FDDI AIST Business Aptitude

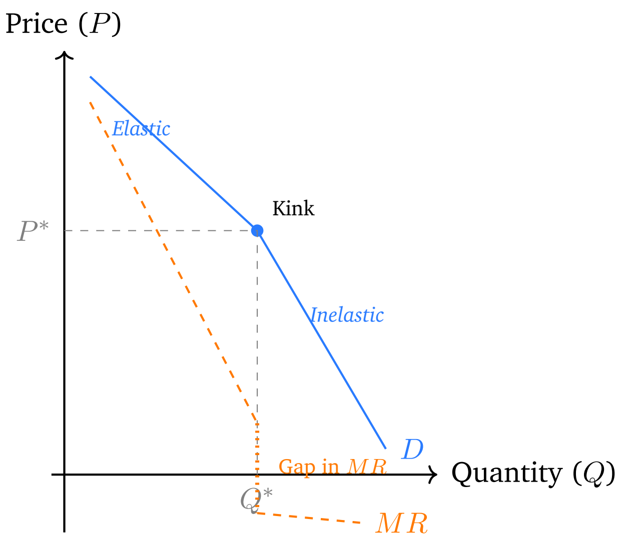
Sample Paper – 8

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

Instructions

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

Q1. Which of the following statements **correctly** describes a key characteristic of an **oligopoly** market structure?



Kinked Demand Curve (Oligopoly)

(A) An oligopoly is a market dominated by a **few large firms** that are mutually interdependent; each firm's price and output decisions strategically affect its rivals, leading to strategic behaviour captured by the Kinked Demand Curve model of price rigidity.

(B) An oligopoly is a market with a large number of small sellers, each of whom influences only a tiny fraction of the total market price, making all sellers effectively price takers with a perfectly elastic demand curve.

(C) Oligopolistic markets are characterised by complete freedom of entry and exit, ensuring that all economic profits are competed away in the long run, just as in perfect competition.

(D) In an oligopoly, a single firm holds exclusive control over the entire market supply and acts as the sole price setter, with no close substitutes available to consumers.

Q2. A shoe manufacturing company announces a 25% increase in the hourly wages of its factory workers. Which of the following **correctly** describes the impact on the **supply curve** of shoes?

(A) The supply curve shifts to the right because higher wages attract more skilled workers, increasing the firm's productive capacity and enabling it to supply more shoes at every price level.

(B) The supply curve becomes perfectly inelastic because wage costs are fixed in the short run and do not affect the quantity of shoes supplied at any given price.

(C) The supply curve shifts to the **left** because higher wages raise the cost of production, making it less profitable to supply the same quantity at every price level; as a result, firms are willing to supply fewer shoes at any given price.

(D) The supply curve becomes steeper (more inelastic) at every price point but does not shift its position, because firms simply pass the higher wage cost to consumers through price increases without any change in quantity supplied.

Q3. Which of the following statements about India's **GDP ranking** in the global economy is **correct** as of 2023–24?

(A) India is the 3rd largest economy in the world by nominal GDP, having recently overtaken Japan and Germany.

(B) India is the **5th largest economy** by nominal GDP (having overtaken the United Kingdom), and the **3rd largest by Purchasing Power Parity (PPP)**, reflecting its large population and domestic consumption base.

(C) India is the 7th largest economy by nominal GDP and ranks 5th by PPP, still lagging behind France and Italy in the nominal GDP standings.

(D) India is the 10th largest economy by nominal GDP and has not yet entered the top five by any international economic measure.

Q4. In Economy A, the annual inflation rate falls from 9% to 3% over two consecutive years. In Economy B, the Consumer Price Index (CPI) drops from 110 to 106 over the same period. Which of the following **correctly** identifies the economic phenomenon in each economy?

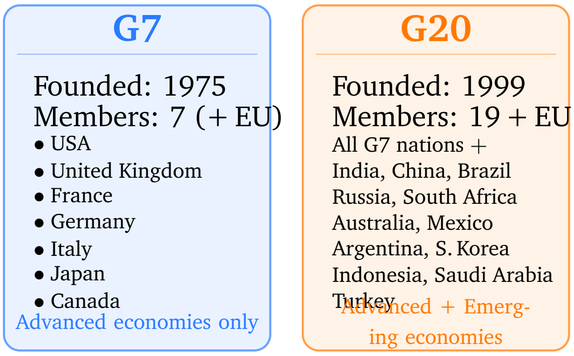
(A) Both economies are experiencing deflation, because in both cases prices are falling relative to their prior levels.

(B) Economy A is experiencing deflation (actual price level falling), while Economy B is experiencing disinflation (rate of inflation merely slowing).

(C) Disinflation and deflation are interchangeable terms for any slowdown in the rate of price increase; both economies exhibit the same phenomenon and the distinction carries no policy significance.

(D) Economy A is experiencing **disinflation** — the rate of inflation is declining but still positive ($9\% \to 3\%$), which is generally benign. Economy B is experiencing **deflation** — the actual price level is falling (CPI drops from 110 to 106), which indicates a negative inflation rate and can cause economic stagnation and debt deflation.

Q5. The diagram below compares the **G7** and **G20** groupings. Which of the following statements about the **G7** is **correct**?



(A) The G7 consists of seven major **advanced economies** — USA, UK, France, Germany, Italy, Japan, and Canada (with the EU as a non-enumerated participant) — representing the world's most industrialised nations, producing around 40–45% of global nominal GDP.

(B) The G7 includes both India and China as founding members, making it a more geographically diverse group than the G20, which is limited to Western and East Asian nations.

(C) The G20 was established in 1975 before the G7 and currently has 19 member nations; the G7 was formed in 1999 as a smaller spin-off focused solely on financial stability.

(D) The G7 and G20 have essentially the same membership; the G20 is simply a rebranding of the G7 adopted in 2009 after the global financial crisis to signal greater inclusivity.

Q6. A logistics start-up avoids competing with established courier companies and instead creates a dedicated last-mile delivery service for senior citizens, offering same-day delivery, phone-based ordering, and door-to-door returns — a service no competitor provides. Which business strategy does this **best** illustrate?

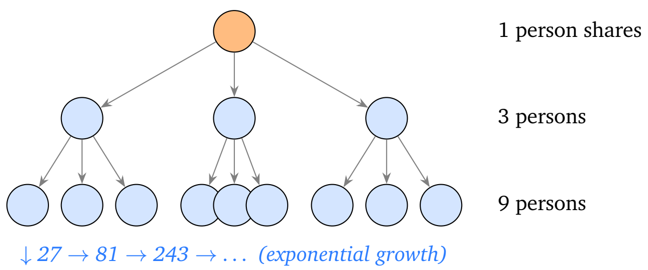
(A) Porter's Cost Leadership Strategy, where the firm uses economies of scale to undercut rivals on price and dominate the existing courier market.

