FDDI AIST Business Aptitude

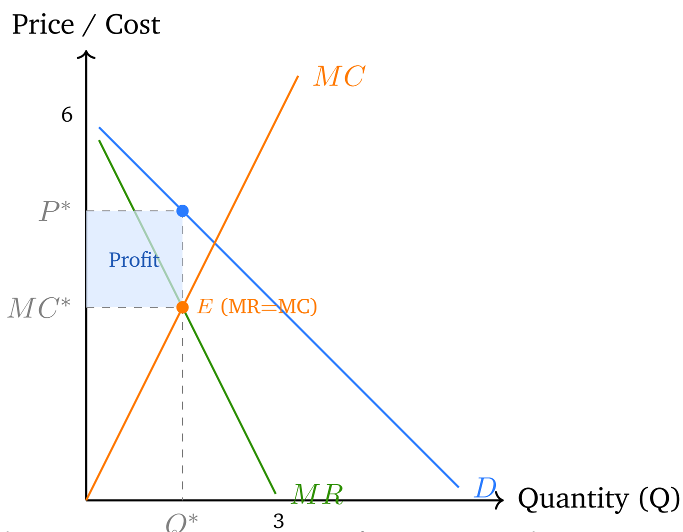
Sample Paper – 7

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 **correctly** describes the characteristics of a **monopoly** market structure?



Monopoly Pricing: $P^* > MC^*$**, profit maximised at MR=MC**

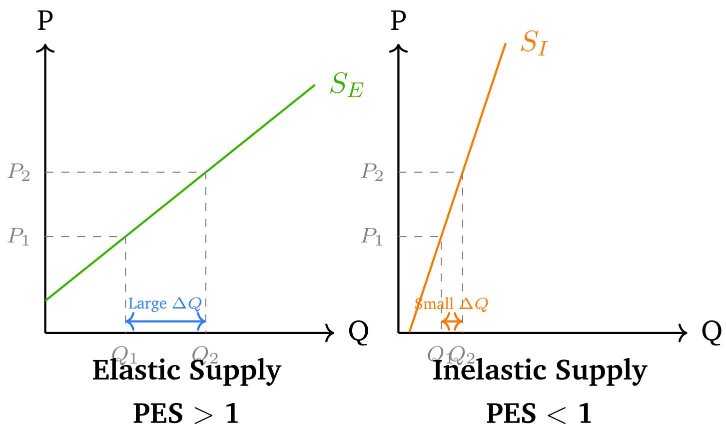
(A) A monopoly has many sellers offering homogeneous products, with free entry and exit, so each seller is a price-taker.

(B) A monopoly involves two large competing firms (duopoly) that collude to set prices above competitive levels and share the market equally.

(C) In a monopoly, the firm maximises profit where Price equals Marginal Cost (P = MC), just like a perfectly competitive firm.

(D) A monopoly has a **single seller**, **no close substitutes**, **high barriers to entry**, and the seller is a **price-maker** who maximises profit where MR = MC, charging a price above marginal cost.

Q2. A leather goods artisan takes six months to hand-stitch each bag. When the price doubles, the artisan can increase output by only 10%. Which of the following **correctly** explains this situation and distinguishes it from **price-elastic supply**?



(A) The supply is price elastic because the artisan can respond quickly by importing more leather and hiring helpers whenever prices rise.

(B) The supply is **price inelastic** (PES < 1) because skilled craftsmanship cannot be scaled up rapidly — a large price rise causes only a small increase in output. Price-elastic supply (PES > 1) occurs in industries with spare capacity and standardised production, where output can rise quickly in response to higher prices.

(C) Price-elastic supply means output does not respond at all to price changes; price-inelastic supply means output increases proportionally with every price rise.

(D) Supply elasticity is determined only by the number of producers in the market, not by production flexibility or time required to manufacture the good.

Q3. Which of the following **correctly** describes India's economic performance in FY 2022–23 and India's stated economic ambition?

(A) India's GDP grew at approximately 9.5% in FY 2022–23, making it the fastest-growing economy globally, and aims to become a USD 10 trillion economy by 2030.

(B) India's GDP contracted by approximately 2% in FY 2022–23 due to post-pandemic supply-chain disruptions, and India aims to become a USD 2 trillion economy by 2027.

(C) India's GDP grew at approximately **7.2%** in FY 2022–23, making it one of the fastest-growing major economies in the world, and India aims to become a **USD 5 trillion economy**.

(D) India's GDP grew at approximately 4% in FY 2022–23 — the lowest in South Asia — while India aims to become the world's largest economy by 2050 through demographic dividends alone.

Q4. A country experiences near-zero GDP growth, rising unemployment, AND rising prices simultaneously — a combination that makes standard monetary policy tools **ineffective**. Which economic condition does this describe?

(A) **Stagflation** — a combination of stagnant economic growth (or recession) with high inflation. It is difficult to address because raising interest rates to combat inflation worsens unemployment, while lowering rates to stimulate growth fuels further inflation.

(B) A recession, defined as a contraction in GDP for two consecutive quarters, characterised by falling prices (deflation) and rising unemployment — but without inflation.

(C) Demand-pull inflation, caused by excessive consumer spending that drives up prices while employment remains high and GDP continues to grow.

(D) A depression, which is a prolonged and severe recession marked by deflation (falling prices) and mass unemployment, not by simultaneous high inflation.

Q5. BRICS expanded significantly in 2024. Which of the following **correctly** identifies the new countries that became full BRICS members in January 2024, AND correctly names the BRICS multilateral development bank and its headquarters city?

(A) Pakistan, Bangladesh, Mexico, and Indonesia joined BRICS in 2024; the BRICS development bank is the Asian Infrastructure Investment Bank (AIIB), headquartered in Beijing.

(B) Turkey, Malaysia, Thailand, and Indonesia joined BRICS in 2024; the BRICS development bank is the World Bank, headquartered in Washington D.C.

(C) Nigeria, Kenya, Argentina, and Vietnam joined BRICS in 2024; the BRICS development bank is the International Monetary Fund (IMF), headquartered in Washington D.C.

(D) **Egypt, Ethiopia, Iran, the UAE, and Saudi Arabia** joined BRICS as full members in January 2024; the BRICS development bank is the **New Development Bank (NDB)**, headquartered in **Shanghai**.

Q6. A footwear brand wishes to understand why sales of its formal shoes have declined in Tier-2 cities. It follows a structured, evidence-based research process. Which of the following represents the **correct sequential steps** in the marketing research process?

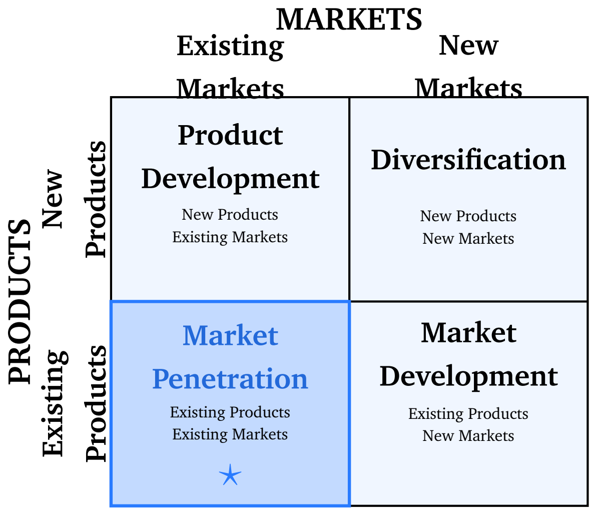
(A) Collect Data → Analyse Data → Define the Problem → Develop Research Plan → Present Findings

(B) **Define the Problem** → **Develop Research Plan** → **Collect Data** → **Analyse Data** → **Interpret and Present Findings**

(C) Develop Research Plan → Define the Problem → Interpret Findings → Collect Data → Analyse Data

(D) Analyse Data → Define the Problem → Collect Data → Develop Research Plan → Present Findings

Q7. According to the **Ansoff Growth Matrix**, which strategy involves selling **existing products** to **existing markets** to increase market share — for example, a footwear brand offering EMI schemes to its current Indian customer base?



