (mock factory) away from the real production floor — the trainee in the scenario works *on* the actual floor alongside the master.
- Option B: Lecture method is classroom-based and theoretical; the scenario describes practical on-the-job learning.
- **Option C: Correct** — working alongside an experienced craftsperson to learn a skilled trade over a defined period is apprenticeship training.
- Option D: Job rotation involves moving through multiple departments for broad exposure; the trainee in the scenario stays in one craft for two years.

Final Answer: Learning a skilled trade by working under an experienced craftsperson = apprenticeship training ⇒ $\boxed{\text{C}}$

Answer: (C) Go Back to Q12

Q13.

Solution

Concept — Transformational Leadership: Transformational leadership is a style in which the leader creates a compelling *vision* of a desired future state, communicates it powerfully, and inspires followers to *transcend their self-interest* for the good of the organisation and society. It is associated with high levels of innovation, change management, employee motivation, and organisational performance. Key dimensions include idealised influence (role-modelling), inspirational motivation (vision), intellectual stimulation (challenging thinking), and individualised consideration (mentoring).

Step 1 — Key Features in the Scenario: The CEO (a) articulates a *bold vision* (Asia's most sustainable brand by 2030), (b) *inspires* the team to go beyond individual targets, and (c) motivates them to *sacrifice short-term comfort* for organisational goals. These are the hallmarks of transformational leadership.

Step 2 — Contrast with Transactional Leadership: Transactional leadership operates through reward-and-punishment (contingent reward, management by exception); it does not inspire beyond existing expectations. Transformational leadership elevates followers' motivation and performance well above the transactional baseline.

Why other options are wrong:

- Option A: Autocratic leadership centralises all decision-making with the leader, without inspiring vision or employee empowerment.
- Option B: Democratic leadership involves group decision-making through participation and voting — not individual vision-casting.
- Option C: Laissez-faire leadership provides minimal direction; the CEO in the scenario is actively inspiring and directing.
- **Option D: Correct** — creating a compelling vision and inspiring employees to transcend self-interest is transformational leadership.

Final Answer: Vision-based inspiration to transcend self-interest = transformational leadership $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q13

Q14.

Solution

Concept — Divisional Organisation Structure: In a divisional structure, the organisation is grouped into *self-contained divisions*, each responsible for a specific product line, geographic market, or customer segment. Each division operates almost as an independent business unit with its own functional departments (HR, Finance, Marketing, Operations). This structure suits large, diversified firms that need decentralised decision-making.

Step 1 — Types of Divisional Structures:

- *Product-based* (as in the scenario): Footwear Division, Accessories Division, Retail Division.
- *Geography-based*: North Division, South Division, International Division.
- *Customer-based*: Corporate Clients Division, Retail Consumers Division.

Step 2 — Advantages: Each division can respond quickly to its specific market; division managers have P&L (profit and loss) accountability; performance measurement is clear. Disadvantage: duplication of functional departments across divisions can be costly.

Why other options are wrong:

- **Option A: Correct** — three product-based, self-contained units each with full functional departments is the divisional structure.
- Option B: Functional structure would have one central HR, one central Finance, and one central Marketing department serving all product lines — not separate departments per division.
- Option C: Matrix structure has employees reporting to both a functional manager (e.g., HR Director) and a project/product manager simultaneously.
- Option D: Line structure has a single chain of command from CEO to workers — no product or geographic divisions.

Final Answer: Self-contained product-based units with own functional departments = divisional structure $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q14

Q15.

Solution

Concept — Annual General Meeting (AGM) under Companies Act, 2013: Under Section 96 of the Companies Act, 2013, every company (other than a One Person Company) must hold an AGM at least once every calendar year. The AGM must be held within **6 months** from the close of the financial year (i.e., by September 30 for companies with a March 31 year-end), subject to a maximum gap of 15 months between two successive AGMs.

Step 1 — Business Transacted at AGM:

- Adoption of audited financial statements (Balance Sheet, Profit & Loss Account).
- Declaration of final dividend.
- Appointment/reappointment of directors retiring by rotation.
- Appointment and fixation of remuneration of statutory auditors.
- Any other special business with proper notice.

Step 2 — Special Provision for First AGM: A newly incorporated company must hold its first AGM within 9 months of the close of its first financial year. For subsequent years, the 6-month rule applies.