(B) Red Ocean Strategy, where the start-up fights aggressively against established courier giants by matching their prices and copying their service model to win market share.

(C) **Blue Ocean Strategy** (Kim and Mauborgne), where the firm creates uncontested new market space by targeting an underserved segment with a unique value proposition unavailable in existing markets, thereby making competition irrelevant.

(D) Porter's Differentiation Strategy, where the start-up offers a marginally improved version of existing courier services to justify a premium price while remaining within the same competitive space.

Q7. A fashion brand posts a 30-second humorous video on social media. Each viewer shares it with three friends, who each share it with three more, and so on. Within ten days, the video reaches 20 million views with virtually zero paid advertising. Which of the following **best** describes the marketing strategy at work?



(A) Paid search marketing, where the brand uses targeted pay-per-click advertisements on search engines to drive traffic to its product page, paying a fee for each click received.

(B) **Viral marketing** — a digital strategy in which compelling content spreads exponentially through voluntary word-of-mouth sharing on social media; each recipient shares with multiple others, creating a self-amplifying network that achieves massive reach at very low cost.

(C) Content marketing, which involves producing educational blog posts, whitepapers, and infographics distributed through email newsletters to build long-term brand authority over months or years.

(D) Influencer marketing, where the brand pays celebrities with large followings to explicitly endorse products in sponsored posts, paying a flat fee or commission for each sponsored placement.

Q8. A luxury leather goods brand launches two product lines: a "Prestige Edition" priced at Rs. 50,000+ targeting High Net-Worth Individuals (HNIs), and an "Everyday Elegance" range at Rs. 8,000–12,000 targeting the aspirational middle class. Which type of market segmentation does this strategy represent?

(A) Psychographic segmentation, because both product lines appeal to consumers who value craftsmanship and fashion, regardless of their economic status.

(B) Geographic segmentation, because the different price points reflect the varying purchasing power of consumers in metropolitan cities versus smaller towns.

(C) Behavioural segmentation based on brand loyalty, because the Prestige Edition targets loyal brand advocates while the Everyday Elegance line targets first-time buyers.

(D) **Income-based (demographic) segmentation**, because the brand divides its market by economic status — targeting High Net-Worth Individuals with the premium line and the middle-income segment with the affordable line. Segmentation by income is a sub-type of demographic segmentation.

Q9. A footwear brand offers a "Complete Shoe Care Kit" containing one pair of shoes (Rs. 750), a pair of socks (Rs. 200), and a shoe-cleaning set (Rs. 250) — all bundled together at Rs. 999 instead of Rs. 1,200 if purchased separately. Which pricing and selling strategy does this **best** represent?

(A) **Product bundling** — combining two or more complementary products and selling them together at a combined price lower than the sum of their individual prices. This strategy increases the average transaction value and encourages customers to purchase more than originally intended.

(B) Penetration pricing, where the brand sets an exceptionally low price for each individual product to rapidly gain market share before gradually raising prices once the brand is established.

(C) Price skimming, where the brand initially prices the bundle very high to maximise revenue from price-insensitive early adopters before lowering the price to attract more customers over time.

(D) Psychological pricing, where the price Rs. 999 is set just below the round number Rs. 1,000 to create the perception of a significantly lower price, with no actual multi-product combination involved.

Q10. Which of the following **best** describes **direct marketing** as a promotional technique, and correctly identifies the channels through which it is delivered?

(A) Direct marketing is a technique where manufacturers promote their products exclusively through retailers and wholesalers, who then convey the brand message to end consumers using in-store displays and point-of-sale materials.

(B) Direct marketing is synonymous with social media marketing and is defined exclusively by the use of Facebook, Instagram, and Twitter to deliver personalised advertisements based on user data and platform algorithms.

(C) **Direct marketing** involves communicating directly with individual consumers — without using any intermediary — to generate a measurable response or transaction. Common channels include direct mail (letters/brochures), telemarketing (phone calls), email marketing, SMS marketing, and catalogue sales.

(D) Direct marketing is restricted to face-to-face selling at the consumer's home or workplace (door-to-door sales) and does not include electronic or digital forms of communication such as email or SMS.

Q11. Between 1924 and 1932, Elton Mayo and his colleagues conducted experiments at the Western Electric plant in Hawthorne, Illinois. They found that worker productivity improved in virtually every experiment — whether lighting was increased, decreased, or left unchanged. What was the **key insight** of the Hawthorne Studies?

(A) Physical working conditions (lighting, temperature, rest breaks) are the primary determinants of worker productivity; systematically improving these conditions consistently and reliably raises output.

(B) Workers' productivity increased simply because they were being **observed and felt valued** by management — not because of changes in physical conditions. This **Hawthorne Effect** demonstrated that social and psychological factors (attention, recognition, group dynamics) are powerful drivers of productivity, forming the basis of the Human Relations movement in management.

(C) The experiments proved that Frederick Taylor's scientific management principles — especially time-and-motion studies and piece-rate wage incentives — are more effective in boosting productivity than any changes to the social work environment.

(D) Worker productivity is determined primarily by peer pressure within informal work groups; employees naturally slow down to match the lowest-performing colleague, regardless of management attention or physical working conditions.

Q12. A hotel group's HR manager conducts a **job analysis** for the position of "Front Office Executive." She produces two documents: the first lists the daily duties, guest interaction responsibilities, and reporting lines; the second lists the required educational qualifications, communication skills, and minimum work experience. Which of the following **correctly** identifies these two documents?

(A) Both documents are versions of the same job description; the second is simply the "person specification" section appended within the job description, and both terms are fully interchangeable in practice.

(B) The first document is a **job specification** (detailing the qualifications required of the ideal candidate), while the second is a **job description** (outlining the responsibilities of the role).

(C) The first document is an employment contract that defines the legal duties of the employee, while the second is a recruitment advertisement that publicises the vacancy to external candidates.

(D) The first document is a **job description** — it details the duties, responsibilities, and tasks of the position. The second is a **job specification** — it lists the qualifications, skills, experience, and personal attributes required of the person performing the job. Both are outputs of the job analysis process.

Q13. A newly appointed regional sales manager finds that her team members lack confidence about how to achieve their targets. She clarifies the sales process step by step, removes bureaucratic obstacles, provides regular coaching, and adjusts her approach as each member's competence grows. Which leadership theory **best** describes her behaviour?