(A) Product Development — creating new products for existing markets to satisfy evolving customer needs

(B) Market Development — taking existing products into new geographic regions or customer segments

(C) **Market Penetration** — increasing market share by selling existing products more aggressively in existing markets through competitive pricing, enhanced promotion, or wider distribution

(D) Diversification — simultaneously introducing new products into entirely new markets, carrying the highest risk

Q8. A leather tannery sells processed hides in bulk to a shoe manufacturer. The shoe manufacturer then sells finished footwear to individual customers in its retail stores. Which of the following **correctly** identifies and describes the **B2B transaction** in this scenario?

(A) The transaction between the **tannery and the shoe manufacturer** is **B2B (Business-to-Business)**, characterised by rational purchase decisions, large order volumes, longer sales cycles, relationship-based selling, and negotiated pricing.

(B) The transaction between the shoe manufacturer and individual retail customers is B2B, because both the manufacturer and each retail consumer are participants in the footwear value chain.

(C) Both transactions are B2C (Business-to-Consumer) because the final product in both cases is a leather good intended for consumer use.

(D) B2B marketing refers exclusively to online transactions conducted through digital procurement portals, while B2C applies only to physical retail store sales.

Q9. Nike and Apple partnered to create the Nike+ running ecosystem — combining Nike's footwear expertise with Apple's sensor and software technology — and marketed the product under **both brand names**. This marketing strategy is best described as:

(A) Brand extension, where an existing company uses its own brand name on a new product category without partnering with another brand

(B) Private labelling, where a retailer sells a manufacturer's product under the retailer's own brand name, suppressing the manufacturer's identity

(C) Brand licensing, where one company pays a royalty fee to use another company's brand name on its own independently developed product

(D) **Co-branding**, where two or more distinct brands collaborate to create a joint product marketed under **both brand names**, with each brand leveraging the other's equity, reputation, and customer base for mutual benefit

Q10. Participants in a health-supplement network earn commissions not only from their **own** sales but also from the sales made by people they recruit

— who in turn recruit others. Which marketing distribution model does this describe?

(A) Franchising, where a franchisor grants independent franchisees the right to operate under the franchisor's brand in an exclusive territory for a fee

(B) **Multi-Level Marketing (MLM)**, where participants earn income from both their own direct product sales **and** from the sales of their recruits (downline), creating multiple levels of compensation within the distribution network

(C) Direct marketing, which involves contacting consumers directly through e-mail, telephone, or catalogues — without any recruitment or network structure

(D) Affiliate marketing, which involves earning an online commission for promoting another company's products through digital links, without recruiting a downline

Q11. Which of the following statements **correctly** distinguishes McGregor's **Theory X** from **Theory Y**?

(Negative assumptions)	(Positive assumptions)
Theory X	**Theory Y**
• Workers dislike work by nat	• Work is natural, like play or rest
• Must be coerced & closely c	• Self-motivated and self-directed
• Avoid responsibility	• Seek and accept responsibility
• Prefer to be directed	• Creative and imaginative
• Little ambition	• Seek higher-order fulfilment
⇒ **Autocratic, top-down management style**	⇒ **Participative, empowering management style**

(A) Theory X assumes workers are self-motivated and seek responsibility; Theory Y assumes workers are inherently lazy and need external controls and close supervision.

(B) Both Theory X and Theory Y were proposed by Abraham Maslow as extensions of his Hierarchy of Needs framework, not by McGregor.

(C) **Theory X** assumes workers are inherently lazy, dislike work, avoid responsibility, and must be closely supervised and coerced; **Theory Y** assumes workers are self-motivated, find work natural, seek responsibility, and thrive under participative management.

(D) Theory X and Theory Y both recommend autocratic management but differ only in their reward systems — Theory X relies on monetary incentives, Theory Y on non-monetary recognition.

Q12. Which of the following best describes the contributions of **F. W. Taylor** to management thought?

(A) Taylor (the "Father of Scientific Management") introduced **time-and-motion studies**, **standardised tools and methods**, a **differential piece-rate** wage system, and **functional foremanship**, based on the principle that there is **ONE BEST WAY** to perform each task efficiently.

(B) Taylor developed the Hierarchy of Needs, arguing that workers are motivated by five progressive levels of needs from physiological survival to self-actualisation at the peak.

(C) Taylor proposed the 14 Principles of Management — including unity of command, division of work, and esprit de corps — which became the foundation of classical management theory.

(D) Taylor created the Balanced Scorecard, linking financial performance to non-financial measures such as customer satisfaction, internal business processes, and learning and growth.

Q13. In Hersey and Blanchard's **Situational Leadership** model, a manager adjusts their leadership style based on the **readiness level** (competence + commitment) of each subordinate. Which of the following **correctly** describes this model?

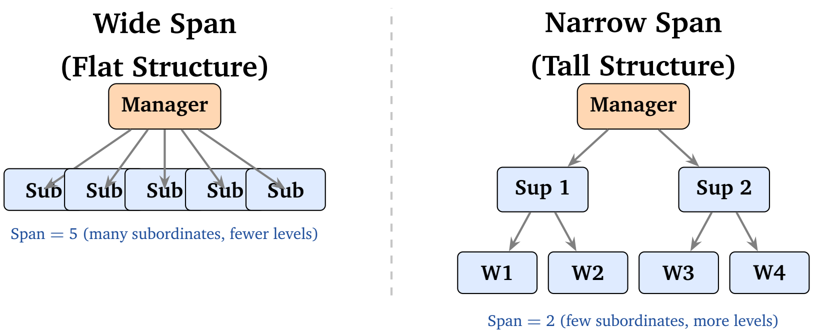
(A) Situational leadership is fixed: effective leaders maintain one consistent leadership style regardless of the situation or the readiness of their subordinates, building trust through consistency.

(B) Hersey and Blanchard's model describes only two leadership styles — Directing and Delegating — with no intermediate styles between these two extremes.

(C) The Situational Leadership model states that the most effective leaders always use the **Participating** style (S3) irrespective of follower readiness, because it builds the strongest team relationships.

(D) In Situational Leadership, **four styles** — Telling (S1), Selling (S2), Participating (S3), and Delegating (S4) — are matched to **four follower readiness levels** (R1–R4), ranging from low competence/low commitment to high competence/high commitment.

Q14. Which of the following statements about **span of control** is **correct**?



(A) A narrow span of control (supervising 8–10 subordinates) creates a **flat** organisational structure with very few hierarchical levels.

(B) **Span of control** refers to the number of subordinates a manager can **effectively supervise**. A **wide span** (many subordinates) creates a **flat** structure; a **narrow span** (few subordinates) creates a **tall**, multi-level hierarchy. Wide spans are feasible when work is routine and employees are experienced and self-sufficient.

(C) Span of control is a concept that applies only to top-level managers (CEO, Managing Director) and has no relevance to middle or lower levels of management.

(D) The ideal span of control is universally fixed at exactly 5 subordinates per manager, regardless of the nature of work, the skill level of employees, or the degree of standardisation.

Q15. A multinational footwear company publishes an annual report measuring its performance not only on financial profit but also on its impact on employees, local communities, carbon footprint, water usage, and waste reduction. Which sustainability framework does this reflect?

(A) Corporate Social Responsibility (CSR) spending only, as mandated under Section 135 of the Companies Act, 2013, which requires 2% of net profit to be spent on social causes

(B) The United Nations Sustainable Development Goals (SDGs) — a set of 17 global targets for governments and society, not a company-level performance measurement framework

(C) The **Triple Bottom Line (3BL)** framework, which evaluates organisational performance on three dimensions: **People** (social impact), **Planet** (environmental impact), and **Profit** (economic performance) — going beyond purely financial reporting

(D) The Balanced Scorecard (BSC), which evaluates performance on financial, customer, internal business process, and learning and growth dimensions

Q16. The Reserve Bank of India (RBI) mandates that commercial banks must direct a minimum percentage of their **Adjusted Net Bank Credit (ANBC)** to certain underserved segments of the economy. What is this policy called, and what is the overall minimum percentage mandated?