Why other options are wrong:

- Option A: 3 months is not the prescribed time limit; 6 months is the standard (9 months for first AGM).
- **Option B: Correct** — AGM must be held within 6 months of the close of the financial year; shareholders vote on financials, dividends, and directors.
- Option C: The 12-month rule applies to the gap between two consecutive AGMs, not as a substitute for the 6-month financial year close rule.
- Option D: 9 months applies only to the *first* AGM; subsequent AGMs must be held within 6 months.

Final Answer: AGM must be held within 6 months of financial year close, with voting on financials, dividends, directors $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q15

Q16.

Solution

Concept — Open Market Operations (OMO): Open Market Operations are a key monetary policy tool used by central banks (including the RBI) to control liquidity in the banking system. When the RBI *buys* government securities from commercial banks, it *pays* for them by crediting the banks' reserve accounts with the RBI — this *injects money* into the banking system (increases money supply). When the RBI *sells* securities, it *debits* banks' accounts — this *withdraws money* (reduces money supply).

Step 1 — Mechanism of a Purchase OMO:

$$\text{RBI buys securities} \Rightarrow \text{Banks receive cash (reserves increase)} \Rightarrow \text{Banks have more funds to lend}$$

Step 2 — Policy Purpose: The RBI uses OMOs to manage systemic liquidity. Buying securities (liquidity injection OMO) is done when the banking system is in a liquidity deficit. Selling securities (liquidity absorption OMO) is done when liquidity is in surplus to prevent excess lending and inflationary pressure.

Why other options are wrong:

- Option A: Buying securities *injects* (increases) money supply — not decreases. The RBI absorbs liquidity by *selling* securities.
- Option B: When banks have more cash (higher reserves), they can lend more — interest rates tend to *fall*, not rise.
- **Option C: Correct** — RBI buys securities $\Rightarrow$ pays banks with fresh money $\Rightarrow$ banking system liquidity and money supply increase.
- Option D: OMOs are a monetary policy (not fiscal policy) tool and do not directly reduce bond supply in the fiscal sense; furthermore, RBI buying bonds does not directly decrease inflation — it generally has the opposite effect (loose money $\rightarrow$ more lending $\rightarrow$ possible inflation).

Final Answer: RBI buys securities $\Rightarrow$ credits bank accounts $\Rightarrow$ money supply increases $\Rightarrow$ $\boxed{\text{C}}$

Answer: (C) Go Back to Q16

Q17.

Solution

Concept — Options vs. Futures Derivatives: Both options and futures are exchange-traded financial derivatives. The critical distinction, as shown in the comparison diagram in Q17, is:

- A *Futures contract* creates an **obligation** for both buyer and seller to transact at the specified price on the future date. Neither party can walk away.
- An *Options contract* gives the *buyer* (holder) the **right but not the obligation** to buy (call option) or sell (put option) the underlying asset at the *strike price* on or before the expiry. The holder pays a *premium* for this right. If the market moves unfavourably, the holder simply allows the option to expire — maximum loss is the premium paid.

Step 1 — Identifying Priya's Contract: Priya has the *right to buy* shares at Rs. 500 (the strike price). She profits if price rises above Rs. 500 (exercises the option) and loses only the premium if price falls below Rs. 500 (lets it expire). This is the definition of a *Call Option*.

Step 2 — Call vs. Put:

- *Call Option*: Right to *buy* at strike price — held by someone expecting prices to rise.
- *Put Option*: Right to *sell* at strike price — held by someone expecting prices to fall.

Why other options are wrong:

- Option A: A futures contract would obligate Priya to buy 100 shares at Rs. 500 regardless of the market price — she could not simply walk away.
- Option B: A forward contract is an OTC (not exchange-traded) instrument; also it creates an obligation, not a right.
- Option C: A swap contract involves exchanging cash flows (e.g., fixed vs. floating interest rates) — not the right to buy shares.
- **Option D: Correct** — a call option gives the holder the right (not obligation) to buy at the strike price; Priya benefits from the upside but limits her downside to the premium.

Final Answer: Right (not obligation) to buy at strike price = Call Option ⇒ $\boxed{\text{D}}$

Answer: (D) Go Back to Q17

Q18.

Solution

Concept — Debt-Equity Ratio: The Debt-Equity Ratio (D/E Ratio) is a financial leverage ratio that measures how much of the company's funding comes from debt relative to equity. It indicates the degree of financial risk borne by the firm and its equity shareholders.