(A) **Path-Goal Theory** (Robert House, 1971), which holds that a leader's primary role is to clear the path for subordinates to reach their goals by removing obstacles, providing guidance, and offering support. The leader selects from four styles — Directive, Supportive, Participative, or Achievement-Oriented — based on follower characteristics and the task environment.

(B) Fiedler's Contingency Theory, which argues that a leader's effectiveness depends on the match between the leader's fixed personality style (task-oriented or relationship-oriented) and the favourableness of the situation defined by position power, task structure, and leader–member relations.

(C) Transformational Leadership Theory, which describes a leader who inspires followers with a compelling vision, stimulates creative thinking, and motivates people to transcend their self-interest for the organisation's broader mission.

(D) Situational Leadership Theory (Hersey and Blanchard), which proposes that leaders should adjust their style — Directing, Coaching, Supporting, or Delegating — based purely on the task-readiness and psychological maturity of individual followers.

Q14. TrendStyle Co. is a fashion label with no central office: design is handled by a freelance team in Milan; manufacturing is outsourced to a partner factory in Bangladesh; logistics is managed by a third-party firm; and marketing is run by a digital agency in Mumbai — all coordinated through cloud software and video calls. Which organisational form does TrendStyle Co. **best** represent?

(A) A matrix organisation, where employees from multiple departments are simultaneously assigned to project teams and functional divisions, creating a dual reporting structure.

(B) A franchise organisation, where TrendStyle Co. licences its brand and business model to independent operators in multiple countries, who run their own physical outlets under the brand name.

(C) A **virtual organisation** — a network of geographically dispersed, legally independent entities linked by information technology to collectively deliver a product or service, with no central physical office. Coordination relies on internet platforms, cloud tools, and contractual partnerships, offering maximum flexibility with minimum fixed costs.

(D) A divisional organisation, where TrendStyle Co. is structured into separate business units (menswear, womenswear, accessories), each operating as a semi-autonomous profit centre with its own management team.

Q15. Shareholders of Prestige Leathers Ltd are voting on a resolution to alter the company's **Memorandum of Association (MOA)** to change its objects clause. Under the **Companies Act, 2013**, what type of resolution is required, and how does this protect minority shareholders?

(A) An ordinary resolution, requiring a simple majority of more than 50% of votes cast, is sufficient to alter the MOA. A single majority bloc can therefore make any constitutional change without the minority's consent.

(B) A **special resolution**, requiring at least **75% of the votes cast**, is needed to alter the MOA, reduce share capital, or make other fundamental changes. This protects minority shareholders holding more than 25% of voting shares, as they collectively can block such resolutions.

(C) The Board of Directors can alter the MOA by a simple board resolution at any time, without any shareholder vote, as the MOA is treated as an internal company document.

(D) Minority shareholder protection under Indian company law is exclusively provided by SEBI's Takeover Code and LODR Regulations, which apply only to listed companies; the Companies Act, 2013 contains no such protective provisions.

Q16. Swayam Shakti, an organisation in rural Rajasthan, provides small loans of Rs. 10,000–50,000 to women entrepreneurs — tailors, food vendors, and handicraft makers — who have no credit history and cannot access formal banks. Which of the following **best** describes Swayam Shakti's role?

(A) A commercial bank operating under the Banking Regulation Act, 1949, providing priority sector lending as mandated by the Reserve Bank of India's guidelines for rural credit.

(B) A Regional Rural Bank (RRB) established jointly by the central government, state government, and a sponsor bank to extend banking services to rural communities.

(C) A Self-Help Group (SHG) federation operating as a cooperative society, pooling members' own savings to provide internal loans without any external borrowing or formal lending operations.

(D) A **Microfinance Institution (MFI)** — an organisation that provides small loans (microloans), savings, and financial services to low-income borrowers who lack access to conventional banking. MFIs in India, modelled on the Grameen Bank concept, empower women and rural entrepreneurs. Key examples include MUDRA and SKS Microfinance.

Q17. Which of the following **correctly matches** each major stock market index with its country and exchange?

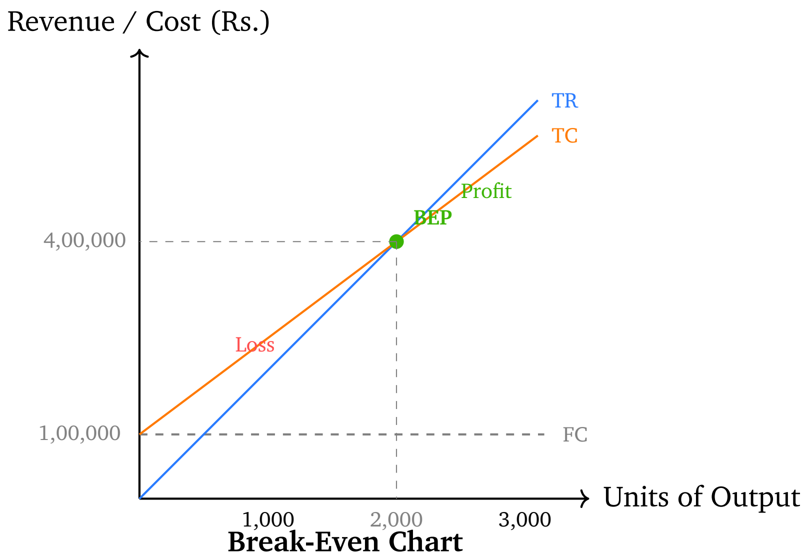
(A) **Dow Jones Industrial Average (DJIA)** — USA (NYSE/NASDAQ, 30 large companies); **FTSE 100** — United Kingdom (London Stock Exchange); **Nikkei 225** — Japan (Tokyo Stock Exchange); **Hang Seng** — Hong Kong. India's benchmarks: **SENSEX** (BSE) and **NIFTY 50** (NSE).

(B) FTSE 100 — USA (New York); Dow Jones — France (Paris Bourse); Nikkei 225 — China (Shanghai Stock Exchange); Hang Seng — South Korea (Korea Exchange).

(C) NASDAQ Composite — India (BSE); Dow Jones Industrial Average — United Kingdom; Nikkei 225 — Australia; SENSEX — United States.

(D) The Dow Jones Industrial Average tracks 500 large-cap U.S. companies across all sectors; the NIFTY 50 is an index of government bonds on India's NSE; and the Nikkei 225 covers companies listed on the Hong Kong Stock Exchange.