(A) **Priority Sector Lending (PSL)**, under which banks must lend at least **40%** of ANBC to priority sectors including agriculture (18%), MSMEs, education, housing, export credit, and weaker sections — ensuring credit reaches financially excluded segments

(B) Statutory Liquidity Ratio (SLR), which requires banks to maintain a minimum percentage of their net demand and time liabilities in liquid government-approved securities, not a directive to lend to specific sectors

(C) Cash Reserve Ratio (CRR), which requires banks to hold a minimum percentage of deposits as cash reserves with the RBI — not a sectoral credit deployment requirement

(D) Capital Adequacy Ratio (CAR / CRAR), which requires banks to hold adequate capital relative to their risk-weighted assets to absorb potential losses — not a mandate to lend to priority sectors

Q17. Foreign Portfolio Investors (FPIs) — formerly known as Foreign Institutional Investors (FIIs) — invest in India's equity and debt markets. Which of the following **correctly** describes the regulatory framework governing FPI investment in India?

(A) FPIs are regulated directly by the Ministry of Finance without the involvement of SEBI or RBI, and there are no statutory limits on the amount any single FPI can invest in an Indian company.

(B) FPIs are only permitted to invest in Indian government bonds and treasury bills; they are prohibited from participating in equity markets under the Companies Act, 2013.

(C) FPI investment in India is regulated exclusively by the Reserve Bank of India (RBI) under the Banking Regulation Act, 1949, with SEBI having no regulatory role over such investments.

(D) **SEBI** regulates **FPI registration, conduct, and investment limits** in India's securities markets under the SEBI (Foreign Portfolio Investors) Regulations, while the **RBI** regulates the foreign exchange aspects of such investments under FEMA, 1999.

Q18. A shoe retailer has a **Cost of Goods Sold (COGS)** of Rs. 60 lakh and an **average inventory** of Rs. 15 lakh during the year. What is the **Inventory Turnover Ratio**, and what does a **high** ratio indicate?

(A) Inventory Turnover $= \dfrac{\text{Average Inventory}}{\text{COGS}} = \dfrac{15}{60} = 0.25$; a high ratio indicates overstocking and slow-moving goods accumulating in the warehouse.

(B) Inventory Turnover $= \dfrac{\text{COGS}}{\text{Average Inventory}} = \dfrac{60}{15} = \mathbf{4}$; a **high ratio** indicates **efficient inventory management** — the company is selling and replenishing its stock frequently, minimising holding costs.

(C) Inventory Turnover $= \dfrac{\text{COGS}}{\text{Sales Revenue}}$; a high ratio means the company is spending excessively on procurement relative to its selling price, reducing gross margin.

(D) Inventory Turnover $= \dfrac{\text{Net Profit}}{\text{Average Inventory}}$; a high ratio indicates the business is highly profitable per rupee of inventory held, regardless of sales volume.

Q19. Which of the following **correctly** describes **Capital Gains Tax** in India?

(A) Capital gains tax is an indirect tax levied on all financial transactions including the purchase of goods and services, and is collected by sellers and remitted to the government at the point of sale.

(B) Capital gains tax is levied solely on the **interest income** earned from bank fixed deposits and is deducted at source (TDS) by the bank; there is no distinction between short-term and long-term rates for this tax.

(C) Capital gains tax is a **direct tax** levied on the **profit (gain) arising from the sale of a capital asset** (e.g., land, building, shares, mutual fund units). **STCG** on equity held under 1 year is taxed at 15%; **LTCG** on equity held $\geq$1 year exceeding Rs. 1 lakh is taxed at 10%.

(D) Capital gains tax does not apply to shares and mutual funds; it applies exclusively to the sale of immovable property (land and buildings) and is classified as an indirect tax collected by state governments.

Q20. Which of the following **correctly** describes the key features of a **Cooperative Society** as a form of business organisation in India?

(A) A cooperative society is a **voluntary association** of persons with **limited liability** who pool resources for mutual economic benefit. It operates on **democratic principles** (one member, one vote), has a **service motive** (not profit maximisation), distributes surplus equitably among members, and receives government patronage.

(B) A cooperative society is a compulsory association where membership is mandated by the government, with unlimited liability, and decisions are made on the basis of majority shareholding by a board of directors.

(C) Cooperative societies are a form of joint stock company where shares are freely traded on stock exchanges, with profit maximisation as the primary motive and dividends distributed in proportion to capital invested.

(D) A cooperative society is governed by the Indian Partnership Act, 1932, and all members bear joint and unlimited liability for all debts and obligations of the society.

Q21. What is the **key difference** between a **Cooperative Society** and a **Partnership Firm** regarding **member liability** and the **governing legislation**?

(A) Both cooperative societies and partnership firms impose unlimited liability on their members/partners; the only difference is in their profit-sharing ratios and the minimum number of members required.

(B) A cooperative society has **unlimited** liability for its members, while a partnership firm has limited liability for its partners, as governed by the LLP Act, 2008.

(C) Both cooperative societies and partnership firms are governed by the Indian Partnership Act, 1932, and have identical liability structures and dissolution procedures.

(D) In a **partnership firm**, each partner bears **unlimited personal liability** for the firm's debts (governed by the **Indian Partnership Act, 1932**); in a **cooperative society**, members have **limited liability** (governed by the **Multi-State Co-operative Societies Act, 2002** or relevant State Cooperative Acts).

Q22. A startup offers its early employees the right to **purchase** 1,000 company shares at Rs. 50 each after a 3-year vesting period — even though the market value of the shares may be Rs. 200 or more by then. This compensation instrument is best described as:

(A) A Performance-Linked Bonus (PLB), where employees receive additional cash payments tied to the achievement of specific KPIs or financial targets in a given year

(B) An **Employee Stock Option Plan (ESOP)**, which grants employees the **right (but not the obligation)** to purchase company shares at a **pre-determined (usually lower) price** after a vesting period, thereby aligning employee and shareholder interests and aiding talent retention

(C) A profit-sharing scheme, where the company distributes a fixed percentage of its annual profits in cash to all employees, regardless of length of service or contribution

(D) Deferred salary, where a portion of an employee's current salary is withheld and paid at a later date with an interest component, not linked to stock ownership or share value

Q23. An Indian exporter fails to repatriate foreign exchange earnings within the stipulated time period. Under which **legislation** is this violation treated as a **civil offence** (not criminal), and which authority is the **primary regulator** of foreign exchange transactions in India?

(A) Under FERA, 1973 — which continues to remain in force — such a violation is a criminal offence punishable with imprisonment; the Ministry of Finance is the sole regulatory authority.

(B) The violation is covered under the Companies Act, 2013 and treated as a criminal offence punishable by fine and imprisonment; SEBI is the designated regulatory authority for all foreign exchange matters.

(C) Under **FEMA (Foreign Exchange Management Act), 1999** — which **replaced FERA, 1973** — unauthorised foreign exchange transactions are treated as **civil offences** (not criminal), attracting monetary penalties; the **Reserve Bank of India (RBI)** is the primary regulatory authority for foreign exchange management.

(D) The violation falls under the Income Tax Act, 1961 and is treated as tax evasion; the Central Board of Direct Taxes (CBDT) under the Ministry of Finance is the regulatory authority.

Q24. Which of the following **correctly** describes the **Pradhan Mantri MUDRA Yojana (PMMY)**?

(A) Launched on **April 8, 2015**, PMMY provides **collateral-free loans** to small and micro enterprises through **MUDRA (Micro Units Development and Refinance Agency)**. Loans are categorised as: **Shishu** (up to Rs. 50,000), **Kishore** (Rs. 50,000–5 lakh), and **Tarun** (Rs. 5–10 lakh).

(B) PMMY was launched in 2019 as part of the Aatmanirbhar Bharat initiative to provide large industrial loans above Rs. 1 crore to medium enterprises; the three categories are Laghu, Madhyam, and Vrihad.

(C) PMMY provides housing loans to urban poor families and is administered by the National Housing Bank (NHB); there are no subcategories like Shishu or Kishore within the scheme.

(D) PMMY is a crop insurance scheme launched in 2015 to protect farmers against natural calamities and crop failure, with three coverage tiers based on land holding size (marginal, small, and large farmers).

Q25. Which of the following **correctly** describes the **Atal Innovation Mission (AIM)**?

(A) AIM is a scheme launched by the Ministry of MSME to provide financial credit guarantees to small enterprises through Atal Credit Guarantee institutions set up in rural districts.

(B) AIM was launched by the Reserve Bank of India in 2016 to promote fintech innovation, setting up Atal Digital Banking Labs in commercial banks across India to test new payment technologies.

