FDDI AIST Business Aptitude

Sample Paper – 6

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 **best describes** a public good in economics?

	Excludable	**Non-Excludable**
Rival	Private Good (e.g., footwear, food)	Common Good (e.g., fish in open sea)
Non-Rival	Club Good (e.g., paid streaming)	PUBLIC GOOD (e.g., national defence, street lighting)

(A) A good produced by public sector enterprises and sold at subsidised prices to all citizens

(B) A good that is **non-rival** in consumption (one person's use does not reduce its availability for others) and **non-excludable** (no one can be prevented from using it), such as national defence or street lighting, which the government must provide due to the free-rider problem

(C) A good that is rival in consumption and excludable, such as a pair of leather shoes purchased in a retail store

(D) A good whose price is regulated by the government to ensure affordable access to all citizens

Q2. A footwear company increases its advertising budget by 10% and observes a 15% increase in sales. What is the **advertising elasticity of demand** and what does it indicate?

(A) 0.67; advertising is inelastic since a 10% rise in expenditure leads to a less-than-proportionate rise in sales

(B) 10; advertising is perfectly elastic meaning a 1% change in expenditure leads to a 10% change in sales

(C) 1.0; advertising elasticity is unitary, meaning sales rise by exactly the same percentage as advertising expenditure

(D) 1.5; advertising elasticity is **greater than 1 (elastic)**, meaning the 10% rise in advertising expenditure leads to a proportionately larger 15% rise in sales, calculated as $\frac{15\%}{10\%} = 1.5$

Q3. Which of the following **correctly** defines Per Capita Income and its formula?

(A) Per Capita Income = National Income ÷ Total Population; it measures the average income per person in a country and serves as an indicator of the **average standard of living**

(B) Per Capita Income = Total GDP ÷ Total Exports; it measures a country's trade productivity per unit of total output

(C) Per Capita Income = Household Income × Number of Households; it calculates the aggregate household wealth in an economy

(D) Per Capita Income = Total Government Revenue ÷ Number of Taxpayers; it indicates the average tax burden per citizen

Q4. In which of the following situations is a country **most likely** experiencing **hyperinflation**?

(A) The general price level rises by 4–5% annually, in line with the central bank's inflation target

(B) Prices rise at 15–20% per year due to supply-side bottlenecks in key industrial sectors

(C) The price level rises at an **extremely high and accelerating** rate (e.g., several hundred percent per month); money loses value so rapidly that people prefer to hold real goods rather than currency; historical examples include **Zimbabwe in 2008** and **Weimar Germany in 1923**

(D) Prices rise at 8–10% annually due to excess consumer demand in an overheated economy

Q5. Which of the following statements about the **G20 (Group of Twenty)** is **correct**?

(A) The G20 consists of the 20 richest nations by per capita income and was formed in direct response to the 2008 global financial crisis

(B) The G20 is a forum of **19 countries plus the European Union**, representing the world's largest economies (covering approximately **85% of global GDP**); India held the **G20 Presidency in 2023** and hosted the New Delhi Summit

(C) The G20 is a military alliance of 20 nations that coordinates defence and security cooperation through annual summits

(D) The G20 was established by the United Nations in 1995 as a formal replacement for the G7 and G8 groupings

Q6. What is the **correct sequence** of stages in the New Product Development (NPD) process?

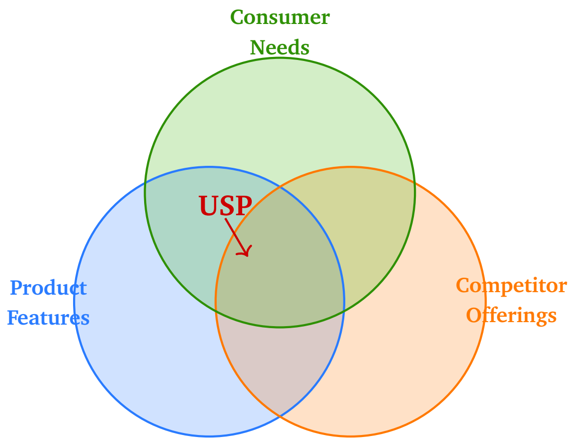
(A) Business Analysis → Idea Generation → Concept Development → Test Marketing → Product Development → Idea Screening → Commercialisation

(B) Idea Screening → Idea Generation → Business Analysis → Concept Development and Testing → Test Marketing → Product Development → Commercialisation

(C) Concept Development → Idea Generation → Idea Screening → Product Development → Business Analysis → Test Marketing → Commercialisation

(D) Idea Generation → Idea Screening → Concept Development and Testing → Business Analysis → Product Development → Test Marketing → **Commercialisation**

Q7. A leather goods brand markets its bags with the tagline "Handcrafted using 100-year-old artisan techniques — perfection no machine can replicate." The specific benefit that differentiates this brand from **all competitors** and forms the **core of its advertising message** is best described as:



(A) **Unique Selling Proposition (USP)** — the specific benefit or feature that distinguishes the product from *all* competitors and forms the basis of the brand's advertising message

(B) Brand Extension — using an existing brand name to launch a new product category to leverage existing goodwill

(C) Market Penetration Strategy — aiming to increase market share primarily through aggressive competitive pricing

(D) Product Differentiation — referring broadly to any distinguishing feature of a product, not necessarily tied to the advertising message

Q8. A footwear brand manufactures **only** vegan leather shoes designed specifically for outdoor adventurers, targeting a very narrow, specialised consumer segment. Which marketing strategy does this represent?

(A) Mass Marketing, where a single product is offered to the broadest possible market with a uniform promotional message

(B) Differentiated Marketing, where different product variants are developed for multiple distinct market segments simultaneously

(C) **Niche Marketing**, which involves targeting a very specific, narrow segment with highly specialised needs, enabling the brand to serve that segment better than any broader-market competitor

(D) Undifferentiated Marketing, where the company ignores segment differences and targets the whole market with one offer

Q9. Old Spice was traditionally perceived as an "old man's aftershave." The brand launched a new campaign repositioning it as a trendy men's grooming brand for younger consumers, changing its advertising tone and visual identity. This strategic process is best described as:

(A) Brand Extension, because the company added a new product line under the Old Spice name to enter new categories

(B) **Rebranding**, which involves changing a brand's name, logo, tagline, or **positioning** to shed an old image or appeal to a new target market

(C) Brand Licensing, because Old Spice permitted another company to use its name and identity for the new advertising campaign

(D) Co-branding, because Old Spice partnered with another brand to jointly revamp its market image and perception

Q10. Which of the following **best** describes **Supply Chain Management (SCM)**?

(A) The process of managing customer complaints and after-sales service to maximise repeat purchases and customer retention

(B) A financial planning tool used to forecast demand, set inventory levels, and allocate budgets across business departments

(C) The process of designing product packaging and logistics labelling to reduce warehouse handling errors

(D) The **coordination of all activities** from raw material procurement through manufacturing, warehousing, and transportation to **delivery to the end customer**, with the primary objectives of reducing costs, minimising lead time, and maximising customer satisfaction

Q11. According to **Henri Fayol's 14 Principles of Management**, which principle states that each employee should receive orders from **one superior only**?