Q18. A footwear firm has fixed costs of Rs. 1,00,000 per month. Each pair of shoes sells for Rs. 200 and the variable cost per pair is Rs. 150. Using the break-even diagram shown below, what is the firm's monthly **break-even point (BEP)** in units, and which formula is **correctly** used to compute it?



Break-Even Chart

(A) BEP $= \dfrac{\text{Fixed Costs}}{\text{Selling Price per unit}} = \dfrac{1{,}00{,}000}{200} = 500$ units; at this point the firm covers only its fixed costs, not its variable costs.

(B) BEP $= \dfrac{\text{Variable Cost per unit}}{\text{Contribution per unit}} \times \text{Fixed Costs} = \dfrac{150}{50} \times 1{,}00{,}000 =$ $3{,}00{,}000$ units; this represents the firm's theoretical maximum monthly capacity.

(C) BEP $= \dfrac{\text{Fixed Costs}}{\text{Selling Price} - \text{Variable Cost per unit}} = \dfrac{\text{Fixed Costs}}{\text{Contribution per unit}} =$ $\dfrac{1{,}00{,}000}{200 - 150} = \dfrac{1{,}00{,}000}{50} = \mathbf{2{,}000}$ **units**. At this output, Total Revenue $=$ Total Costs (no profit, no loss).

(D) BEP $= \dfrac{\text{Total Costs at full capacity}}{\text{Selling Price}} = \dfrac{2{,}50{,}000}{200} = 1{,}250$ units; total costs at full capacity include all fixed and variable costs at maximum monthly output.

Q19. The Sharma family has run a traditional textiles business in Jaipur for four generations, organised as a **Hindu Undivided Family (HUF)**. Which of the following statements about the HUF as a business form is **correct**?

(A) An HUF must be registered under the Companies Act, 2013, with the eldest female member automatically becoming the Karta and bearing limited liability for the firm's debts.

(B) An HUF is governed by **Hindu personal law** (not the Companies Act or Partnership Act). The eldest male member, the **Karta**, manages the business and has unlimited personal liability. All other members are **coparceners** whose liability is limited to their share in the joint family property.

(C) An HUF is a special form of general partnership governed by the Indian Partnership Act, 1932, where all male family members above 18 are treated as equal partners with the right to demand dissolution at will.

(D) An HUF is a type of cooperative society registered under the Multi-State Cooperative Societies Act, where family members contribute capital proportionately and share profits based on their capital contribution.

Q20. **Investor X** provides Rs. 2 crore to a 6-month-old AI logistics start-up in exchange for a 20% equity stake, accepting high risk for potentially high returns. **Investor Y** acquires a 60% controlling stake in a 15-year-old profitable shoe manufacturer to restructure its supply chain and plans to exit within 5 years. Which of the following **correctly** identifies Investor X and Investor Y?

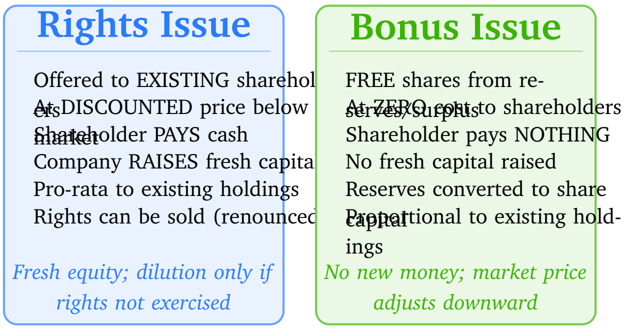
(A) Both Investor X and Investor Y are venture capitalists, because both take equity stakes in businesses rather than providing debt or bonds.

(B) Investor X is a private equity investor (large stake in a growth company), while Investor Y is an angel investor (early-stage personal investment in a startup).

(C) Investor X is an angel investor (individual investing personal funds at seed stage), while Investor Y is a bank providing structured project finance to an established manufacturing firm.

(D) Investor X is a **Venture Capitalist (VC)** — providing early-stage funding to a high-risk, high-potential startup. Investor Y is a **Private Equity (PE) investor** — acquiring a controlling stake in an established, profitable company to restructure and improve it, with a defined exit horizon.

Q21. Horizon Textiles Ltd offers new shares to its **existing shareholders** in proportion to their current holdings, at Rs. 80 per share while the market price is Rs. 120, to raise Rs. 50 crore for capacity expansion. The diagram compares this mechanism with a bonus issue. Which option **correctly** identifies the mechanism used by Horizon Textiles?



(A) A **rights issue** — an offer of new shares by an existing company to its current shareholders in proportion to their existing holdings, at a discounted price below the current market price. Existing shareholders can accept (subscribe), renounce (sell their rights to others), or partially accept. The company raises fresh equity capital.

(B) A **bonus issue** — the company distributes free additional shares to existing shareholders out of accumulated reserves at no cash cost to shareholders. No fresh capital is raised by the company.

(C) A **Follow-on Public Offering (FPO)** — the company offers new shares to the general investing public (including new investors who are not current shareholders), at or near the market price, to raise additional capital after its initial IPO.

(D) A **buyback of shares** — the company uses surplus cash to repurchase its own shares from shareholders in the open market or through a tender offer, reducing outstanding shares and improving earnings per share.

Q22. The Government of India established a specialised development finance institution to provide credit, support, and development services to India's **Micro, Small and Medium Enterprises (MSMEs)**. Which of the following **correctly** identifies this institution, its year of establishment, and headquarters?

(A) NABARD (National Bank for Agriculture and Rural Development) — established 1982, headquartered in Mumbai, provides refinance to banks lending to the agriculture and rural sector, including MSME units in rural areas.

(B) EXIM Bank (Export-Import Bank of India) — established 1982, provides export credit, loan guarantees, and advisory services to help Indian companies, including MSMEs, access foreign markets.

(C) **SIDBI** (Small Industries Development Bank of India) — established in **1990**, headquartered in **Lucknow**, as the principal development financial institution for the promotion, financing, and development of MSMEs in India. It provides direct credit, refinances banks and NBFCs, and supports MSME clusters.

(D) MUDRA (Micro Units Development and Refinance Agency) — established under the Pradhan Mantri MUDRA Yojana in 2015, provides micro-loans under Rs. 10 lakh to non-corporate, non-farm small businesses through the Shishu, Kishore, and Tarun categories.

Q23. Which of the following statements about the **regulation of digital payment systems in India** and the **Unified Payments Interface (UPI)** is **correct**?

(A) UPI was launched directly by the Reserve Bank of India (RBI) in 2010 as a real-time retail payment infrastructure, and is operated day-to-day by the RBI's Department of Payment and Settlement Systems.