(C) AIM is a scheme of the Ministry of Education to revamp higher education by setting up Atal Research Universities (ARUs) in every state capital, replacing the existing central university network.

(D) **AIM is a flagship initiative by NITI Aayog** to promote a culture of **innovation and entrepreneurship** across India. It establishes **Atal Tinkering Labs (ATLs)** in schools to nurture student creativity, and **Atal Incubation Centres (AICs)** to support early-stage startups with mentorship and infrastructure.

Detailed Solutions

Q1.

Solution

Concept — Monopoly Characteristics: A monopoly is a market structure where a single seller controls the entire supply of a product that has no close substitutes. Because there is no competition, the monopolist is a price-maker (sets its own price) rather than a price-taker. High barriers to entry (patents, licences, economies of scale, government franchise) prevent new competitors from entering.

Step 1 — Profit Maximisation Rule: The monopolist maximises profit at the output level where Marginal Revenue (MR) = Marginal Cost (MC). Because the demand curve is downward-sloping, MR lies below the demand curve. The monopolist then charges the price P^* read from the demand curve at Q^*, giving $P^* > MC^*$ as shown in the diagram in Q1.

Step 2 — Example: Indian Railways (passenger segment) is a classic natural monopoly — the infrastructure costs are so high that only one operator is economically viable. The monopolist earns above-normal (supernormal) profit equal to $(P^* - MC^*) \times Q^*$ (shaded area in the diagram).

Why other options are wrong:

- Option A: Describes perfect competition (many sellers, homogeneous products, free entry, price-takers) — the opposite of monopoly.
- Option B: Two large competing sellers is a *duopoly*, a form of oligopoly, not a monopoly.
- Option C: $P = MC$ is the *perfectly competitive* equilibrium condition; the monopolist maximises profit where $MR = MC$, and since $MR < P$, this gives $P > MC$.
- **Option D: Correct** — single seller, no close substitutes, high entry barriers, price-maker, profit maximised where $MR = MC$.

Final Answer: Single seller, no substitutes, high barriers, price-maker, $MR = MC$ at $Q^* \Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q1

Q2.

Solution

Concept — Price Elasticity of Supply (PES): PES measures the responsiveness of quantity supplied to a change in price: PES $= \frac{\%\Delta Q_s}{\%\Delta P}$. When PES < 1, supply is price *inelastic* (output responds less than proportionally to price). When PES > 1, supply is price *elastic* (output responds more than proportionally).

Step 1 — Why the Artisan's Supply is Inelastic: The artisan requires 6 months of skilled labour per bag. Even if the price doubles $(+100\%)$, output rises by only $10\% \Rightarrow$ PES $= 10/100 = 0.1 \ll 1$. Skilled craftsmanship cannot be replicated quickly; there are no spare inputs and no way to reduce production time. The supply curve (S_I) is very steep, as shown in Q2.

Step 2 — Contrast with Elastic Supply: For price-elastic supply (S_E, gentle slope), an industry with idle machinery, trained labour pools, and standardised inputs can rapidly scale output in response to higher prices — the same ΔP produces a much larger ΔQ, as illustrated in the left panel of Q2.

Why other options are wrong:

- Option A: Importing more leather addresses raw material supply, not the binding constraint which is skilled labour; this does not make the artisan's supply elastic.
- **Option B: Correct** — supply is price inelastic (PES < 1) because output cannot be scaled quickly; elastic supply (PES > 1) requires spare capacity and flexible production.
- Option C: These definitions are inverted and incorrect. Inelastic does *not* mean "no response"; elastic does *not* mean "proportional response".
- Option D: The number of producers is one factor, but the primary determinant is the flexibility of production and time needed to increase output.

Final Answer: Supply is price inelastic (PES < 1) due to skilled craftsmanship constraints; elastic supply has spare capacity $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q2

Q3.

Solution

Concept — India's GDP Growth Rate and Economic Aspiration: Gross Domestic Product (GDP) measures the total monetary value of all goods and services produced within a country's borders in a given period. India's GDP growth rate and its long-term economic goals are important data points for business aptitude assessments.

Step 1 — FY 2022–23 Performance: According to the National Statistical Office (NSO), India's real GDP grew at approximately **7.2%** in FY 2022–23 (April 2022 – March 2023). This placed India among the fastest-growing major economies globally, outpacing the USA, EU, China, and most G20 nations.

Step 2 — USD 5 Trillion Economy Goal: The Government of India has set a target of making India a **USD 5 trillion economy**. As of FY 2022–23, India's nominal GDP was approximately USD 3.4 trillion. Reaching USD 5 trillion requires sustained GDP growth of 7–8% annually alongside currency appreciation.

Why other options are wrong:

- Option A: 9.5% growth and USD 10 trillion target are both incorrect; India grew at 7.2% and the stated goal is USD 5 trillion.
- Option B: India did not contract in FY 2022–23; it recorded 7.2% growth. The USD 2 trillion figure is outdated (India surpassed USD 2 trillion around 2014).
- **Option C: Correct** — 7.2% GDP growth in FY 2022–23, one of the fastest-growing major economies; USD 5 trillion economy aspiration.
- Option D: 4% is significantly below India's actual performance; India was among the fastest-growing major economies, not the slowest in South Asia.

Final Answer: India's GDP grew at ≈7.2% in FY 2022–23; India targets a USD 5 trillion economy $\Rightarrow \boxed{C}$

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

Q4.

Solution

Concept — Stagflation: Stagflation is an unusual economic condition combining *stagnation* (low or zero growth, high unemployment) with *high inflation* simultaneously. It was first prominently observed during the 1970s oil crisis. The term was coined by British politician Iain Macleod.

Step 1 — Why Stagflation is Difficult to Manage: Standard monetary policy faces a dilemma: (a) Raising interest rates fights inflation but worsens unemployment and growth. (b) Lowering interest rates stimulates growth but accelerates inflation. Neither tool resolves both problems at once, making stagflation particularly challenging for central banks.

Step 2 — Stagflation vs. Recession: A recession is a decline in GDP for two or more consecutive quarters — it is defined by economic contraction, not necessarily by rising prices. Stagflation adds the unusual element of inflation occurring simultaneously with stagnant growth.

Why other options are wrong:

- **Option A: Correct** — stagflation combines stagnant growth (high unemployment, zero GDP growth) with high inflation, making standard monetary tools ineffective.
- Option B: A recession is defined as GDP contraction for two consecutive quarters; it does not necessarily involve rising prices.
- Option C: Demand-pull inflation is associated with booming economic growth and rising employment, not with stagnation or rising unemployment.
- Option D: A depression involves severe, prolonged recession with deflation (falling prices) — the opposite of the inflation described in the scenario.

Final Answer: Stagflation = stagnant growth + high unemployment + high inflation; monetary policy is ineffective $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q4

Q5.

Solution

Concept — BRICS Expansion 2024 and the New Development Bank: BRICS (Brazil, Russia, India, China, South Africa) is a grouping of major emerging economies that coordinates on trade, finance, and development. In 2023, the BRICS Summit in Johannesburg announced the expansion of the bloc, with new members formally joining in January 2024.

Step 1 — New Members (January 2024): Five countries joined BRICS as full members: **Egypt, Ethiopia, Iran, the United Arab Emirates (UAE), and Saudi Arabia**. Argentina was also invited but declined to join. This brought BRICS membership to 10 countries.

Step 2 — New Development Bank (NDB): The **NDB** (also called the BRICS Development Bank) was established in 2014 and is headquartered in **Shanghai, China**. It provides financing for infrastructure and sustainable development projects in emerging economies and developing countries. It is distinct from the AIIB (Asian Infrastructure Investment Bank) and the IMF/World Bank.

Why other options are wrong:

- Option A: Pakistan, Bangladesh, Mexico, Indonesia were not among the 2024 BRICS entrants; the AIIB is a separate China-led institution, not the BRICS bank.
- Option B: Turkey, Malaysia, Thailand, Indonesia did not join BRICS; the World Bank is a Bretton Woods institution, not the BRICS bank.
- Option C: Nigeria, Kenya, Argentina, Vietnam are incorrect; Argentina declined; the IMF is not the BRICS bank.
- **Option D: Correct** — Egypt, Ethiopia, Iran, UAE, Saudi Arabia joined in 2024; NDB is the BRICS development bank, headquartered in Shanghai.