Unity of Command
Each employee receives orders from ONE superior only

Unity of Direction
One plan, one head for a group of activities with the same objective

Division of Work
Specialisation of tasks leads to greater efficiency and quality

Authority & Responsibility
Authority delegated must match the responsibility assigned

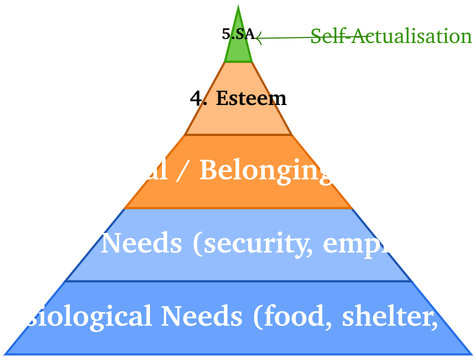
(A) **Unity of Command** — each employee should receive orders from only one superior, ensuring clarity of authority and preventing conflicting instructions

(B) Unity of Direction — there should be one plan and one head for a group of activities having the same objective

(C) Division of Work — specialisation of tasks leads to greater efficiency and a higher quality of output

(D) Esprit de Corps — promoting team spirit and unity among employees to enhance overall organisational morale and cohesion

Q12. Abraham Maslow proposed a five-level hierarchy of human needs to explain motivation. Which option **correctly** lists the hierarchy from the **lowest (most basic) to the highest level**?



(A) Safety → Physiological → Social → Esteem → Self-Actualisation

(B) Physiological → Esteem → Safety → Social → Self-Actualisation

(C) **Physiological → Safety → Social (Love/Belonging) → Esteem → Self-Actualisation**

(D) Self-Actualisation → Esteem → Social → Safety → Physiological

Q13. A sales manager offers quarterly bonuses to employees who meet sales targets and issues formal warnings to those who miss them. This leadership style, based on a system of **rewards and punishments** tied to performance, is best described as:

(A) Transformational Leadership, where the leader inspires employees with a compelling shared vision and motivates intrinsic, long-term change

(B) **Transactional Leadership**, based on an exchange relationship where leaders provide rewards for good performance and punishments for poor performance, with a focus on short-term task completion and meeting predetermined targets

(C) Servant Leadership, where the leader prioritises the needs and development of team members above personal or organisational performance goals

(D) Laissez-faire Leadership, where the leader provides maximum autonomy and minimal direction to team members

Q14. In a large multinational footwear company with branches across 20 countries, each regional manager is **empowered to take decisions** on hiring, pricing, and marketing without referring to headquarters. This organisational arrangement best describes:

(A) Centralisation, where top management retains all major decision-making authority at corporate headquarters

(B) Bureaucratic Organisation, characterised by strict hierarchy, standardised procedures, and centralised control at the top

(C) Functional Organisation, where authority is distributed along specialised functional lines such as marketing, finance, and human resources

(D) **Decentralisation**, where decision-making authority is systematically delegated to lower levels of management, improving response time and particularly suited to large, geographically spread organisations

Q15. Under the **Companies Act, 2013**, which of the following companies is **mandatorily required** to spend on Corporate Social Responsibility (CSR) activities?

(A) A company with **net worth** $\geq$ **Rs. 500 crore** OR **turnover** $\geq$ **Rs. 1,000 crore** OR **net profit** $\geq$ **Rs. 5 crore** must spend at least **2%** of the average net profits of the preceding three financial years on CSR activities listed in Schedule VII of the Act

(B) All listed companies, regardless of size, must spend 5% of annual net profit on CSR activities as mandated by SEBI guidelines

(C) Only public sector undertakings (PSUs) are required to undertake CSR activities; all private sector companies are fully exempted

(D) Any company with more than 250 employees must contribute 1% of gross revenue to CSR activities under the provisions of the Factories Act

Q16. Which of the following statements **correctly** distinguishes a **Non-Banking Financial Company (NBFC)** from a scheduled commercial bank?

(A) An NBFC can accept demand deposits (savings and current account deposits) from the general public, just like a commercial bank

(B) NBFCs are regulated by SEBI under the Securities Contracts Regulation Act, while commercial banks are regulated by the RBI under the Banking Regulation Act

(C) An NBFC provides financial services such as loans and investments but **cannot accept demand deposits**; it is regulated by the RBI under the **RBI Act, 1934**, but is **not a bank** and its deposits are **not covered by DICGC** deposit insurance

(D) NBFCs receive the same DICGC deposit insurance protection as commercial banks, making them equally secure for public depositors

Q17. Which of the following **correctly describes** the primary focus of **MCX** and **NCDEX** in India?

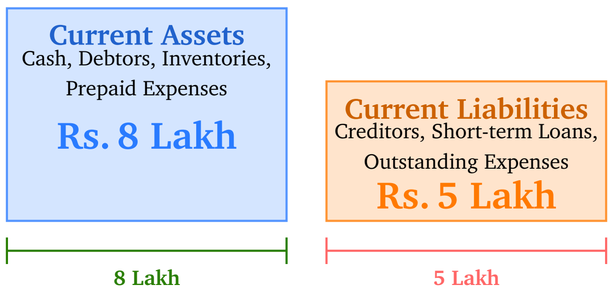
(A) MCX focuses exclusively on agricultural commodities, while NCDEX specialises in metals and energy products

(B) **MCX** (Multi Commodity Exchange) is India's **largest commodity exchange**, focusing on **metals** (gold, silver, copper) and **energy** (crude oil); **NCDEX** focuses primarily on **agricultural commodities** (wheat, soybean, turmeric); both are regulated by **SEBI**

(C) Both MCX and NCDEX are regulated by the RBI and deal exclusively in currency derivatives and interest rate futures

(D) NCDEX is India's largest commodity exchange by volume, primarily trading in metals and energy; MCX focuses on spices and pulses

Q18. A company's balance sheet shows **Current Assets** of Rs. 8 lakh and **Current Liabilities** of Rs. 5 lakh. What is the **Working Capital** and what does it indicate?



Working Capital $= 8 - 5 =$ **Rs. 3 Lakh (Positive** $\Rightarrow$ **Healthy Liquidity)**

(A) Rs. 13 lakh; the company's total liquidity pool, calculated by adding current assets and current liabilities together

(B) Rs. 0.625 lakh; the current ratio of the company, showing the proportion of liabilities relative to assets

(C) Rs. 1.6 lakh; the liquidity ratio showing how many times current assets cover current liabilities

(D) Rs. 3 lakh; **Working Capital** = **Current Assets** − **Current Liabilities** $= 8 - 5 =$ Rs. 3 lakh; positive working capital means the company can comfortably meet its short-term obligations

Q19. An employer deducts Rs. 15,000 from an employee's monthly salary of Rs. 1,00,000 and deposits it directly with the government, paying only Rs. 85,000 to the employee. This mechanism of tax collection is known as:

(A) **Tax Deducted at Source (TDS)** — a direct tax collection mechanism where tax is deducted at the **source of income** before the payment reaches the recipient; the deductor (employer) deposits it directly with the government on behalf of the recipient

(B) GST Input Tax Credit — a mechanism for registered businesses to offset GST paid on purchases against GST collected on sales

(C) Advance Tax — paid by the taxpayer themselves in four instalments during the year on income expected to be earned in that financial year

(D) Tax Collected at Source (TCS) — levied by the *seller* on the *buyer* at the point of sale of certain specified goods such as scrap, alcohol, and motor vehicles

Q20. Which of the following **correctly describes** a **One Person Company (OPC)** under the Companies Act, 2013?

(A) An OPC is a form of partnership where one senior partner holds the majority stake and takes all key management decisions on behalf of all partners

(B) An OPC must have a minimum of two directors and two shareholders, but one individual may hold 100% of the equity shares

(C) An OPC is a form of company introduced by the **Companies Act, 2013** that allows a **single individual** to form a company with **limited liability**; it is a separate legal entity with perpetual succession but must **convert to a private limited company** when paid-up capital or turnover exceeds the prescribed threshold

(D) An OPC is exempt from all company law regulations because it is managed by a single person and functions identically to a sole proprietorship

Q21. Priya and Rohan form a partnership to run a leather goods store but **do not execute a formal partnership deed**. Priya invests Rs. 3 lakh and Rohan Rs. 1 lakh. At year-end, a profit of Rs. 40,000 is earned. How will the profit be shared under the **Indian Partnership Act, 1932**?