(B) All payment systems in India are regulated by the **RBI** under the **Payment and Settlement Systems Act, 2007**. UPI was launched in **2016** by the **National Payments Corporation of India (NPCI)** — a body promoted by RBI and the Indian Banks' Association — and has grown to process over 100 billion transactions annually (FY 2023–24).

(C) Digital payment systems such as UPI and NEFT are regulated by **SEBI** under the Securities Contracts (Regulation) Act, 1956, because digital payments involve the settlement of financial instruments.

(D) The regulation of payment systems in India is the exclusive responsibility of the **Ministry of Finance**, acting through the Department of Financial Services; the RBI has no regulatory jurisdiction over digital payment systems.

Q24. Which of the following statements about the **National Pension System (NPS)** of India is **correct**?

(A) The NPS was launched in 1995 for all citizens of India simultaneously, with a mandatory contribution rate of 25% of basic salary; it is regulated by SEBI and invests exclusively in government securities.

(B) The NPS was introduced in 2001 exclusively for self-employed individuals; it provides a guaranteed fixed monthly pension of Rs. 5,000 after the subscriber turns 60, and is managed by the Life Insurance Corporation of India (LIC).

(C) The NPS was launched as part of the Pradhan Mantri Jan Dhan Yojana in 2014; it is a compulsory savings scheme under which all bank account holders must contribute at least Rs. 500 per month.

(D) The NPS was launched by the Government of India in **2004** for central government employees (replacing the old defined-benefit pension) and extended to **all citizens in 2009**. It is a voluntary, long-term retirement savings scheme regulated by **PFRDA**. Contributions are invested in equities, government bonds, and corporate bonds. Tax benefits are available under **Section 80CCD** of the Income Tax Act.

Q25. Which of the following statements about **India's merchandise exports** in FY 2022–23 is **correct**?

(A) India's total merchandise exports crossed **USD 450 billion** in FY 2022–23, with **petroleum products, gems and jewellery, engi-**

neering goods, and pharmaceuticals as the top export categories. The government targets **USD 1 trillion** in merchandise exports by 2030 under the Foreign Trade Policy 2023–28.

(B) India's merchandise exports in FY 2022–23 were approximately USD 150 billion, with IT and software services as the dominant component; manufacturing exports such as engineering goods and textiles remained negligible.

(C) India's leading merchandise export category in FY 2022–23 was cotton textiles and handloom products, followed by tea, coffee, and spices, reflecting continued dependence on traditional agricultural exports for foreign exchange earnings.

(D) India surpassed China to become the world's largest merchandise exporter in FY 2022–23, with total exports exceeding USD 2 trillion across all goods categories.

Detailed Solutions

Q1.

Solution

Concept — Oligopoly Market Structure: An oligopoly is a market dominated by a small number of large firms (e.g., telecom, automobile, soft drink industries). The defining feature is *mutual interdependence* — each firm's pricing and output decisions affect, and are affected by, the decisions of its rivals. This leads to strategic behaviour, often modelled using game theory.

Step 1 — Kinked Demand Curve: The Kinked Demand Curve model (Sweezy, 1939) explains price rigidity in oligopolies. Above the current price P^*, demand is *elastic* (rivals do not follow a price rise, so the firm loses many customers). Below P^*, demand is *inelastic* (rivals match a price cut, so the firm gains few customers). This creates a kink at P^* and a gap (discontinuity) in the Marginal Revenue (MR) curve, so prices tend to be stable.

Step 2 — Other Oligopoly Features: High barriers to entry, large firms, non-price competition (advertising, branding), and collusion (e.g., cartels like OPEC) are also characteristic of oligopolies.

Why other options are wrong:

- **Option A: Correct** — few large firms, mutual interdependence, and the Kinked Demand Curve model are the defining features of an oligopoly.
- Option B: Describes *perfect competition* (many small sellers, price takers), not oligopoly.
- Option C: Free entry and exit eliminating long-run profit is a feature of *perfect competition* and *monopolistic competition*, not oligopoly (which has high entry barriers).
- Option D: A single firm with exclusive control and no close substitutes describes a *monopoly*, not an oligopoly.

Final Answer: Oligopoly = few large firms with mutual interdependence; Kinked Demand Curve explains price rigidity $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q1

Q2.

Solution

Concept — Supply Curve Shifts: The supply curve shows the quantity a producer is willing to supply at each price, ceteris paribus. It *shifts left* (supply decreases) when production costs rise, and *shifts right* (supply increases) when costs fall or technology improves.

Step 1 — Wages as an Input Cost: Wages are a key variable cost of production. A 25% rise in workers' wages raises the cost of producing every unit of shoes. At the same market price as before, the profit margin shrinks, making production less attractive. Producers respond by supplying fewer units at each price — the supply curve shifts **left**.

Step 2 — Other Factors Shifting Supply: Factors that shift supply: input prices (wages, raw materials), technology, taxes and subsidies, natural events, number of producers. A wage rise is an increase in input cost $\Rightarrow$ leftward shift.

Why other options are wrong:

- Option A: Higher wages do not increase productive capacity; they raise costs and reduce the incentive to supply, shifting supply left, not right.
- Option B: Wage costs are *variable*, not fixed; they directly affect the quantity supplied at any given price.
- **Option C: Correct** — higher wages raise production costs, causing the supply curve to shift left (decrease in supply).
- Option D: Higher costs shift the entire supply curve position; the curve does not merely become steeper without shifting. A firm cannot simply "pass on" costs without any effect on supply decisions.

Final Answer: Higher wages $\Rightarrow$ higher production cost $\Rightarrow$ supply curve shifts left $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q2

Q3.

Solution

Concept — India's GDP Global Ranking: GDP (Gross Domestic Product) is the total monetary value of all goods and services produced within a country's borders in a year. Countries are ranked by nominal GDP (current US dollar values) and by PPP (Purchasing Power Parity), which adjusts for price level differences.

Step 1 — Nominal GDP Ranking (2023–24): The top five economies by nominal GDP are: (1) USA, (2) China, (3) Germany, (4) Japan, (5) **India**. India overtook the United Kingdom to become the 5th largest economy in 2022 and has maintained this position.

Step 2 — PPP Ranking: By PPP, India ranks **3rd** globally (after China and USA), reflecting the large volume of domestic economic activity relative to lower price levels in India compared to developed nations.