Final Answer: Egypt, Ethiopia, Iran, UAE, Saudi Arabia joined BRICS in 2024; BRICS bank is the NDB, headquartered in Shanghai $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q5

Q6.

Solution

Concept — The Marketing Research Process: Marketing research is the systematic gathering, recording, and analysis of data about problems relating to the marketing of goods and services. Following the correct sequence ensures that research is purposeful, efficient, and actionable.

Step 1 — The Five-Step Sequence:

1. **Define the Problem** — Identify and clearly articulate what needs to be investigated.
2. **Develop Research Plan** — Decide on data sources, research approach, sampling plan, and contact methods.
3. **Collect Data** — Execute the plan through surveys, observations, experiments, etc.
4. **Analyse Data** — Process and interpret the collected information using statistical and qualitative methods.
5. **Interpret and Present Findings** — Translate analysis into actionable recommendations for decision-makers.

Step 2 — Why Sequence Matters: You cannot develop a data collection plan without first defining the problem; you cannot analyse data before collecting it. The sequence is logical and cannot be reordered arbitrarily.

Why other options are wrong:

- Option A: Collecting data before defining the problem would result in unfocused, unusable data.
- **Option B: Correct** — the five-step sequence: Define Problem $\rightarrow$ Research Plan $\rightarrow$ Collect Data $\rightarrow$ Analyse Data $\rightarrow$ Interpret & Present Findings.
- Option C: Developing the research plan before defining the problem reverses the logical order; interpreting findings before analysis is meaningless.
- Option D: Analysing data before defining the problem or collecting data is logically impossible.

Final Answer: Define Problem $\rightarrow$ Research Plan $\rightarrow$ Collect Data $\rightarrow$ Analyse $\rightarrow$ Interpret & Present $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q6

Q7.

Solution

Concept — Ansoff Growth Matrix (Market Penetration): The Ansoff Matrix (1957) is a strategic planning tool that maps four growth strategies on two axes: Products (Existing vs. New) and Markets (Existing vs. New). As illustrated in Q7, Market Penetration occupies the bottom-left cell (highlighted with $\star$).

Step 1 — Market Penetration Defined: Market Penetration involves selling *existing products* to *existing markets* by increasing market share. Tactics include competitive pricing, more aggressive advertising, loyalty programmes, EMI financing, increased distribution points, and sales promotions. It is the **lowest-risk** strategy because the company already knows both its product and its market.

Step 2 — FDDI Context: A footwear brand offering no-cost EMI schemes to its current Indian customer base is increasing affordability for existing products in its existing market — a classic market penetration move. Revenue grows not through new products or new geographies but through higher conversion and repeat purchases from the existing customer pool.

Why other options are wrong:

- Option A: Product Development involves new or improved products for existing markets (top-left Ansoff cell).
- Option B: Market Development involves taking existing products into new geographic markets or new customer segments (bottom-right Ansoff cell).
- **Option C: Correct** — Market Penetration is selling existing products in existing markets by increasing market share.
- Option D: Diversification involves both new products and new markets simultaneously (top-right Ansoff cell) — the highest-risk strategy.

Final Answer: Existing products + existing markets = Market Penetration $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q7

Q8.

Solution

Concept — B2B vs. B2C Marketing: B2B (Business-to-Business) marketing involves selling products or services from one business to another. B2C (Business-to-Consumer) involves selling directly to individual end consumers. The two models differ significantly in buyer behaviour, decision cycles, and sales approaches.

Step 1 — Identifying B2B in the Scenario: The tannery (Seller A) sells processed hides to the shoe manufacturer (Buyer B). Both parties are businesses. The shoe manufacturer will use the hides as inputs in its own production process, not for personal consumption. This is a classic B2B transaction.

Step 2 — Characteristics of B2B:

- Buyers are organisations (businesses, government, NGOs).
- Purchases are *rational*, based on specification, quality, price, and delivery.
- Order volumes are *large*; sales cycles are *longer*.
- Relationships and trust-building are critical; personal selling is common.
- Prices are often negotiated, not fixed retail prices.

Why other options are wrong:

- **Option A: Correct** — the tannery-to-manufacturer transaction is B2B: rational decisions, bulk orders, long cycles, negotiated pricing.
- Option B: Manufacturer-to-individual consumer is *B2C*, not B2B; shared industry participation does not make it B2B.
- Option C: One transaction (manufacturer $\rightarrow$ consumer) is clearly B2C; neither can be classified as the other.
- Option D: B2B and B2C are defined by the *nature of the buyer* (business vs. consumer), not by the digital or physical nature of the transaction.

Final Answer: The tannery–manufacturer transaction is B2B, characterised by rational decisions, bulk volumes, and longer sales cycles $\Rightarrow \boxed{\text{A}}$

$\boxed{\text{Answer: (A)}}$ Go Back to Q8

Q9.

Solution

Concept — Co-Branding: Co-branding is a marketing strategy where two or more established brands collaborate to create a single jointly marketed product or service. Each brand contributes its identity, equity, and customer base to the partnership, and both brand names appear on the product.

Step 1 — Nike+Apple as Co-Branding: Nike contributed footwear design and athletic credibility; Apple contributed sensor hardware and software (iPod/Apple Watch integration). The product "Nike+" carried both brand names and was marketed to both brands' existing audiences. Neither brand was hidden or subordinated to the other.

Step 2 — Benefits of Co-Branding:

- Access to each other's loyal customer bases.
- Shared development and marketing costs.
- Enhanced perceived value and innovation image.
- Both brands benefit from the positive associations of the other.

Why other options are wrong:

- Option A: Brand extension uses *one* company's existing brand name on a new product category (e.g., Nike sportswear) — it does not involve a second company's brand.
- Option B: Private labelling occurs when a retailer sells a manufacturer's product under the *retailer's own brand*, hiding the manufacturer's identity — the opposite of co-branding.
- Option C: Brand licensing is a contractual arrangement where one company *pays a royalty* to use another's brand on a product it develops independently — it does not involve joint development or both brand names.
- **Option D: Correct** — co-branding is a joint product marketed under both brand names, leveraging combined equity.

Final Answer: Joint product marketed under both brand names = co-branding $\Rightarrow$ $\boxed{\text{D}}$

$\boxed{\textbf{Answer: (D)}}$ Go Back to Q9

Q10.

Solution

Concept — Multi-Level Marketing (MLM): MLM (also called network marketing) is a distribution strategy where participants earn income from two sources: (1) direct sales of products to consumers, and (2) a share of the sales revenue generated by their recruited *downline* (people they recruited, who in turn recruit others).

Step 1 — Structure of MLM: The network forms a pyramid of distributors. Each participant is simultaneously a consumer, a salesperson, and a recruiter. Compensation plans typically pay commissions across multiple levels (e.g., 3%–10% from direct downline, smaller percentages from deeper levels). Well-known examples: Amway, Herbalife, Oriflame.

Step 2 — MLM vs. Pyramid Scheme: In a legitimate MLM, income primarily comes from real product sales to end consumers. In a *pyramid scheme* (illegal), income comes mainly from recruitment fees with little or no genuine product sales. The line between the two can be blurry, which is why MLM companies face regulatory scrutiny.

Why other options are wrong:

- Option A: Franchising involves a franchisor–franchisee territorial agreement and brand licence; it does not involve a downline or multi-level commission structure.
- **Option B: Correct** — MLM participants earn from own sales plus downline sales, creating multiple compensation levels.
- Option C: Direct marketing contacts consumers through direct channels (mail, email, phone) with no recruitment or downline structure.
- Option D: Affiliate marketing is commission-based online promotion of a brand's products; affiliates do not recruit a network or earn from others' sales.

Final Answer: Earning from own sales plus recruited downline's sales = Multi-Level Marketing (MLM) $\Rightarrow \boxed{\text{B}}$

$\boxed{\textbf{Answer: (B)}}$ Go Back to Q10

Q11.

Solution

Concept — McGregor's Theory X and Theory Y: Douglas McGregor (1960) proposed two contrasting sets of assumptions about human motivation at work in his book *The Human Side of Enterprise*. These assumptions guide managerial behaviour and organisational design, as shown in the Q11 diagram.