Step 1 — Formula and Calculation:

$$\text{Debt-Equity Ratio} = \frac{\text{Long-Term Debt (Borrowed Funds)}}{\text{Shareholders' Equity (Owners' Funds)}} = \frac{40}{20} = 2{:}1$$

A ratio of 2:1 means the company has borrowed Rs. 2 for every Rs. 1 of equity invested by shareholders.

Step 2 — Interpretation of 2:1: A higher D/E ratio indicates greater financial leverage — the company relies more on debt. This amplifies returns when the business performs well (interest is a fixed cost), but also amplifies losses and creates insolvency risk when performance is poor. Creditors prefer a lower D/E ratio (more equity cushion); equity investors may prefer moderate leverage for higher returns on equity.

Why other options are wrong:

- **Option A: Correct** — D/E Ratio $= \frac{40}{20} = 2{:}1$; the firm uses Rs. 2 of debt per Rs. 1 of equity.
- Option B: Inverting the ratio to $\frac{20}{40} = 0.5{:}1$ gives the Equity-to-Debt ratio (inverse), not the standard D/E ratio; the interpretation stated is also incorrect.
- Option C: Expressing the ratio as 60:40 confuses the D/E ratio with a capital structure proportion; the standard ratio uses absolute values in the form described above.
- Option D: The D/E ratio requires only two values — long-term debt and shareholders' equity — both of which are provided; no additional data is needed.

Final Answer: Debt-Equity Ratio $= \frac{\text{Long-Term Debt}}{\text{Shareholders' Equity}} = \frac{40}{20} = 2{:}1 \Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q18

Q19.

Solution

Concept — Customs Duty (Indirect Tax): Customs duty is a tax levied by the government on goods *imported into* or *exported from* the country. In India, it is governed by the **Customs Act, 1962** and administered by the Central Board of Indirect Taxes and Customs (CBIC). It is an *indirect tax* because the importer (who pays the duty) can pass the burden forward to the buyer through higher prices.

Step 1 — Import Duty Mechanism:

Italian shoemaker $\rightarrow$ Indian importer (pays customs duty at port) $\rightarrow$ passes cost to retailer $\rightarrow$ f

The *legal incidence* falls on the importer; the *economic incidence* (ultimate burden) falls on the consumer.

Step 2 — Customs Duty Rates and Types: Basic Customs Duty (BCD), Additional Customs Duty (Special CVD), and Integrated GST (IGST) on imports are the main components of the import tax structure in India.

Why other options are wrong:

- Option A: Income Tax is a direct tax levied on the profits of the importing company; the scenario describes a levy at the port of entry on the goods themselves, not on the firm's profits.
- **Option B: Correct** — a levy at the port of entry on imported goods is customs duty; it is indirect because the burden is passed to the consumer.
- Option C: GST is levied on supply of goods within India (domestic transactions); customs duty is levied at the border on imported goods.
- Option D: Capital gains tax is levied on the appreciation in value of capital assets (property, shares) when they are sold — not on imported merchandise.

Final Answer: Tax levied at port of entry on imported goods = customs duty (indirect tax) $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q19

Q20.

Solution

Concept — Merits of Sole Proprietorship: Quick Decision-Making: A sole proprietorship is owned and managed by a single individual who has complete autonomy over all business decisions. This eliminates the need for committee meetings, partner consultations, board approvals, or shareholder votes, enabling *rapid and flexible* responses to changing market conditions.

Step 1 — Significance of Speed: In dynamic markets (e.g., fashion footwear, seasonal goods), the ability to respond quickly to trends, competitor actions, or consumer preferences can be a decisive competitive advantage. A sole proprietor can change product range, pricing, or marketing strategy instantly — a speed impossible for partnerships or companies.

Step 2 — Other Merits of Sole Proprietorship:

- Sole profit retention: owner keeps all profits.
- Direct motivation: profit directly incentivises the owner.
- Confidentiality: no statutory requirement to publish accounts.
- Flexibility: easy to start, adapt, and close.

Why other options are wrong:

- Option A: Unlimited liability is a *disadvantage* (demerit) of sole proprietorship, not the advantage illustrated here.
- Option B: Lack of continuity is also a *disadvantage* (the business may cease on the owner's death); it is not illustrated by the scenario.
- **Option C: Correct** — making decisions instantly without consulting others demonstrates the merit of quick and flexible decision-making.
- Option D: Limited access to capital is a *disadvantage* of sole proprietorship, not a merit or what the scenario illustrates.