Why other options are wrong:

- Option A: India is not yet the 3rd largest by nominal GDP; Germany and Japan still rank ahead by nominal measure.
- **Option B: Correct** — India is 5th by nominal GDP (having overtaken the UK) and 3rd by PPP.
- Option C: India is ranked 5th (not 7th) by nominal GDP and 3rd (not 5th) by PPP.
- Option D: India entered the top five by nominal GDP in 2022; it is not 10th.

Final Answer: India is 5th by nominal GDP and 3rd by PPP (2023–24) $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q3

Q4.

Solution

Concept — Disinflation vs. Deflation: These two terms are often confused but describe fundamentally different economic conditions.

Step 1 — Disinflation Defined: Disinflation is a *reduction in the rate of inflation*. Prices are still rising, but at a slower pace. Example: inflation falls from 9% to 3% — prices are still increasing every year, just less rapidly. This is generally considered benign and is often the goal of monetary tightening.

Step 2 — Deflation Defined: Deflation is an actual *fall in the price level* (negative inflation rate). A CPI falling from 110 to 106 means goods are becoming cheaper on average. While this sounds consumer-friendly, deflation can cause economic stagnation: consumers delay purchases expecting further price falls, firms reduce output, unemployment rises, and debt burdens increase in real terms (debt deflation).

Why other options are wrong:

- Option A: Economy A is experiencing *disinflation* (inflation rate falling but positive), not deflation.
- Option B: The labels are reversed. Economy A (falling inflation rate, still positive) is disinflation; Economy B (falling price level) is deflation.
- Option C: Disinflation and deflation are distinctly different phenomena with different policy implications; they are not interchangeable.
- **Option D: Correct** — Economy A = disinflation (rate still positive but declining); Economy B = deflation (price level actually falling).

Final Answer: Economy A = disinflation (rate slowing); Economy B = deflation (price level falling) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q4

Q5.

Solution

Concept — G7 vs. G20: The G7 and G20 are informal international forums for economic cooperation. They differ in membership size, founding year, and the economic profile of members.

Step 1 — G7 Facts: The Group of Seven (G7) was established in 1975 as a forum for the leaders of the world's seven largest *advanced* economies: **USA, United Kingdom, France, Germany, Italy, Japan, and Canada**. The European Union participates as a non-enumerated member. Together they represent roughly 40–45% of global nominal GDP and share common values of democracy and open markets.

Step 2 — G20 Facts: The G20 was established in 1999 (at finance minister level) and elevated to heads-of-government summits in 2008. It includes all G7 nations plus 12 major emerging economies (India, China, Brazil, Russia, South Africa, Australia, Mexico, Argentina, South Korea, Indonesia, Saudi Arabia, Turkey) and the European Union — 19 individual nations plus EU.

Why other options are wrong:

- **Option A: Correct** — G7 consists of USA, UK, France, Germany, Italy, Japan, Canada (+EU), representing advanced industrialised economies.
- Option B: India and China are NOT members of the G7; they are G20 members. The G20 is the broader group.
- Option C: The G20 was founded *after* the G7 (1999 vs. 1975); the G7 is not a spin-off of the G20.
- Option D: The G7 and G20 have substantially different memberships; the G20 adds 12 major emerging economies that are not G7 members.

Final Answer: G7 $=$ 7 advanced economies: USA, UK, France, Germany, Italy, Japan, Canada (+EU) $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q5

Q6.

Solution

Concept — Blue Ocean Strategy: Blue Ocean Strategy is a business theory introduced by W. Chan Kim and Renée Mauborgne in their 2005 book. It contrasts two types of market space: *red oceans* (existing competitive markets where firms fight for share) and *blue oceans* (uncontested new market spaces created by innovative value propositions).

Step 1 — Blue Ocean Principles: Instead of competing in an existing industry, a Blue Ocean firm creates a *new market space* by offering a unique value proposition that no competitor offers. The classic example is Cirque du Soleil, which combined circus and theatre to create an entirely new entertainment category. The start-up in the question creates a new market for senior-citizen last-mile delivery.

Step 2 — Value Innovation: The core tool of Blue Ocean Strategy is *value innovation* — simultaneously raising buyer value and reducing costs by eliminating features that the existing market competes on but that are irrelevant to the target segment.

Why other options are wrong:

- Option A: Porter's Cost Leadership involves competing within an existing industry on price — the start-up avoids the existing market entirely.
- Option B: Red Ocean Strategy involves competing aggressively in an existing, crowded market — the opposite of what the start-up does.
- **Option C: Correct** — creating an uncontested market space (senior-citizen delivery) with a unique value proposition is textbook Blue Ocean Strategy.

- Option D: Porter's Differentiation operates within an existing competitive market by offering premium features — the start-up creates a brand new, uncontested market.

Final Answer: Creating an uncontested new market for an underserved segment = Blue Ocean Strategy $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q6

Q7.

Solution

Concept — Viral Marketing: Viral marketing is a digital marketing technique in which content spreads rapidly through *voluntary word-of-mouth sharing* on social media. Each viewer who shares with n others creates a multiplicative (exponential) cascade, achieving massive reach at very low or zero paid media cost.

Step 1 — Exponential Spread Mechanism: As shown in the Q7 diagram:

- Level 0: 1 person (brand) shares content.
- Level 1: 3 persons each share with 3 more $= 3^1 = 3$.
- Level 2: Each of those 3 shares with 3 more $= 3^2 = 9$.
- Level 3: $3^3 = 27$; Level 4: $3^4 = 81$; and so on.

After only 15 rounds of sharing at a modest branching factor of 3, the cumulative reach exceeds 7 million people — with no paid advertising.

Step 2 — Key Success Factors: For content to go viral, it must be emotionally compelling (humorous, inspiring, shocking, or useful), easily shareable, and authentic. The brand's cost is essentially just the production cost of the original video.

Why other options are wrong:

- Option A: Paid search marketing (PPC) is a *paid* channel; the scenario explicitly states "virtually zero paid advertising."
- **Option B: Correct** — viral marketing is the exponential spread of content through voluntary social sharing at minimal cost.
- Option C: Content marketing builds long-term brand authority through educational content (blogs, whitepapers); it does not describe rapid exponential spread.
- Option D: Influencer marketing involves *paying* influencers to endorse products; the scenario involves organic sharing, not paid endorsements.

Final Answer: Exponential spread through voluntary social sharing at low cost = viral marketing ⇒ $\boxed{\text{B}}$

Answer: (B) Go Back to Q7

Q8.

Solution

Concept — Income-Based (Demographic) Market Segmentation: Market segmentation divides a broad market into groups of consumers with common needs. *Demographic segmentation* uses measurable population characteristics as the basis: age, gender, income, education, occupation, family size. *Income segmentation* is a sub-type that creates distinct product offerings or pricing tiers for different income levels.