Step 1 — Theory X (Negative Assumptions): Theory X managers assume workers are inherently lazy, dislike work, need to be coerced and threatened, avoid responsibility, lack ambition, and care only about job security. This leads to *autocratic*, top-down management with close supervision, rigid controls, and fear-based motivation.

Step 2 — Theory Y (Positive Assumptions): Theory Y managers assume work is as natural as play or rest, workers are self-motivated and exercise self-direction, they seek and accept responsibility, they are creative and imaginative, and their intellectual potential is underutilised in most organisations. This leads to *participative* management, delegation, job enrichment, and empowerment.

Why other options are wrong:

- Option A: These descriptions are inverted — Theory X has negative assumptions; Theory Y has positive assumptions.
- Option B: The Theory X/Y framework was proposed by *Douglas McGregor*, not Abraham Maslow. Maslow proposed the Hierarchy of Needs.
- **Option C: Correct** — Theory X: lazy, must be coerced; Theory Y: self-motivated, seek responsibility, participative management.
- Option D: Both theories do not recommend autocratic management. Theory Y explicitly recommends participative management. The difference is not about reward systems.

Final Answer: Theory X = lazy workers, coercion; Theory Y = self-motivated, participative management $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q11

Q12.

Solution

Concept — Frederick Taylor's Scientific Management: Frederick Winslow Taylor (1856–1915), known as the "Father of Scientific Management," sought to replace rule-of-thumb methods with a scientific approach to managing workers and work processes. His ideas were published in *The Principles of Scientific Management* (1911).

Step 1 — Taylor's Core Contributions:

- **Time-and-Motion Studies:** Analysing every movement in a task to find the most efficient way.
- **Standardisation:** Using standard tools, equipment, and methods for each job.
- **Differential Piece-Rate System:** Workers who met/exceeded the standard rate earned a higher per-unit wage; those below it earned a lower rate — incentivising productivity.
- **Functional Foremanship:** Dividing supervisory work among eight specialist foremen rather than one general supervisor.
- **The One Best Way:** Taylor believed there exists a single optimal method for performing every task, discoverable through scientific analysis.

Step 2 — Impact on FDDI/Manufacturing Context: Scientific management principles are directly relevant to leather and footwear manufacturing, where standardised cutting patterns, motion study for stitching, and piece-rate wages are commonly applied.

Why other options are wrong:

- **Option A: Correct** — Taylor introduced time-and-motion studies, standardisation, differential piece-rate, and functional foremanship based on the "one best way" principle.
- Option B: The Hierarchy of Needs (physiological to self-actualisation) was developed by *Abraham Maslow*, not Taylor.
- Option C: The 14 Principles of Management (unity of command, division of work, esprit de corps, etc.) were developed by *Henri Fayol*, not Taylor.
- Option D: The Balanced Scorecard was developed by *Kaplan and Norton* (1992), not Taylor.

Final Answer: Taylor = time-and-motion, standardisation, differential piece-rate, functional foremanship, "one best way" $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q12

Q13.

Solution

Concept — Situational Leadership (Hersey & Blanchard): Paul Hersey and Ken Blanchard (1969) proposed that there is no single best leadership style. Effective leaders *adapt* their style to the *readiness level* (task-relevant competence + psychological commitment) of each follower. The model avoids the one-size-fits-all approach.

Step 1 — Four Leadership Styles and Readiness Levels:

- **S1 — Telling:** High task / Low relationship. For R1 followers (low competence, low commitment): the leader gives specific instructions and closely supervises.
- **S2 — Selling:** High task / High relationship. For R2 followers (some competence, low commitment): the leader explains and persuades.
- **S3 — Participating:** Low task / High relationship. For R3 followers (high competence, variable commitment): the leader shares decision-making.
- **S4 — Delegating:** Low task / Low relationship. For R4 followers (high competence, high commitment): the leader delegates responsibility.

Step 2 — Practical Implication: A new employee (R1) with low experience needs Telling (S1). An experienced, highly committed employee (R4) works best under Delegating (S4). Using Delegating for an R1 employee would result in confusion and failure.

Why other options are wrong:

- Option A: Fixed leadership style is exactly what Situational Leadership rejects — adaptability is its core principle.
- Option B: The model describes *four* styles (Telling, Selling, Participating, Delegating), not just two.
- Option C: No single style is universally best; S3 (Participating) suits R3 followers, not all followers.
- **Option D: Correct** — four styles (S1–S4) are matched to four readiness levels (R1–R4) spanning low to high competence/commitment.

Final Answer: Four styles (Telling, Selling, Participating, Delegating) matched to follower readiness R1–R4 $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q13

Q14.

Solution

Concept — Span of Control: Span of control (also called span of management) refers to the number of subordinates a manager can directly and effectively supervise. It has a direct impact on the shape (flat or tall) of an organisational structure, as illustrated in the Q14 diagram.

Step 1 — Wide Span ⇒ Flat Structure: When a manager supervises many subordinates (wide span), there are fewer levels of hierarchy. The organisation chart spreads horizontally. Communication is faster, and there is less management overhead. Wide spans work best when tasks are routine, standardised, and workers are experienced and self-sufficient.

Step 2 — Narrow Span ⇒ Tall Structure: When a manager supervises few subordinates (narrow span), more levels of hierarchy are needed to accommodate all employees. Communication flows through many layers, which can slow decision-making and increase distortion. Narrow spans are appropriate for complex, creative, or high-risk work requiring close supervision.

Why other options are wrong:

- Option A: This is *inverted*. A narrow span (3–4 subordinates) creates a TALL structure. A wide span (8–10) creates a FLAT structure.
- **Option B: Correct** — wide span creates flat structures; narrow span creates tall multi-level hierarchies. Wide spans are viable for routine work with experienced staff.
- Option C: Span of control applies to managers at ALL levels — frontline supervisors, middle managers, and top executives alike.
- Option D: There is no universally fixed ideal span of 5; the optimal span depends on task complexity, worker skill, physical location, and degree of standardisation.

Final Answer: Wide span = flat structure; narrow span = tall structure; feasibility depends on task routine and employee experience ⇒ $\boxed{\text{B}}$

Answer: (B) Go Back to Q14

Q15.

Solution

Concept — Triple Bottom Line (3BL): The Triple Bottom Line framework, coined by John Elkington in 1994, extends the traditional single bottom line of profit to include two additional performance dimensions: social equity (*People*) and environmental impact (*Planet*). Together, they form the "3Ps" of sustainable business: **People, Planet, Profit**.

Step 1 — The Three Dimensions:

- **People (Social):** Impact on employees, communities, labour practices, fair wages, human rights.
- **Planet (Environmental):** Carbon footprint, water usage, waste generation, biodiversity, supply chain sustainability.
- **Profit (Economic):** Traditional financial performance, revenue, costs, return on investment.

Step 2 — 3BL vs. CSR: CSR (Corporate Social Responsibility) under the Companies Act, 2013 requires eligible Indian companies to *spend* 2% of average net profit on social activities. 3BL is a broader *performance measurement framework* that *reports* and evaluates all three dimensions holistically — it is strategic, not just a compliance spend.

Why other options are wrong:

- Option A: CSR spending under Section 135 is a legal compliance requirement, not a comprehensive performance framework measuring environmental impact.
- Option B: The SDGs are government-level global targets; they are not a company-level performance measurement tool.
- **Option C: Correct** — the Triple Bottom Line framework evaluates People (social), Planet (environmental), and Profit (economic) dimensions together.
- Option D: The Balanced Scorecard measures financial, customer, internal process, and learning/growth dimensions — it does not specifically include environmental sustainability as a core dimension.

Final Answer: Triple Bottom Line = People + Planet + Profit (3Ps of sustainability) $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q15

Q16.

Solution

Concept — Priority Sector Lending (PSL): PSL is a policy directive by the Reserve Bank of India requiring all scheduled commercial banks to lend a prescribed minimum proportion of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (whichever is higher) to designated priority sectors.

Step 1 — Overall PSL Target: Banks must deploy at least **40% of ANBC** to priority sectors in aggregate. Within this, sub-targets include: Agriculture 18% (including 10% to small/marginal farmers), Micro Enterprises 7.5%, and Weaker Sections 12%.