(A) Rs. 30,000 to Priya and Rs. 10,000 to Rohan, in proportion to their capital contributions (3:1 ratio)

(B) Rs. 20,000 to **each partner (equal shares)**, because the Indian Partnership Act, 1932 presumes **equal profit sharing** in the absence of a partnership deed, regardless of capital contributed; no salary or interest on capital is payable unless specifically agreed upon

(C) Rs. 40,000 entirely to Priya, as the majority capital contributor has the first and full right to profits

(D) The profit cannot be distributed until a formal deed is signed; both partners must reinvest it in the business

Q22. Which of the following **correctly** describes an **Initial Public Offering (IPO)**?

(A) An IPO is when a listed public company offers additional shares to its existing shareholders at a discounted price through a rights issue

(B) An IPO is the process by which a company's promoters privately sell their personal shareholding to institutional investors through a negotiated block deal

(C) An IPO refers to a mutual fund's first subscription offering to retail investors when a new fund scheme is launched

(D) An IPO is the **first time** a privately held company offers its shares to the **general public** on a stock exchange to raise fresh equity capital; the process requires filing a **Draft Red Herring Prospectus (DRHP) with SEBI** and a prospectus with the Registrar of Companies

Q23. Which of the following statements about the **Insurance Regulatory and Development Authority of India (IRDAI)** is **correct**?

(A) IRDAI was established under the **IRDAI Act, 1999**, is **headquartered in Hyderabad**, and licenses and regulates **both life insurance and non-life (general) insurance** companies operating in India

(B) IRDAI was established in 1935 under the RBI Act, 1934 and functions as a regulatory department within the Reserve Bank of India

(C) IRDAI regulates only life insurance companies; the regulation of non-life (general) insurance companies is the responsibility of SEBI

(D) IRDAI is headquartered in Mumbai and was established under the Insurance Act, 1938

Q24. Which of the following **correctly describes** the **Smart Cities Mission** of India?

(A) The Smart Cities Mission was launched in 2019 under the Aatmanirbhar Bharat initiative to develop 200 smart cities entirely through private sector funding

(B) The mission aims to develop smart cities exclusively in Union Territories, focusing entirely on digital governance and e-services delivery

(C) Launched in **June 2015**, the Smart Cities Mission aims to develop **100 smart cities** in India by providing **core infrastructure**, a clean and sustainable environment, and **technology-driven governance**; selected cities receive central government funding

(D) The Smart Cities Mission was launched in 2012 during the UPA government and focused exclusively on urban housing and slum redevelopment

Q25. Which of the following **correctly** states the **primary objective** of the **Swachh Bharat Abhiyan (Clean India Mission)**?

(A) To provide clean drinking water to all rural households in India by 2024 through piped water supply connections under the Jal Jeevan Mission

(B) Launched on **October 2, 2014** (Gandhi Jayanti) by PM Modi, Swachh Bharat Abhiyan aims to achieve an **Open-Defecation Free (ODF)** India through construction of toilets and promoting sanitation and hygiene awareness nationwide

(C) To clean India's major river systems including the Ganga and Yamuna through waste treatment plants and a ban on industrial effluent discharge into rivers

(D) To make all major Indian cities zero-waste zones through door-to-door waste collection and the creation of scientific waste disposal infrastructure

Detailed Solutions

Q1.

Solution

Concept — Market Failure and Public Goods: A market failure occurs when the free market does *not* allocate resources efficiently. A *public good* has two defining characteristics that cause the free market to underprovide it (the "free-rider problem"):

- **Non-rival:** One person's consumption does not reduce the quantity available to others.
- **Non-excludable:** It is impossible (or impractical) to prevent any person from consuming the good once it is provided.

Step 1 — Non-rivalry in National Defence: When one citizen is protected by the army, that protection is not reduced for any other citizen. Defence is simultaneously available to all $\Rightarrow$ non-rival.

Step 2 — Non-excludability of Street Lighting: Once a street light is installed, any pedestrian benefits. There is no practical mechanism to exclude non-payers $\Rightarrow$ non-excludable.

Step 3 — Free-Rider Problem: Because people cannot be excluded, rational consumers will not voluntarily pay for a public good (they "free ride"). This means the private market will underprovide or not provide them at all, requiring government intervention.

Why other options are wrong:

- Option A: Goods produced by public enterprises (e.g., rail travel) can still be rival and excludable — they are not necessarily public goods in the economic sense.
- **Option B: Correct** — non-rival *and* non-excludable defines a public good; government must provide it because the market will not.
- Option C: A rival and excludable good (e.g., leather shoes) is a *private* good, the opposite of a public good.
- Option D: Price regulation by the government makes a good a *merit good* or controlled good; it does not make it a public good.

Final Answer: Non-rival and non-excludable = public good (e.g., national defence) $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q1

Q2.

Solution

Concept — Advertising Elasticity of Demand (AED): Advertising Elasticity of Demand measures the responsiveness of quantity demanded to a change in advertising expenditure, holding all other factors constant.

Step 1 — Formula:

$$\text{AED} = \frac{\%\ \text{Change in Quantity Demanded}}{\%\ \text{Change in Advertising Expenditure}}$$

Step 2 — Calculation:

$$\text{AED} = \frac{15\%}{10\%} = \mathbf{1.5}$$

Step 3 — Interpretation:

- $\text{AED} > 1$: Advertising is *elastic* — a proportionately larger increase in sales results from a given percentage increase in advertising expenditure. Advertising is highly effective.
- $\text{AED} = 1$: Unitary elasticity — sales rise by the same percentage as advertising.
- $\text{AED} < 1$: Advertising is *inelastic* — the percentage rise in sales is smaller than the percentage rise in advertising spend.

Why other options are wrong:

- Option A: 0.67 $= \frac{10}{15}$ inverts the formula. This gives the advertising expenditure response per unit of sales change, not AED.
- Option B: AED $= 10$ would require a 100% increase in sales from a 10% increase in advertising — grossly overstated.
- Option C: AED $= 1.0$ would require $\frac{15}{10} = 1$, i.e., $15\% = 10\%$, which is false.
- **Option D: Correct** — AED $= \frac{15}{10} = 1.5 > 1$; advertising is elastic.

Final Answer: Advertising Elasticity $= 1.5$ (elastic) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q2

Q3.

Solution

Concept — Per Capita Income (PCI): Per Capita Income is one of the most commonly used indicators of economic development and average standard of living. It averages the national income over every person in the country.

Step 1 — Formula:

$$\text{Per Capita Income} = \frac{\text{National Income (NI)}}{\text{Total Population}}$$

Step 2 — Significance:

- Enables cross-country comparisons of average living standards.
- India's PCI has been rising steadily but remains below the global average, reflecting that aggregate GDP growth has not fully translated into improvement in per-person income.
- Limitation: PCI does not capture *income distribution*. A country could have a high PCI but severe inequality (measured by the Gini Coefficient).

Step 3 — PCI vs. GDP: GDP measures total output within a country's borders; PCI measures output *per person*, making it a better measure of individual welfare.

Why other options are wrong:

- **Option A: Correct** — Per Capita Income = National Income ÷ Total Population; standard measure of average standard of living.
- Option B: GDP ÷ Exports is an export intensity ratio, not PCI.
- Option C: Household Income × Households gives aggregate household income, not per-person income.
- Option D: Government Revenue ÷ Taxpayers gives per-taxpayer tax burden, a fiscal measure, not PCI.