Step 1 — Identifying the Segmentation Basis: The leather goods brand is separating its market into (1) High Net-Worth Individuals (HNIs) targeted with a Rs. 50,000+ product line, and (2) the middle-income segment targeted with an Rs. 8,000–12,000 product line. The dividing criterion is *income/economic status* — a demographic variable.

Step 2 — Why Demographic (not Psychographic): Psychographic segmentation is based on lifestyle values and personality (e.g., "adventurous," "eco-conscious"). Income segmentation is based on a measurable financial variable and therefore belongs to the demographic category.

Why other options are wrong:

- Option A: Psychographic segmentation targets based on values and lifestyle — not income. If both lines targeted the same income group but different mindsets, it would be psychographic.
- Option B: Geographic segmentation divides by location (city, region, climate) — not income or economic class.
- Option C: Behavioural segmentation divides by purchase behaviour (loyalty, usage frequency, occasions) — not by income level.
- **Option D: Correct** — segmenting by HNI vs. middle-income is income-based (demographic) segmentation.

Final Answer: Segmenting by HNI vs. middle-income = income-based (demographic) segmentation ⇒ $\boxed{\text{D}}$

Answer: (D) Go Back to Q8

Q9.

Solution

Concept — Product Bundling: Product bundling is a marketing strategy that involves selling two or more complementary products together as a single package at a combined price that is lower than the sum of their individual prices. It increases the *average transaction value* (ATV) and encourages cross-selling.

Step 1 — Bundling in Practice: In the question, the individual prices total Rs. 1,200 (750 + 200 + 250), but the bundle sells for Rs. 999. The consumer saves Rs. 201 and is incentivised to buy all three items together rather than just the shoes alone. This increases the brand's revenue per transaction.

Step 2 — Types of Bundling: *Pure bundling* = items only sold together (not individually). *Mixed bundling* = items available both individually and as a bundle (this question's case). Bundling is used by telecom operators (calls + data + SMS), fast food chains (combo meals), and software companies (Office suite).

Why other options are wrong:

- **Option A: Correct** — selling complementary products together at a price lower than the sum of individual prices is product bundling. It raises ATV.
- Option B: Penetration pricing sets individual product prices very low to gain market share — it is a pricing strategy for market entry, not a bundling strategy.
- Option C: Price skimming sets a high initial price to extract maximum revenue from early adopters, then lowers it — no bundling is involved.
- Option D: Psychological pricing (e.g., Rs. 999) is a standalone pricing tactic; the question's key feature is the multi-product combination, which is bundling, not just the Rs. 999 price point.

Final Answer: Selling complementary products together at a combined discount = product bundling $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q9

Q10.

Solution

Concept — Direct Marketing: Direct marketing is a promotional strategy in which a company communicates *directly* with individual consumers (not through intermediaries) to generate a specific, measurable response — an inquiry, order, visit, or donation. It bypasses retailers, distributors, and other channel intermediaries.

Step 1 — Key Channels of Direct Marketing:

- *Direct mail*: physical letters, catalogues, brochures sent to a mailing list.
- *Telemarketing*: outbound phone calls to potential customers.
- *Email marketing*: personalised emails sent directly to subscribers.
- *SMS marketing*: text messages promoting offers.
- *Catalogue sales*: printed or digital product catalogues prompting direct orders.

Step 2 — Key Characteristic: The defining feature of direct marketing is the *direct, unmediated contact* between brand and consumer, and the *measurability* of the response (click-through rate, response rate, conversion rate).

Why other options are wrong:

- Option A: Using retailers and wholesalers as intermediaries is *indirect* channel marketing, not direct marketing.
- Option B: Direct marketing is not limited to social media; social media is just one of many digital channels, and social media advertising is often considered a distinct strategy.
- **Option C: Correct** — direct marketing = direct communication with individual consumers through mail, telemarketing, email, SMS, catalogues, with no intermediaries.
- Option D: Door-to-door sales is one form of direct marketing, but the definition is far broader and certainly includes email and SMS.

Final Answer: Direct marketing = communicating directly with consumers (mail, telemarketing, email, SMS) without intermediaries $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q10

Q11.

Solution

Concept — Hawthorne Effect and Human Relations Movement: The Hawthorne Studies (1924–1932) at the Western Electric Hawthorne Works in Illinois were conducted by Elton Mayo and his colleagues from Harvard Business School. They revolutionised management thinking by showing that human psychological factors — not just physical conditions — drive productivity.

Step 1 — The Hawthorne Experiments: In the Illumination Experiments, researchers changed the lighting for one group (experimental) while keeping it constant for another (control). Productivity *rose in both groups*. When lighting was reduced in the experimental group, productivity still rose. The conclusion: workers performed better *because they knew they were being watched and felt management cared about them*.

Step 2 — The Hawthorne Effect: This phenomenon — in which people improve their behaviour or performance when they know they are being observed — is called the **Hawthorne Effect**. The studies gave rise to the **Human Relations Movement**, which argued that social and psychological needs (belonging, recognition, attention) are as important as physical conditions and financial incentives.

Why other options are wrong:

- Option A: The experiments found that physical conditions were *not* the primary driver; productivity rose even when conditions worsened, disproving this hypothesis.
- **Option B: Correct** — workers' productivity rose because they were observed and felt valued (Hawthorne Effect), leading to the Human Relations movement.
- Option C: The Hawthorne Studies were conducted by Elton Mayo, not Frederick Taylor. The findings actually *challenged* Taylor's purely economic/mechanistic view of workers.
- Option D: While peer pressure within groups is a finding of the Hawthorne relay assembly test, the overall key insight is the power of observation and social recognition, not peer-driven slowdown.

Final Answer: Productivity rose because workers were observed and felt valued = Hawthorne Effect $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q11

Q12.

Solution

Concept — Job Analysis: Job Description vs. Job Specification: *Job Analysis* is the systematic process of collecting detailed information about a job. It produces two key documents: the **Job Description** and the **Job Specification**.

Step 1 — Job Description: A **job description** (JD) is a document that describes the *job itself* — its title, duties, responsibilities, tasks, reporting relationships, working conditions, and performance standards. It answers the question: *"What does this job involve?"*

Step 2 — Job Specification: A **job specification** (JS) describes the *ideal person* for the job — the minimum qualifications, skills, experience, physical characteristics, and personal attributes required to perform the job satisfactorily. It answers: *"Who should do this job?"*

Why other options are wrong:

- Option A: While the two documents are related, they are *not* interchangeable. A job description focuses on the role; a job specification focuses on the person.
- Option B: The labels are *reversed*. The first document (duties, responsibilities, reporting) is the job *description*; the second (qualifications, skills) is the job *specification*.
- Option C: Neither document is an employment contract or a recruitment advertisement; both are internal HR tools produced during job analysis.
- **Option D: Correct** — first document = job description (duties/tasks); second document = job specification (qualifications/skills). Both are outputs of job analysis.