Step 2 — Why PSL Matters: Without mandatory direction, commercial banks would naturally focus lending on creditworthy large corporates rather than farmers, micro-entrepreneurs, and lower-income households. PSL ensures financial inclusion by directing credit to underserved segments that are critical to the economy.

Why other options are wrong:

- **Option A: Correct** — PSL mandates at least 40% of ANBC to priority sectors (agriculture, MSMEs, education, housing, weaker sections).
- Option B: SLR requires banks to hold liquid assets (government securities) as a fraction of deposits — it is a liquidity safeguard, not a lending directive.
- Option C: CRR requires banks to keep a fraction of deposits as cash with the RBI — it is a monetary policy tool for controlling money supply, not sectoral lending.
- Option D: CAR/CRAR requires banks to maintain adequate capital against risk-weighted assets — it is a solvency safeguard, not a lending requirement.

Final Answer: Priority Sector Lending (PSL) mandates at least 40% of ANBC to agriculture, MSMEs, and other underserved sectors $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q16

Q17.

Solution

Concept — FPI Regulation in India (SEBI & RBI): Foreign Portfolio Investors (FPIs) — formerly called Foreign Institutional Investors (FIIs) — invest in India's equity and debt markets. The regulatory framework involves two authorities with distinct but complementary roles.

Step 1 — SEBI's Role: SEBI regulates the *securities market* aspects of FPI activity under the **SEBI (Foreign Portfolio Investors) Regulations, 2019**. This includes: FPI registration and categorisation (Category I, II, III), investment limits in individual companies and overall market caps, conduct standards, reporting requirements, and penalties for violations.

Step 2 — RBI's Role: The Reserve Bank of India regulates the *foreign exchange* dimensions of FPI investment under **FEMA, 1999**. This includes: permitting the inward remittance of FPI funds, approving repatriation of profits and capital, setting limits on sectoral FPI investment (in banking, insurance, defence, etc.), and managing the impact on the rupee and foreign exchange reserves.

Why other options are wrong:

- Option A: The Ministry of Finance does not directly regulate FPI activity; SEBI and RBI are the designated regulators. There are specific investment limits (e.g., 74% in private banks).
- Option B: FPIs are permitted to invest in equity markets — this is their primary activity. Restricting them to government bonds only would be incorrect.
- Option C: The Banking Regulation Act, 1949, governs the banking sector, not FPI investment. SEBI plays an equally important (primary) role in regulating FPI securities market activity.
- **Option D: Correct** — SEBI governs FPI registration and securities market activity; RBI governs foreign exchange aspects under FEMA.

Final Answer: SEBI regulates FPI registration & investment limits; RBI regulates forex aspects under FEMA $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q17

Q18.

Solution

Concept — Inventory Turnover Ratio: The Inventory Turnover Ratio (ITR) is a financial efficiency ratio that measures how many times a company sells and replaces its inventory over a given period. It indicates how effectively a business manages its stock.

Step 1 — Formula and Calculation:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}}$$

Applying the given data:

$$\text{ITR} = \frac{\text{Rs. } 60 \text{ lakh}}{\text{Rs. } 15 \text{ lakh}} = 4$$

This means the retailer sells and replenishes its entire stock 4 times during the year.

Step 2 — Interpretation: A *high* ITR (e.g., 8–12 in fast fashion or FMCG) indicates efficient inventory management — stock moves quickly, reducing holding costs, storage costs, and the risk of obsolescence. A *low* ITR (e.g., 1–2) may indicate overstocking, slow-moving goods, or weak sales.

Why other options are wrong:

- Option A: Inverting the formula (Average Inventory $\div$ COGS $= 0.25$) gives the *Days Inventory Outstanding* concept (1/ITR), not the ITR itself. A high value of 0.25 would mean slow stock movement, not efficiency.
- **Option B: Correct** — COGS $\div$ Average Inventory $= 60/15 = 4$; high ratio = efficient, frequent stock replenishment.
- Option C: COGS $\div$ Sales Revenue measures the *Cost Ratio* (or complement of gross margin), not inventory turnover.
- Option D: Net Profit $\div$ Average Inventory is not a standard financial ratio; it conflates profitability with inventory management.

Final Answer: ITR = COGS $\div$ Average Inventory $= 60/15 = 4$; high ratio = efficient inventory management $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q18

Q19.

Solution

Concept — Capital Gains Tax: Capital Gains Tax (CGT) is a tax on the *profit* earned from the *sale of a capital asset* — an asset held for investment purposes rather than for regular business use. It is classified as a **direct tax** because the same person who realises the gain bears the tax liability.

Step 1 — Short-Term vs. Long-Term Capital Gains (for Equity):

- **STCG (Short-Term Capital Gains):** Equity shares / equity mutual funds held for *less than 12 months*. Taxed at a flat rate of **15%** (plus applicable surcharge and cess) under Section 111A.
- **LTCG (Long-Term Capital Gains):** Held for *12 months or more*. Gains exceeding **Rs. 1 lakh** in a financial year are taxed at **10%** (without indexation benefit) under Section 112A.

Step 2 — Capital Assets: Capital assets include land, buildings, machinery, goodwill, listed/unlisted shares, mutual fund units, bonds, jewellery, and patents. They do *not* include stock-in-trade (business inventory) or personal movable property below specified thresholds.

Why other options are wrong:

- Option A: Capital gains tax is a *direct* tax on profits from asset sales, not an indirect tax on transactions at the point of sale.
- Option B: Interest income from FDs is taxed as *ordinary income* (TDS at 10%) under "Income from Other Sources" — not as capital gains.
- **Option C: Correct** — CGT is a direct tax on profit from sale of capital assets; STCG (equity <1 yr) at 15%; LTCG (equity ≥ 1 yr, $>$ Rs. 1 lakh) at 10%.
- Option D: CGT applies broadly to shares, mutual funds, property, and other capital assets — it is a direct tax, not an indirect tax, and not limited to immovable property.

Final Answer: Capital gains tax is a direct tax on profit from selling capital assets; STCG at 15%, LTCG at 10% $\Rightarrow \boxed{\text{C}}$

$\boxed{\text{Answer: (C)}}$ Go Back to Q19

Q20.

Solution

Concept — Cooperative Society Features: A cooperative society is a form of voluntary business organisation that exists primarily to promote the economic interests of its members through collective action. It is regulated under the Multi-State Co-operative Societies Act, 2002, or respective State Cooperative Acts.

Step 1 — Key Features of a Cooperative Society:

- **Voluntary Membership:** Anyone who fulfils the eligibility criteria may join or leave freely.
- **Limited Liability:** Members' liability is restricted to the value of shares subscribed.
- **Democratic Control:** One member, one vote — irrespective of the number of shares held.
- **Service Motive:** The primary objective is to serve members' needs, not to maximise profit.
- **Equitable Distribution:** Surplus is distributed in proportion to patronage (purchases/usage), not capital.
- **Government Patronage:** Governments often provide subsidies, loans, and tax concessions to cooperatives.

Step 2 — Examples: IFFCO (fertilisers), AMUL (dairy), National Cooperative Development Corporation (NCDC), urban credit cooperative societies, housing cooperatives.

Why other options are wrong:

- **Option A: Correct** — voluntary membership, limited liability, democratic control (one member one vote), service motive, equitable surplus distribution, government patronage.
- Option B: Membership is *voluntary* (not compulsory); liability is *limited* (not unlimited); voting is based on membership (not shareholding).
- Option C: Cooperative shares are *not* freely traded on stock exchanges; profit maximisation is *not* the primary motive.
- Option D: Cooperatives are governed by *Cooperative Acts* (not the Indian Partnership Act, 1932); members have *limited* (not unlimited) liability.

Final Answer: Cooperative = voluntary membership, limited liability, democratic control, service motive, government patronage $\Rightarrow \boxed{\text{A}}$

Answer: (A) **Go Back to Q20**

Q21.

Solution

Concept — Cooperative Society vs. Partnership Firm (Liability and Legislation): Two forms of business organisation — cooperative society and partnership firm — differ fundamentally in member liability and the legislation that governs them.