Final Answer: Per Capita Income = National Income ÷ Total Population $\Rightarrow \boxed{\text{A}}$

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

Q4.

Solution

Concept — Hyperinflation: Hyperinflation is an extremely high and typically accelerating rate of inflation, commonly defined as a monthly price increase exceeding 50% (Cagan's definition, 1956). Money loses its purchasing power so rapidly that economic agents abandon it in favour of barter or tangible assets (real goods, foreign currency, gold).

Step 1 — Causes of Hyperinflation:

- Uncontrolled expansion of the money supply (printing money to finance government deficits).
- Collapse of confidence in the currency.
- Supply shocks combined with monetary indiscipline.

Step 2 — Historical Examples:

- *Weimar Germany, 1923:* A loaf of bread cost billions of Marks. Workers were paid twice a day to spend wages before prices rose again.
- *Zimbabwe, 2007–2009:* Inflation peaked at an estimated 89.7 sextillion percent per month in November 2008. Zimbabwe abandoned its currency.

Step 3 — Distinguishing Inflation Types:

- Creeping: 0–3% per year | Walking: 3–10% | Galloping: 10–100% | **Hyperinflation**: hundreds/thousands % per month.

Why other options are wrong:

- Option A: 4–5% annual inflation is creeping inflation — benign and commonly targeted by central banks.
- Option B: 15–20% annual inflation is galloping inflation — serious but not hyperinflation.
- **Option C: Correct** — extremely high accelerating price rises, money loses value rapidly, Zimbabwe and Weimar Germany are classic hyperinflation examples.
- Option D: 8–10% demand-pull inflation is moderate to high inflation, not hyperinflation.

Final Answer: Extremely high and accelerating price increases with money rapidly losing value = hyperinflation $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q4

Q5.

Solution

Concept — G20 (Group of Twenty): The G20 is an international forum for the heads of government and central bank governors of the world's 20 major economies. It was established in 1999 at the Finance Minister level and was elevated to a Leaders' Summit in 2008 following the global financial crisis.

Step 1 — Composition of the G20:

- 19 individual member countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, United States.
- Plus: The European Union (1 bloc).
- In 2023: The African Union was also admitted as a permanent member.

Step 2 — India's G20 Presidency (2023): India held the G20 Presidency from December 1, 2022 to November 30, 2023, under the theme "*Vasudhaiva Kutumbakam — One Earth, One Family, One Future*." The G20 New Delhi Leaders' Summit was held on September 9–10, 2023. The G20 collectively represents approximately 85% of global GDP, 75% of global trade, and two-thirds of the world's population.

Why other options are wrong:

- Option A: G20 membership is based on the size of economies (total GDP), not per capita income. The forum was founded in 1999, predating the 2008 crisis (though elevated to Leader level in 2008).
- **Option B: Correct** — G20 = 19 nations + EU; ≈85% of global GDP; India held the 2023 Presidency hosting the New Delhi Summit.
- Option C: G20 is an economic and financial forum, not a military alliance.
- Option D: G20 was not created by the United Nations; it is a self-organised intergovernmental body with no treaty-based charter.

Final Answer: G20 = 19 countries + EU; 85% global GDP; India 2023 Presidency $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q5

Q6.

Solution

Concept — New Product Development (NPD) — 7-Stage Process: NPD is the complete process of bringing a new product from initial concept to market launch. The systematic 7-stage process minimises risk by ensuring thorough evaluation at each gate before committing resources to the next stage.

Step 1 — The Correct 7-Stage NPD Sequence:

1. **Idea Generation:** Systematic search for product ideas through brainstorming, R&D, customer feedback, competitor analysis.
2. **Idea Screening:** Filtering ideas to eliminate those that are impractical, financially unviable, or inconsistent with the company's strategy. Ideas must be generated *before* they can be screened.
3. **Concept Development and Testing:** Surviving ideas are developed into detailed product concepts and tested with target consumers to gauge acceptance.
4. **Business Analysis:** Review of projected sales, costs, and profitability to ensure the concept meets company objectives.
5. **Product Development:** R&D develops a physical prototype. The concept becomes a tangible product.
6. **Test Marketing:** Product and marketing programme tested in a small, representative market.
7. **Commercialisation:** Full-scale market launch.

Why other options are wrong:

- Option A: Business Analysis cannot precede Idea Generation; there is nothing to analyse without first generating ideas.
- Option B: Idea Screening cannot come before Idea Generation; there are no ideas to screen without first generating them.
- Option C: Concept Development cannot precede both Idea Generation and Idea Screening.
- **Option D: Correct** — the sequence Idea Generation $\rightarrow$ Idea Screening $\rightarrow$ Concept Development $\rightarrow$ Business Analysis $\rightarrow$ Product Development $\rightarrow$ Test Marketing $\rightarrow$ Commercialisation is the standard NPD model.

Final Answer: Correct NPD sequence = Idea Generation $\rightarrow \cdots \rightarrow$ Commercialisation $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q6

Q7.

Solution

Concept — Unique Selling Proposition (USP): The Unique Selling Proposition (USP) is the specific benefit or feature that makes a brand's product distinctly superior to all competitors in a way that is meaningful to the target consumer and forms the core of the brand's advertising message. The concept was popularised by advertising theorist Rosser Reeves.

Step 1 — Three Criteria for a Strong USP:

1. The proposition must be *unique* — competitors cannot or do not offer it.
2. It must be *consumer-relevant* — the target customer must want and value it.
3. It must be *the basis of the advertising message* — it drives the entire communication.

Step 2 — Applying to the Example: "Handcrafted using 100-year-old artisan techniques" is:

- Unique: Machine-made competitors cannot credibly claim this.
- Consumer-relevant: Premium buyers value artisanal craftsmanship.
- Advertising-core: The tagline IS the ad message.

This places it precisely in the "Product Features $\cap$ Consumer Needs $\setminus$ Competitor Offerings" region of the Venn diagram shown in Q7.

Why other options are wrong:

- **Option A: Correct** — USP = specific differentiating benefit that forms the advertising message and distinguishes the brand from all competitors.
- Option B: Brand Extension is launching a new product category under an existing brand name (e.g., a shoe brand launching bags) — not described here.
- Option C: Market Penetration Strategy focuses on pricing and volume to gain market share — unrelated to the tagline strategy described.
- Option D: Product Differentiation is a broad strategic concept covering any distinguishing feature; USP is specifically the single benefit that drives the advertising message.

Final Answer: Specific differentiating benefit forming the advertising message = USP $\Rightarrow \boxed{\text{A}}$

$\boxed{\text{Answer: (A)}}$ Go Back to Q7

Q8.

Solution

Concept — Niche Marketing: Niche marketing is a concentrated marketing strategy where a company focuses all its marketing efforts on a small, well-defined sub-segment of the market with highly specific and specialised needs. By serving a narrow segment exceptionally well, niche marketers can achieve premium pricing and strong customer loyalty with less competition.

Step 1 — Characteristics of Niche Marketing:

- Very narrow target segment ("vegan leather shoes for outdoor adventurers").
- Deep understanding of the niche's specific needs.
- Specialised product, highly tailored to the niche.
- Often commands premium pricing (less price sensitivity due to specialisation).
- Less competitive than mass or differentiated markets.

Step 2 — Why Niche Works: A niche marketer becomes the go-to brand for a specific consumer group. Larger competitors ignore the segment as too small; this gives the niche brand a "protected" position.