Final Answer: Instant decisions without consultation = quick and flexible decision-making (merit of sole proprietorship) $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q20

Q21.

Solution

Concept — Partnership Registration and its Consequences (Indian Partnership Act, 1932): Under the **Indian Partnership Act, 1932**, registration of a partnership firm is *voluntary* — there is no legal compulsion to register. However, non-registration has serious legal consequences. An *unregistered* firm suffers three major disabilities:

(a) The firm **cannot sue** a third party in court to enforce a contractual right.
(b) A partner **cannot sue** the firm or co-partners to enforce rights arising from the partnership contract.
(c) The firm cannot claim a set-off (defence of debt owed by the other party) exceeding Rs. 100.

Step 1 — Consequence in the Scenario: The unregistered firm wants to recover Rs. 2 lakh from a buyer. Since the firm is unregistered, it *lacks legal standing* to file a civil suit in an Indian court. The buyer's non-payment cannot be pursued through litigation until the firm registers.

Step 2 — The Correct Step Forward: While the firm could register at any time (registration is not time-barred), the effects of registration are *prospective* — the firm can only sue on contracts entered *after* registration. It cannot retrospectively sue on contracts made while unregistered.

Why other options are wrong:

- Option A: An unregistered firm does *not* have legal standing to sue third parties — this is the core disability.
- Option B: Registration is not retroactive; registering now does not restore the right to sue on pre-registration contracts.
- Option C: Registration is *voluntary*, not compulsory. An unregistered firm is *not* illegal; its contracts are *valid* — only the right to enforce them in court is denied.
- **Option D: Correct** — registration is voluntary, but an unregistered firm cannot sue third parties or partners in court; it has no civil legal standing.

Final Answer: Unregistered firm cannot sue in court (voluntary but legally disadvantageous) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q21

Q22.

Solution

Concept — Minimum Members: Public vs. Private Limited Company (Companies Act, 2013): The Companies Act, 2013 prescribes different minimum (and maximum) membership requirements for public and private limited companies, as shown in the comparison chart in Q22.

Step 1 — Membership Requirements:

- *Private Limited Company* [Section 2(68)]: Minimum **2** members, Maximum **200** members. Shares cannot be freely transferred; subscription cannot be invited from the public.
- *Public Limited Company* [Section 2(71)]: Minimum **7** members, No maximum. Shares can be listed on stock exchanges and offered to the public.

Step 2 — Directors:

- Private Limited Company: Minimum 2 directors.
- Public Limited Company: Minimum 3 directors.

Why other options are wrong:

- **Option A: Correct** — Public Ltd: min 7 members; Private Ltd: min 2 members (max 200).
- Option B: Reverses the requirements — Public needs min 7 (not 2) and Private needs min 2 (not 7).
- Option C: Both companies requiring min 7 is incorrect; only Public requires 7 and Private requires only 2.
- Option D: Neither Public (5) nor Private (3) corresponds to the correct statutory minimums.

Final Answer: Public Ltd Co. = min 7 members; Private Ltd Co. = min 2 members (max 200) $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q22

Q23.

Solution

Concept — GST Council and its Chairperson: The Goods and Services Tax (GST) Council was established as a constitutional body under **Article 279A** of the Constitution of India (inserted by the 101st Constitutional Amendment Act, 2016). It is the apex body that makes recommendations on GST rates, exemptions, threshold limits, model GST laws, and related policies for the entire country.

Step 1 — Composition of the GST Council:

- *Chairperson*: The **Union Finance Minister**.
- *Vice-Chairperson*: Elected from among the State Finance Ministers.
- *Members*: The Union Minister of State in charge of Revenue; the Finance Minister or Minister in charge of Finance and Taxation of each State and Union Territory with a legislature.

Step 2 — Decision-Making: The GST Council makes decisions by a three-fourths majority vote, with the Centre's vote counting as one-third and all States' votes counting as two-thirds of the total weighted votes.

Why other options are wrong:

- Option A: The Prime Minister chairs the Cabinet and the NITI Aayog Governing Council, but not the GST Council.
- **Option B: Correct** — the Union Finance Minister chairs the GST Council, with State Finance Ministers as members.
- Option C: The CBIC Chairman is the administrative head of indirect tax collection machinery, not the chairperson of the GST Council.
- Option D: The RBI Governor manages monetary policy; the GST Council is a fiscal/tax body with no RBI involvement.