Step 1 — Partnership Firm (Unlimited Liability): In a general partnership governed by the **Indian Partnership Act, 1932**, each partner has *unlimited personal liability*. If the firm's assets are insufficient to repay debts, creditors can proceed against the personal assets (home, savings, property) of any or all partners. This unlimited exposure is one of the key disadvantages of the general partnership form.

Step 2 — Cooperative Society (Limited Liability): In a cooperative society governed by the **Multi-State Co-operative Societies Act, 2002** (or State Acts), members' liability is *limited* to the face value of the shares they have subscribed. Their personal assets are protected. This limited liability makes cooperatives more attractive than general partnerships for pooling resources among many members.

Why other options are wrong:

- Option A: Partners in a general partnership have *unlimited* liability; cooperative members have *limited* liability. They are not the same.
- Option B: This is the reverse of reality — it is the *partnership* that has unlimited liability (not the cooperative), and LLP (not cooperative) that has limited liability under the LLP Act.
- Option C: Cooperative societies and partnership firms are governed by different legislations; they do not share identical liability structures.
- **Option D: Correct** — partnership: unlimited liability (Indian Partnership Act, 1932); cooperative: limited liability (Multi-State Co-operative Societies Act, 2002).

Final Answer: Partnership = unlimited liability (Indian Partnership Act 1932); Cooperative = limited liability (Co-operative Societies Act) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q21

Q22.

Solution

Concept — Employee Stock Option Plan (ESOP): An ESOP is a compensation instrument that gives employees the *right* (but not the obligation) to purchase a specified number of company shares at a *pre-determined exercise price* (often the market price at the time of grant or lower) after a *vesting period*.

Step 1 — How ESOPs Work:

1. **Grant Date:** The company grants the option to buy, say, 1,000 shares at Rs. 50 each (the "exercise price").
2. **Vesting Period:** Employee must remain with the company for a specified period (e.g., 3 years). Options vest gradually or all at once.
3. **Exercise:** After vesting, the employee may "exercise" the option — buying shares at Rs. 50 even if the market price is now Rs. 200. The gain (Rs. 150 per share) is the ESOP benefit.
4. **No Obligation:** If the market price falls below Rs. 50, the employee simply does not exercise the option.

Step 2 — Why ESOPs are Used: They align employee interests with shareholders (both benefit if the share price rises), conserve cash (the company pays in equity rather than cash), and are a powerful tool for attracting and retaining key talent in startups.

Why other options are wrong:

- Option A: Performance-Linked Bonus is a cash payment tied to KPI achievement — it does not involve stock ownership or options.
- **Option B: Correct** — ESOP grants the right to buy shares at a pre-determined (lower) price after vesting, aligning employee and shareholder interests.
- Option C: Profit-sharing distributes a fixed cash percentage of annual profit to employees; it does not involve stock ownership.
- Option D: Deferred salary is withheld pay released later with interest — unrelated to stock ownership or company valuation.

Final Answer: ESOP = right to buy company shares at pre-determined price after vesting period $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q22

Q23.

Solution

Concept — FEMA, 1999 (Foreign Exchange Management Act): FEMA replaced the Foreign Exchange Regulation Act (FERA), 1973, to shift India's approach to foreign exchange management from a punitive, criminal framework to a facilitative, civil-penalty framework — consistent with economic liberalisation.

Step 1 — Key Features of FEMA, 1999:

- **Civil Offence:** Unlike FERA (which treated violations as criminal offences punishable with imprisonment), FEMA treats contravention as a *civil offence* carrying monetary penalties (up to 3 times the sum involved).
- **Burden of Proof:** Shifted from the accused (as under FERA) to the Enforcement Directorate.
- **Objective:** Facilitate external trade and payments, and promote the orderly development and maintenance of India's foreign exchange market.
- **Current vs. Capital Account:** Current account transactions are largely freely permitted; capital account transactions require RBI approval.

Step 2 — RBI as Primary Regulator: The Reserve Bank of India administers FEMA and issues regulations, guidelines, and master circulars on permitted and prohibited foreign exchange transactions. The Enforcement Directorate (ED) investigates violations.

Why other options are wrong:

- Option A: FERA, 1973 was *repealed* and replaced by FEMA, 1999; FERA no longer remains in force.
- Option B: The Companies Act, 2013 governs corporate law in India, not foreign exchange transactions; SEBI is not the forex regulator.
- **Option C: Correct** — FEMA 1999 replaced FERA 1973; violations are civil (not criminal); RBI is the primary regulatory authority.
- Option D: The Income Tax Act and CBDT govern income tax, not foreign exchange management.

Final Answer: FEMA 1999 replaced FERA 1973; violations are civil offences; RBI is the primary regulator $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q23

Q24.

Solution

Concept — Pradhan Mantri MUDRA Yojana (PMMY): PMMY was launched by Prime Minister Narendra Modi on **April 8, 2015**, to provide institutional credit to micro and small enterprises that have historically been excluded from formal banking. MUDRA stands for **Micro Units Development and Refinance Agency**.

Step 1 — Three Loan Categories:

- **Shishu** ("Infant"): Loans up to **Rs. 50,000** — for the smallest micro-enterprises just starting up or at the earliest stage.
- **Kishore** ("Adolescent"): Loans from **Rs. 50,000 to Rs. 5 lakh** — for growing micro-businesses needing working capital or equipment.
- **Tarun** ("Youth"): Loans from **Rs. 5 lakh to Rs. 10 lakh** — for more established small enterprises looking to expand.

Step 2 — Key Features: Loans are *collateral-free* (no security required). They are extended by commercial banks, RRBs (Regional Rural Banks), MFIs, and NBFCs. The objective is to fund *income-generating activities* in manufacturing, trading, and services — especially in the non-farm sector. MUDRA also issues a *MUDRA Card* (RuPay) for withdrawing working capital.

Why other options are wrong:

- **Option A: Correct** — Launched April 8, 2015; collateral-free loans; Shishu (up to Rs. 50,000), Kishore (Rs. 50,000–5L), Tarun (Rs. 5–10L).
- Option B: PMMY was launched in 2015, not 2019; loans are for micro-enterprises (not large industrial loans above Rs. 1 crore); the categories Laghu/Madhyam/Vrihad do not exist in PMMY.
- Option C: PMMY provides business loans for micro-enterprises, not housing loans; it is not administered by the NHB.
- Option D: PMMY is a micro-enterprise lending scheme; crop insurance for farmers is covered under the Pradhan Mantri Fasal Bima Yojana (PMFBY), a completely different scheme.

Final Answer: PMMY launched April 8, 2015; collateral-free; Shishu/Kishore/Tarun $\Rightarrow \boxed{A}$

Answer: (A) Go Back to Q24

Q25.

Solution

Concept — Atal Innovation Mission (AIM): AIM is a flagship initiative established by the **NITI Aayog** (National Institution for Transforming India) to create and promote a culture of innovation and entrepreneurship at all levels — from school students to startup founders.

Step 1 — Atal Tinkering Labs (ATLs): ATLs are innovation workspaces set up in schools (Classes 6–12) equipped with tools like 3D printers, robotics kits, electronics components, and computers. The goal is to *inspire curiosity, creativity, and imagination* in young students aged 11–18 and develop problem-solving skills for the 21st century. As of recent reports, over 10,000 ATLs have been sanctioned across India.

Step 2 — Atal Incubation Centres (AICs): AICs are business incubators that provide startups with physical infrastructure, mentoring, networking, seed funding access, and support services to help them scale. They are set up in universities, research institutions, and industry clusters. AIM also runs programmes like the *Atal New India Challenge* for deep-tech innovation.

Why other options are wrong:

- Option A: AIM is not a credit guarantee scheme under the Ministry of MSME; CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) serves that purpose.
- Option B: AIM was established by NITI Aayog, not the RBI; it focuses on innovation ecosystems, not digital banking labs.
- Option C: AIM is a NITI Aayog initiative for innovation culture, not an Education Ministry initiative for setting up research universities.
- **Option D: Correct** — AIM is a NITI Aayog flagship initiative setting up ATLs (in schools) and AICs (for startups) to promote innovation and entrepreneurship across India.

Final Answer: AIM = NITI Aayog initiative; Atal Tinkering Labs (ATLs) in schools; Atal Incubation Centres (AICs) for startups $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q25

Answer Key

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