Contrast with Other Strategies:

- *Mass Marketing (Undifferentiated):* One product for the entire market (e.g., basic canvas sneakers for everyone).
- *Differentiated Marketing:* Multiple product variants for multiple segments (e.g., casual, formal, sports, and kids' footwear).
- *Niche Marketing:* One highly specialised product for one very narrow segment.

Why other options are wrong:

- Option A: Mass Marketing targets the broadest possible market — the opposite of niche.
- Option B: Differentiated Marketing serves *multiple* segments; niche marketing serves *one very narrow* segment.
- **Option C: Correct** — "vegan leather for outdoor adventurers" targets a very specific, narrow segment = niche marketing.
- Option D: Undifferentiated Marketing is synonymous with mass marketing; it ignores segment differences entirely.

Final Answer: Targeting a narrow, specialised segment with specific needs = niche marketing $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q8

Q9.

Solution

Concept — Rebranding: Rebranding is the marketing strategy of creating a new name, term, symbol, design, concept, or combination thereof for an established brand with the intention of developing a new, differentiated identity in the minds of consumers, investors, competitors, and other stakeholders.

Step 1 — The Old Spice Rebranding: Old Spice was associated with older consumers. Through the 2010 "The Man Your Man Could Smell Like" campaign (featuring actor Isaiah Mustafa), the brand:

- Changed its advertising tone (from traditional/sedate to humorous/irreverent).
- Changed its visual identity and target demographic (from older men to younger men aged 18–34).
- Repositioned itself from "father's aftershave" to a trendy, vibrant men's grooming brand.

This is a classic, widely studied rebranding case in marketing.

Step 2 — What Rebranding Involves:

- Change in brand name, logo, tagline, packaging, or brand positioning.
- May or may not involve new products — the *brand perception* changes.
- Motivated by outdated image, new target market, post-merger integration, or crisis management.

Why other options are wrong:

- Option A: Brand Extension adds a new product line under an existing brand name (e.g., Old Spice launching body wash) — but the question describes a repositioning of the existing brand, not a product extension.
- **Option B: Correct** — changing positioning, tone, and visual identity to shed an old image and appeal to new consumers = rebranding.
- Option C: Brand Licensing grants another company permission to use the brand name commercially for a fee — no licensing is involved here.
- Option D: Co-branding requires two brands collaborating; no second brand is mentioned in Old Spice's campaign.

Final Answer: Changing brand positioning and identity to appeal to new target market = rebranding $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q9

Q10.

Solution

Concept — Supply Chain Management (SCM): SCM is the active management of supply chain activities to maximise customer value and achieve a sustainable competitive advantage. It represents a conscious effort by supply chain firms to develop and run supply chains in the most effective and efficient ways possible.

Step 1 — End-to-End SCM Activities:

1. *Procurement:* Sourcing and purchasing raw materials (leather, rubber, thread) from suppliers.
2. *Manufacturing:* Converting inputs into finished footwear.
3. *Inventory Management:* Holding the right quantity of stock at the right location.
4. *Warehousing:* Storing finished goods in distribution centres.
5. *Transportation/Logistics:* Moving goods from factory $\rightarrow$ warehouse $\rightarrow$ retailer $\rightarrow$ customer.
6. *Delivery:* Getting the product to the end consumer.

Step 2 — Three Primary SCM Objectives:

- **Reduce costs:** Lower inventory, transportation, and procurement costs.
- **Minimise lead time:** Faster order fulfilment from customer order to delivery.
- **Maximise customer satisfaction:** Right product, right place, right time, right quantity, right condition.

Why other options are wrong:

- Option A: Customer complaint management and after-sales service are part of Customer Relationship Management (CRM), not SCM.
- Option B: Demand forecasting and budget allocation are part of Sales and Operations Planning (S&OP) within management, not the definition of SCM.
- Option C: Packaging design and labelling are operational sub-activities within logistics/SCM but do not define SCM as a discipline.
- **Option D: Correct** — coordinating procurement $\rightarrow$ manufacturing $\rightarrow$ warehousing $\rightarrow$ transportation $\rightarrow$ end-customer delivery = SCM, with the goals of cost reduction, lead time minimisation, and customer satisfaction.

Final Answer: Coordinating all activities from procurement to delivery = SCM ⇒ $\boxed{\text{D}}$

Answer: (D) Go Back to Q10

Q11.

Solution

Concept — Henri Fayol's 14 Principles of Management: Henri Fayol (1841–1925), the "Father of Modern Management Theory," proposed 14 universal principles of management in his 1916 work *Administration Industrielle et Générale*. These principles guide managers in organising and running organisations efficiently.

Step 1 — Unity of Command (Principle 4): "Each subordinate should receive orders from one and only one superior." If an employee reports to two or more managers, they may receive conflicting instructions, leading to confusion, reduced efficiency, weakened authority, and undermined discipline. Unity of Command ensures clear accountability: each employee knows exactly who they report to.

Step 2 — Distinction from Unity of Direction (Principle 5): Unity of Direction states that "there should be one head and one plan for a group of activities having the same objective." This is about the coordination of group activities (one department = one plan), whereas Unity of Command is about the individual employee's reporting relationship.

Step 3 — All 14 Principles (brief list): Division of Work, Authority & Responsibility, Discipline, **Unity of Command**, Unity of Direction, Subordination of Individual Interest, Remuneration, Centralisation, Scalar Chain, Order, Equity, Stability of Tenure, Initiative, Esprit de Corps.

Why other options are wrong:

- **Option A: Correct** — Unity of Command = each employee should receive orders from one superior only.
- Option B: Unity of *Direction* (one plan, one head per group of activities) is a different principle; it concerns group coordination, not individual reporting lines.
- Option C: Division of Work is about task specialisation for efficiency; it does not address the number of superiors.
- Option D: Esprit de Corps is about fostering team spirit and harmony; it does not address reporting hierarchy.

Final Answer: One employee, one superior = Unity of Command ⇒ $\boxed{\text{A}}$

Answer: (A) Go Back to Q11

Q12.

Solution

Concept — Maslow's Hierarchy of Needs: Abraham Maslow published his motivational theory in *A Theory of Human Motivation* (1943). He proposed that human needs can be arranged in a five-level pyramid hierarchy. Lower-level (deficiency) needs must be substantially satisfied before higher-level (growth) needs become motivating factors.

Step 1 — The Five Levels (Bottom to Top):

1. **Physiological Needs:** Most basic survival needs — food, water, shelter, sleep, clothing. An employee whose basic survival is at risk is not motivated by recognition or self-fulfilment.
2. **Safety Needs:** Security of employment, physical safety, health, financial security, freedom from fear.
3. **Social Needs (Love/Belonging):** Need for friendship, affection, team belonging, social interaction. Once secure, people seek relationships.
4. **Esteem Needs:** Self-esteem (achievement, confidence), status, recognition, respect from others.
5. **Self-Actualisation:** Realising one's full potential, creativity, personal growth, peak experiences. Maslow described it as "what a man can be, he must be."

Step 2 — Managerial Application: A manager must first identify at what level an employee's needs are currently being met. For example: an employee lacking job security (Safety level) will not be motivated by recognition awards (Esteem level).

Why other options are wrong:

- Option A: Safety before Physiological is incorrect — survival (food, water) is more fundamental than safety.
- Option B: Esteem before Safety and Social is incorrect — esteem is at Level 4, not Level 2.
- **Option C: Correct** — Physiological → Safety → Social → Esteem → Self-Actualisation is the correct Maslow hierarchy.
- Option D: This is the inverted (top-to-bottom) hierarchy, which is incorrect.

Final Answer: Maslow hierarchy: Physiological → Safety → Social → Esteem → Self-Actualisation ⇒ $\boxed{C}$

Answer: (C) Go Back to Q12

Q13.