Final Answer: GST Council is chaired by the Union Finance Minister $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q23

Q24.

Solution

Concept — Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Skill India: Skill India is a national initiative launched by the Government of India to empower youth with industry-relevant skills to improve their employability. The **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** is its flagship scheme, implemented by the Ministry of Skill Development and Entrepreneurship through the National Skill Development Corporation (NSDC).

Step 1 — Key Facts about PMKVY:

- *Launched*: **July 2015** (PMKVY 1.0) by Prime Minister Narendra Modi.
- *Target*: Train **40 crore** (400 million) people by 2022 in industry-relevant vocational skills.
- *Certification*: National Skills Qualification Framework (NSQF)-aligned certificates recognised by industry.
- *Short-Term Training (STT)*: Duration of 200–600 hours in over 300 job roles across 37 sectors.
- *Recognition of Prior Learning (RPL)*: Certifies workers with existing informal skills.

Step 2 — Subsequent Phases: PMKVY 2.0 (2016–2020), PMKVY 3.0 (2020–2021), and PMKVY 4.0 (2022 onwards) have been launched with expanded focus on emerging sectors (AI, drones, green energy).

Why other options are wrong:

- Option A: PMKVY was launched in 2015, not 2020; the 10 crore target and Aatmanirbhar framing do not match PMKVY.
- Option B: PMKVY was launched in 2015, not 2014; it is a short-term skilling programme, not ITI-focused technical education.
- **Option C: Correct** — PMKVY launched July 2015, targeting 40 crore people by 2022 in industry-relevant vocational skills.
- Option D: PMKVY was launched in 2015, not 2017; establishing Skill Development Centres is an activity, not the stated primary target of the scheme.

Final Answer: PMKVY launched July 2015, target = 40 crore people trained in vocational skills by 2022 $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q24

Q25.

Solution

Concept — Pradhan Mantri Jan Dhan Yojana (PMJDY): PMJDY is India's flagship National Mission for Financial Inclusion. It was announced by Prime Minister Narendra Modi in his Independence Day address (August 15, 2014) and formally launched on **August 28, 2014** at a grand national ceremony, making it the largest financial inclusion programme in the world by the number of accounts opened.

Step 1 — Core Features of PMJDY:

- *Zero-balance savings accounts*: Unbanked households could open accounts with nil minimum balance requirement.
- *RuPay Debit Card*: Every account holder received a RuPay debit card for digital transactions.
- *Accident Insurance*: Rs. 1 lakh (later enhanced to Rs. 2 lakh) accident insurance cover linked to RuPay card.
- *Overdraft Facility*: Up to Rs. 10,000 overdraft after 6 months of satisfactory account operation.
- *Life Insurance*: Rs. 30,000 life cover for accounts opened between August 2014 and January 2015.

Step 2 — Scale of Achievement: Within the first week of launch (August 28, 2014), over 1.8 crore accounts were opened — a Guinness World Record. By 2024, over 53 crore accounts had been opened under PMJDY.

Why other options are wrong:

- Option A: PMJDY was not launched on January 26, 2015; it was launched on August 28, 2014. It provides savings accounts, not home loans.
- Option B: Kisan Credit Cards and micro-finance for SHGs are different schemes (PM-SVANidhi, MUDRA, etc.); PMJDY is a savings account scheme.
- Option C: The launch date of August 15, 2014, refers to the announcement; the formal launch was August 28, 2014. Life insurance of Rs. 2 lakh for unorganised workers is under PM Jeevan Jyoti Bima Yojana, not PMJDY.
- **Option D: Correct** — PMJDY launched August 28, 2014; zero-balance savings accounts + RuPay card + accident insurance + overdraft after 6 months.

Final Answer: PMJDY launched August 28, 2014; zero-balance accounts, RuPay card, accident insurance, overdraft facility $\Rightarrow \boxed{\text{D}}$

$\boxed{\textbf{Answer: (D)}}$ Go Back to Q25

Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	D	2	A	3	B	4	C	5	D
6	A	7	B	8	C	9	D	10	A
11	B	12	C	13	D	14	A	15	B
16	C	17	D	18	A	19	B	20	C
21	D	22	A	23	B	24	C	25	D