Solution

Concept — Transactional Leadership: Transactional leadership is a style based on a system of *exchange* (transaction) between the leader and followers. Leaders motivate employees through extrinsic rewards (bonuses, promotions, recognition) for meeting predefined targets and impose penalties (warnings, demotion, dismissal) for failing to meet expectations. The primary focus is on short-term performance and maintaining existing processes.

Step 1 — Core Components of Transactional Leadership:

- *Contingent Reward:* Leader offers specific rewards for meeting specific performance targets (e.g., quarterly bonus for hitting sales quota).
- *Management-by-Exception (Active):* Leader monitors performance and takes corrective action when deviations occur (e.g., issuing warnings for missed targets).
- *Management-by-Exception (Passive):* Leader intervenes only when performance falls below the minimum standard.

Step 2 — Transactional vs. Transformational Leadership:

- Transactional: Extrinsic motivation (rewards/punishments), short-term focus, maintains status quo.
- Transformational: Intrinsic motivation (vision, inspiration), long-term focus, drives fundamental change.

Why other options are wrong:

- Option A: Transformational Leadership motivates through a compelling vision and intrinsic change — no reward-punishment transaction.
- **Option B: Correct** — bonuses for targets met + warnings for targets missed = the classic exchange transaction of transactional leadership.
- Option C: Servant Leadership prioritises the growth and well-being of team members over task performance metrics.
- Option D: Laissez-faire Leadership is characterised by minimal leader involvement and maximum employee autonomy — the opposite of actively setting and enforcing performance targets.

Final Answer: Exchange-based rewards and punishments tied to performance = transactional leadership $\Rightarrow$ $\boxed{\text{B}}$

Answer: (B) Go Back to Q13

Q14.

Solution

Concept — Centralisation vs. Decentralisation: These terms describe where decision-making authority is concentrated in the management hierarchy. Fayol (Principle 8) described the degree of centralisation as the extent to which subordinates are involved in decision-making. Neither extreme is universally best; the appropriate degree depends on the organisation's size, culture, competence of managers, and operating environment.

Step 1 — Decentralisation Defined: Decentralisation is the systematic delegation of authority to make decisions to lower levels of the management hierarchy. Managers at intermediate and lower levels have the authority to act without seeking approval from headquarters.

Step 2 — Advantages of Decentralisation:

- Faster decision-making (no waiting for HQ approval).
- Better responsiveness to local conditions (regional managers understand local markets).
- Develops managerial talent at lower levels.
- Reduces burden on top management.

Step 3 — Application: In a 20-country multinational, allowing each regional manager to decide on hiring, pricing, and marketing without HQ referral is textbook decentralisation. Headquarters retains strategic control (global brand, financial targets) but delegates operational authority.

Why other options are wrong:

- Option A: Centralisation would mean regional managers must refer all decisions to headquarters — the scenario describes the opposite.
- Option B: Bureaucratic Organisation involves rigid rules and centralised authority; empowered regional managers contradict this.
- Option C: Functional Organisation organises around global functions (one CFO, one Marketing Head for all countries); the scenario describes geographically empowered managers, not functional distribution.

- **Option D: Correct** — delegating operational decisions to regional managers across 20 countries = decentralisation.

Final Answer: Delegating decision-making authority to lower levels in a large, spread organisation = decentralisation ⇒ $\boxed{\text{D}}$

Answer: (D) Go Back to Q14

Q15.

Solution

Concept — Mandatory CSR under the Companies Act, 2013: India was a global pioneer in mandating CSR expenditure through legislation. Section 135 of the Companies Act, 2013 (effective from April 1, 2014) makes CSR spending compulsory for companies meeting any one of three financial thresholds.

Step 1 — Eligibility Criteria (any one is sufficient):

Criterion	Threshold
Net Worth	$\geq$ Rs. 500 crore
Turnover	$\geq$ Rs. 1,000 crore
Net Profit	$\geq$ Rs. 5 crore

Step 2 — Spending Obligation: Qualifying companies must spend **at least 2%** of the average net profits of the immediately preceding three financial years on eligible CSR activities (Schedule VII includes education, healthcare, environment, rural development, skill development, etc.).

Step 3 — CSR Committee: The company must constitute a *Board-level CSR Committee* (at least three directors, including one independent director for prescribed companies) to formulate and oversee the CSR policy.

Why other options are wrong:

- **Option A: Correct** — net worth $\geq$ Rs. 500 cr OR turnover $\geq$ Rs. 1,000 cr OR net profit $\geq$ Rs. 5 cr triggers mandatory 2% CSR spend (Section 135, Companies Act, 2013).
- Option B: SEBI does not mandate CSR spending. The obligation is under the Companies Act, not SEBI regulations, and the rate is 2% of average net profit, not 5%.
- Option C: The obligation applies to all qualifying companies — both private and public sector. PSUs are not the only ones obligated.

- Option D: The threshold is not based on employee headcount under the Factories Act; it is based on financial size under the Companies Act, 2013.

Final Answer: Net worth $\geq$ Rs. 500 cr or Turnover $\geq$ Rs. 1,000 cr or Net profit $\geq$ Rs. 5 cr $\rightarrow$ 2% CSR $\Rightarrow$ $\boxed{\text{A}}$

Answer: (A) Go Back to Q15

Q16.

Solution

Concept — NBFC vs. Bank: A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 2013, engaged in the business of loans, investments, leasing, hire purchase, insurance, or chit fund. While NBFCs perform many banking-like functions, they are legally and operationally distinct from banks.

Step 1 — Key Legal Differences:

Feature	Bank	NBFC
Accepts Demand Deposits	Yes	No
DICGC Deposit Insurance	Yes (up to Rs. 5 L)	No
Part of Payment System	Yes	No
Legislation	Banking Regulation Act 1949	RBI Act 1934
Regulated by	RBI	RBI

Step 2 — Why This Matters: Because NBFC deposits are not insured by DICGC, depositors in NBFCs face higher risk than bank depositors. This is one reason some NBFCs have been converted into universal banks (e.g., IDFC Bank, Bandhan Bank).

Why other options are wrong:

- Option A: NBFCs *cannot* accept demand deposits — this is the single most important legal distinction from banks.
- Option B: NBFCs are regulated by the *RBI* (not SEBI). SEBI regulates securities markets, not financial companies making loans.
- **Option C: Correct** — NBFC cannot accept demand deposits; regulated by RBI under RBI Act, 1934; not covered by DICGC insurance.
- Option D: NBFC deposits receive NO DICGC insurance. This is a key risk differentiator between banks and NBFCs.

Final Answer: NBFC cannot accept demand deposits; not DICGC-insured; regulated by RBI under RBI Act, 1934 $\Rightarrow$ $\boxed{\text{C}}$

Answer: (C) Go Back to Q16

Q17.

Solution

Concept — MCX and NCDEX: India's Commodity Exchanges: India's commodity markets are primarily served by two national-level multi-commodity exchanges that provide a transparent platform for price discovery and risk management through futures and options contracts.

Step 1 — MCX (Multi Commodity Exchange of India):

- Founded: 2003 | Headquartered: Mumbai.
- India's **largest commodity exchange** by turnover.
- Primary segments: **Metals** (gold, silver, copper, zinc, lead, aluminium, nickel) and **Energy** (crude oil, natural gas, mentha oil).
- Gold futures on MCX are the most traded commodity derivatives in India.

Step 2 — NCDEX (National Commodity and Derivatives Exchange):

- Founded: 2003 | Headquartered: Mumbai.
- India's **leading agricultural commodity exchange** — often called the "agri exchange."
- Primary segments: **Agricultural commodities** (wheat, soybean, mustard seed, chana/chickpea, turmeric, pepper, castor seed, guar seed, cotton).

Step 3 — Regulator: Both MCX and NCDEX are regulated by **SEBI** since September 2015, when the Forward Markets Commission (FMC) was merged with SEBI.

Why other options are wrong:

- Option A: This reverses the focus — MCX is metals/energy, NCDEX is agricultural.
- **Option B: Correct** — MCX = metals and energy (largest commodity exchange); NCDEX = agricultural commodities; both SEBI-regulated.
- Option C: Both exchanges are regulated by SEBI (not RBI), and neither focuses exclusively on currency/interest rate derivatives.
- Option D: NCDEX is *not* the largest by volume; MCX dominates. And MCX focuses on metals/energy, not spices/pulses.

Final Answer: MCX = metals/energy; NCDEX = agricultural commodities; both regulated by SEBI $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q17

Q18.

Solution

Concept — Working Capital: Working Capital (WC) is the capital available for a business's day-to-day operations. It represents the short-term financial health and operational liquidity of a business.

Step 1 — Formula and Calculation:

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$= \text{Rs. } 8 \text{ lakh} - \text{Rs. } 5 \text{ lakh} = \boxed{\textbf{Rs. 3 lakh}}$$

Step 2 — What Positive Working Capital Indicates: WC $= +$Rs. 3 lakh means the company has Rs. 3 lakh more in short-term assets than in short-term obligations. It can comfortably meet all current liabilities from current assets without needing additional financing.

Step 3 — Negative Working Capital: If WC < 0, current liabilities exceed current assets. The company may be unable to meet short-term obligations, signalling a potential liquidity crisis.

Components (from the diagram in Q18):

- Current Assets: Cash, bank balances, debtors (trade receivables), inventories, prepaid expenses, short-term investments.
- Current Liabilities: Trade creditors, bank overdraft, short-term loans, outstanding expenses, advance received from customers.

Why other options are wrong:

- Option A: Rs. 13 lakh $= 8 + 5$ (incorrect; WC uses subtraction, not addition of current assets and liabilities).
- Option B: Rs. 0.625 lakh $= \frac{5}{8}$ = the *reciprocal* of the Current Ratio — not working capital.
- Option C: Rs. 1.6 lakh $= \frac{8}{5}$ = the **Current Ratio** (a dimensionless multiple) — not working capital in rupees.
- **Option D: Correct** — Working Capital $= 8 - 5 =$ Rs. 3 lakh; positive = company can meet short-term obligations.

Final Answer: Working Capital $=$ Current Assets $-$ Current Liabilities $=$ Rs. 3 lakh $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q18

Q19.

Solution

Concept — Tax Deducted at Source (TDS): TDS is a mechanism under the Income Tax Act, 1961, for collecting income tax at the very point where income is generated (the "source"). The payer (deductor) withholds the applicable tax from the payment and deposits it directly with the Income Tax Department on behalf of the recipient (deductee).

Step 1 — Mechanism in the Example:

- Gross Salary: Rs. 1,00,000.
- TDS deducted by employer (deductor): Rs. 15,000.
- Amount deposited with Income Tax Dept.: Rs. 15,000.
- Net salary received by employee (deductee): Rs. 85,000.

Step 2 — Key Characteristics of TDS:

- It is a *direct tax* — the burden falls on the income earner and cannot be shifted.
- Applicable on: salary, professional fees, rent, interest on fixed deposits, contractor payments, commission, etc.
- The deductor files TDS returns quarterly and issues a TDS Certificate (Form 16 for salary; Form 16A for others).
- The deductee claims TDS credit in their annual Income Tax Return (ITR); if excess TDS was deducted, a refund is issued.

Why other options are wrong:

- **Option A: Correct** — TDS = tax deducted at the source of income (salary) by the payer (employer) before reaching the recipient (employee); deposited with the government.
- Option B: GST Input Tax Credit is an indirect tax offset mechanism for businesses registered under GST — entirely unrelated to salary tax deduction.
- Option C: Advance Tax is paid by the taxpayer (not the employer) on their own initiative in four quarterly instalments based on estimated annual income. It is not "deducted" by a third party.
- Option D: TCS (Tax *Collected* at Source) is levied by the seller on the buyer for specified goods (e.g., sale of scrap, forest products, motor vehicles over Rs. 10 lakh). It is not applicable to salary payments.

Final Answer: Tax deducted at source of income (employer from salary) = TDS $\Rightarrow \boxed{A}$

Answer: (A) Go Back to Q19

Q20.

Solution

Concept — One Person Company (OPC): Section 2(62) of the Companies Act, 2013 defines a One Person Company as "a company which has only one person as a member." The concept was recommended by the Dr. J.J. Irani Expert Committee (2005) to provide a formal corporate structure for individual entrepreneurs who previously could only operate as sole proprietors.

Step 1 — Key Features of an OPC:

- **Single Member:** Only one person can be the member (must be an Indian citizen and resident).
- **Nominee:** The member must name a nominee who takes over in the event of the member's death or incapacity.
- **Separate Legal Entity:** The OPC has its own legal identity distinct from its member.
- **Limited Liability:** The member's personal assets are protected; liability is limited to capital invested.
- **Perpetual Succession:** The company continues regardless of changes in the single member.

Step 2 — Mandatory Conversion: Under the Companies (Incorporation) Rules, an OPC must convert to a private limited company if:

- Paid-up capital exceeds Rs. 50 lakh, or
- Annual turnover exceeds Rs. 2 crore (note: the Companies Amendment Act 2021 relaxed conditions — voluntary conversion is allowed earlier; mandatory conversion thresholds were revised).

Why other options are wrong:

- Option A: OPC is a company, not a partnership. It requires only one member, not a partnership structure.
- Option B: An OPC has exactly one member. Having two directors and two shareholders contradicts the definition.
- **Option C: Correct** — OPC allows one individual to form a company with limited liability, separate legal entity, and perpetual succession; mandatory conversion applies on exceeding the prescribed threshold.

- Option D: An OPC is fully subject to the Companies Act, 2013. It is a *separate legal entity* with limited liability, fundamentally different from a sole proprietorship (which has unlimited liability and no separate legal identity).

Final Answer: OPC: single individual, limited liability company, separate legal entity, perpetual succession $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q20

Q21.

Solution

Concept — Default Rules for Profit Sharing in Partnership: The Indian Partnership Act, 1932 provides a set of default rules that govern partnership firms in the *absence* of a registered partnership deed or any specific agreement between partners. These rules operate automatically unless the partners have agreed otherwise.

Step 1 — Section 13(b) of the Indian Partnership Act, 1932: "Subject to contract between the partners, the partners shall be entitled to share equally in the profits earned and shall contribute equally to the losses sustained by the firm."

Step 2 — Additional Default Rules (absence of deed):

- Interest on capital: **NOT payable** (no deed = no such entitlement).
- Salary to partners: **NOT payable**.
- Interest on drawings: **NOT charged**.
- Partners entitled to participate in management.

Step 3 — Calculation:

- Total profit: Rs. 40,000.
- No. of partners: 2 (Priya and Rohan).
- Profit per partner: Rs. 40,000 $\div$ 2 = **Rs. 20,000 each**.
- The 3:1 capital ratio is irrelevant without a deed specifying proportionate sharing.

Why other options are wrong:

- Option A: Proportionate sharing (3:1) would apply only if the deed specified "profits shared in the ratio of capital contributions." Without a deed, Section 13(b) mandates equal sharing.

- **Option B: Correct** — no deed ⇒ equal sharing under IPA 1932 ⇒ Rs. 20,000 each regardless of capital ratio.
- Option C: No statute or legal principle gives all profits to the majority capital contributor in the absence of a deed.
- Option D: The Act's default rules operate immediately; no deed is required for profit distribution.

Final Answer: No deed ⇒ equal sharing (IPA 1932) ⇒ Rs. 20,000 each ⇒ $\boxed{\text{B}}$

Answer: (B) Go Back to Q21

Q22.

Solution

Concept — Initial Public Offering (IPO): An IPO marks the first time a company offers its equity shares to the general public through a recognised stock exchange, transitioning from a privately held to a publicly listed company. It is a major milestone in a company's growth.

Step 1 — IPO Process in India (SEBI-regulated):

1. Company appoints Book-Running Lead Managers (investment banks).
2. Files **Draft Red Herring Prospectus (DRHP)** with **SEBI** (contains company details, risks, financials, but not the final price band).
3. SEBI reviews the DRHP and issues observations.
4. Final Red Herring Prospectus (RHP) filed with Registrar of Companies (RoC).
5. Price band announced; subscription open for 3 working days.
6. Book-building: institutional, non-institutional, and retail investor bids.
7. Allotment of shares to successful bidders.
8. Listing on NSE/BSE — shares begin secondary market trading.

Step 2 — Fresh Issue vs. Offer for Sale (OFS):

- Fresh Issue: New shares issued by the company; proceeds go to the company for expansion.
- OFS: Existing shareholders (promoters, PE funds) sell their shares; proceeds go to the selling shareholder, not to the company.

Why other options are wrong:

- Option A: Offering additional shares to existing shareholders at a discount is a *Rights Issue*, not an IPO.

- Option B: Promoters privately selling shares to institutions in a negotiated deal is a *Private Placement* or secondary block trade — not a public IPO.
- Option C: A mutual fund's first subscription offering is called a *New Fund Offer (NFO)*, not an IPO.
- **Option D: Correct** — IPO = first public share offering by a private company; requires DRHP with SEBI and prospectus with RoC.

Final Answer: IPO = first public share sale by private company; DRHP with SEBI $\Rightarrow \boxed{\text{D}}$

Answer: (D) **Go Back to Q22**

Q23.

Solution

Concept — IRDAI (Insurance Regulatory and Development Authority of India): IRDAI is the statutory apex body for the supervision and regulation of the insurance sector in India. It was created to protect the interests of policyholders and to ensure the orderly development of the insurance industry.

Step 1 — Key Facts about IRDAI:

- **Statutory basis:** The Insurance Regulatory and Development Authority Act, 1999.
- **Operational since:** April 2000.
- **Headquarters:** Hyderabad, Telangana (moved from New Delhi in 2001).
- **Regulatory scope:** Both *life insurance* companies (e.g., LIC, HDFC Life, SBI Life) and *non-life (general) insurance* companies (e.g., New India Assurance, United India Insurance, Bajaj Allianz General).
- **Key functions:** Grant, renew, modify, suspend, or cancel registration of insurers; approve insurance products; protect policyholder interests; promote rural/social sector insurance; adjudicate disputes.

Step 2 — Life Insurance vs. General Insurance: IRDAI regulates *both* categories. There is no separate regulator for general insurance; SEBI has no jurisdiction over insurance.

Why other options are wrong:

- **Option A: Correct** — IRDAI Act, 1999; HQ in Hyderabad; regulates both life and general insurance.
- Option B: IRDAI was established under its own Act (IRDAI Act, 1999), not the RBI Act. It is fully independent of the RBI.

- Option C: IRDAI regulates *both* life and non-life insurance. SEBI regulates securities markets, not insurance.
- Option D: IRDAI is headquartered in Hyderabad (not Mumbai); it was created under the IRDAI Act, 1999 — the Insurance Act, 1938 is the older legislation governing the business of insurance, which IRDAI oversees but was not established under it.

Final Answer: IRDAI Act 1999, HQ Hyderabad, regulates life and non-life insurance $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q23

Q24.

Solution

Concept — Smart Cities Mission: The Smart Cities Mission (SCM) is one of India's flagship urban development initiatives. It aims to create cities that provide core infrastructure and a clean and sustainable environment, and apply smart solutions to manage city systems more efficiently.

Step 1 — Key Facts:

- **Launch Date:** June 25, 2015.
- **Launched by:** Prime Minister Narendra Modi.
- **Ministry:** Ministry of Housing and Urban Affairs (MoHUA).
- **Target:** Develop **100 smart cities** across India.
- **Central Government Funding:** Rs. 500 crore per selected city over 5 years (to be matched by State/ULB).
- **Selection Process:** Competitive "Smart Cities Challenge" — cities propose projects and are selected on the merit of their proposals.

Step 2 — Features of Smart City Development:

- *Area-based development:* Retrofitting of existing areas; redevelopment of brownfield areas; greenfield development.
- *Pan-city initiatives:* ICT-based smart solutions for the entire city (e.g., smart traffic, e-governance, sensor-based solid waste management).

Why other options are wrong:

- Option A: The mission was launched in 2015 (not 2019), targets 100 (not 200) cities, and uses mixed public-private funding.

- Option B: The mission covers cities across all states (not just Union Territories) and addresses physical infrastructure as well as digital governance.
- **Option C: Correct** — June 2015 launch; 100 smart cities; core infrastructure, clean environment, technology-driven governance; central government funding.
- Option D: This incorrectly attributes the initiative to the UPA government (2012). SCM is an NDA initiative (2015); it focuses on comprehensive city development, not only housing/slum redevelopment.

Final Answer: Smart Cities Mission: June 2015, 100 cities, infrastructure and technology governance $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q24

Q25.

Solution

Concept — Swachh Bharat Abhiyan (Clean India Mission): Swachh Bharat Abhiyan is one of India's largest-ever cleanliness and sanitation campaigns. It was launched to transform India's sanitation infrastructure and behavioural hygiene practices.

Step 1 — Key Facts:

- **Launch Date:** October 2, 2014 (150th birth anniversary of Mahatma Gandhi).
- **Launched by:** Prime Minister Narendra Modi.
- **Primary Objective:** Achieve a **completely Open-Defecation Free (ODF)** India through: (a) construction of individual household and community toilets; (b) awareness campaigns on sanitation and hygiene behaviour.
- **Components:** Swachh Bharat Mission (Gramin) — rural areas; Swachh Bharat Mission (Urban) — urban areas.
- **Achievement:** India was declared ODF on October 2, 2019 (5th anniversary), with over 10 crore toilets constructed.

Step 2 — Related Schemes (to avoid confusion):

- *Jal Jeevan Mission* (launched 2019): Piped drinking water to every rural household — "Har Ghar Jal."
- *Namami Gange Programme:* Cleaning and conservation of the Ganga river.
- *AMRUT:* Urban infrastructure including water supply and sewerage.

Why other options are wrong:

- Option A: Piped drinking water supply is the objective of *Jal Jeevan Mission*, not Swachh Bharat Abhiyan.
- **Option B: Correct** — Swachh Bharat Abhiyan, October 2, 2014, aimed at ODF India through toilet construction and hygiene awareness.
- Option C: Cleaning river systems is the objective of *Namami Gange Programme*, not Swachh Bharat Abhiyan.
- Option D: Making cities zero-waste zones is an aspiration under the urban component of Swachh Bharat, but the *primary* stated objective is ODF India through toilet construction and sanitation behaviour change — not zero-waste.

Final Answer: Swachh Bharat Abhiyan (October 2, 2014) $=$ ODF India through toilet construction and hygiene awareness $\Rightarrow \boxed{\text{B}}$

Answer: (B) **Go Back to Q25**

Answer Key

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