Final Answer: First doc = job description (duties); second doc = job specification (qualifications) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q12

Q13.

Solution

Concept — Path-Goal Leadership Theory (Robert House, 1971): The Path-Goal Theory holds that a leader's primary role is to *clear the path* for subordinates to achieve their goals, by removing obstacles, providing resources, offering guidance, and choosing an appropriate leadership style based on the *follower's characteristics* and the *task environment*.

Step 1 — Four Leadership Styles in Path-Goal Theory:

- *Directive*: Clear instructions and structure for ambiguous or complex tasks (used here initially).
- *Supportive*: Warm, friendly behaviour for stressful or unpleasant tasks.
- *Participative*: Involving followers in decision-making when they are experienced.
- *Achievement-Oriented*: Setting challenging goals for highly competent followers.

Step 2 — Application to the Scenario: The manager (1) clarifies the path (sales process), (2) removes obstacles (bureaucracy), (3) provides coaching (support), and (4) adjusts her style as team members grow — all hallmarks of Path-Goal Theory.

Why other options are wrong:

- **Option A: Correct** — Path-Goal Theory (Robert House) explains the manager's behaviour: clearing obstacles, providing guidance, and adapting style to follower needs.
- Option B: Fiedler's Contingency Theory says a leader's style is *fixed* (not adjustable) and effectiveness depends on situational favourableness. The manager *adapts* her style, which is not consistent with Fiedler.
- Option C: Transformational Leadership focuses on inspiring a vision and motivating intrinsic change — not on removing specific task obstacles for individual subordinates.
- Option D: Situational Leadership (Hersey and Blanchard) is similar but focuses specifically on *follower readiness/maturity*. Path-Goal Theory is broader and considers both follower characteristics and task environment.

Final Answer: Clearing path, removing obstacles, adapting style = Path-Goal Theory (Robert House) $\Rightarrow \boxed{A}$

Answer: (A) Go Back to Q13

Q14.

Solution

Concept — Virtual Organisation: A virtual organisation (VO) is a *network of geographically dispersed, legally independent entities* — companies, freelancers, or departments — that are temporarily or permanently linked by information technology to deliver a product or service. There is no central physical office; all coordination occurs through digital platforms, cloud tools, and contractual agreements.

Step 1 — Characteristics of a Virtual Organisation:

- No central physical headquarters.
- Independent partner entities (freelancers, outsourced firms).
- Coordination via internet, cloud software, video calls.
- Maximum flexibility, low fixed costs, access to global talent.
- Enabled by the internet and digital collaboration tools.

Step 2 — TrendStyle Co. as a Virtual Organisation: Design (Milan), manufacturing (Bangladesh), logistics (third party), marketing (Mumbai) — four independent entities, zero central office, all linked by technology. This is a textbook virtual organisation.

Why other options are wrong:

- Option A: A matrix organisation has a central employer with employees reporting to two managers; TrendStyle uses independent external entities, not dual-reporting employees.
- Option B: A franchise involves licensing a brand and business model to operators who run physical outlets; TrendStyle owns no franchise network.
- **Option C: Correct** — TrendStyle is a virtual organisation: independent geographically dispersed entities coordinated by technology with no central office.
- Option D: A divisional organisation has separate internal business units within one company; TrendStyle's units are legally independent external partners.

Final Answer: Network of independent entities coordinated by technology with no central office = virtual organisation $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q14

Q15.

Solution

Concept — Special Resolution and Minority Shareholder Protection (Companies Act, 2013): Under the Companies Act, 2013, resolutions are of two types: an *ordinary resolution* (simple majority >50%) and a *special resolution* (at least 75% of votes cast). Certain fundamental decisions require a special resolution, which serves as a built-in protection for minority shareholders.

Step 1 — What Requires a Special Resolution? Under the Companies Act, 2013, a special resolution is required for: alteration of the Memorandum of Association (MOA), alteration of the Articles of Association (AOA), reduction of share capital, winding up the company voluntarily, and other fundamental changes. These decisions cannot be made by a simple majority alone.

Step 2 — Minority Protection Mechanism: Since a special resolution requires 75% of votes cast, shareholders holding more than 25% of the voting shares can collectively *block* any such resolution. This means that even a large majority cannot unilaterally alter the company's constitution without the acquiescence (or at least absence of effective opposition) of minority shareholders.

Why other options are wrong:

- Option A: An ordinary resolution (simple majority) is *not* sufficient for altering the MOA; a special resolution is required. This statement understates the protection afforded to minority shareholders.
- **Option B: Correct** — special resolution (75%) is required for MOA alteration; shareholders with >25% can block it, protecting the minority.
- Option C: The Board of Directors cannot alter the MOA by a board resolution alone; shareholder approval via a special resolution is mandatory.
- Option D: While SEBI regulations protect minority shareholders of listed companies, the Companies Act, 2013 also has explicit minority protection provisions (special resolution requirement, class-action suits, etc.) applicable to all companies.

Final Answer: Special resolution (75%) required for MOA alteration; protects minorities with >25% votes $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q15

Q16.

Solution

Concept — Microfinance Institutions (MFIs): Microfinance Institutions provide financial services — primarily small loans (microloans), savings facilities, and insurance — to low-income individuals and micro-enterprises that are excluded from conventional banking due to lack of collateral, credit history, or formal documentation.

Step 1 — Grameen Bank Model in India: The concept of microfinance was pioneered by Muhammad Yunus (Grameen Bank, Bangladesh, 1983). In India, MFIs following this model include: **SKS Microfinance** (now Bharat Financial Inclusion), **Ujjivan**, **Bandhan** (now a full bank), and MUDRA (a government refinancing agency). The model emphasises group lending, joint liability, and targeting women in rural areas.

Step 2 — Distinguishing from Other Institutions: Swayam Shakti provides *small loans to low-income women with no formal credit history* — this is the defining service of an MFI, not a commercial bank, RRB, or cooperative.

Why other options are wrong:

- Option A: Commercial banks under the Banking Regulation Act require collateral and formal KYC; they do not typically offer Rs. 10,000–50,000 microloans to rural women without credit history.
- Option B: Regional Rural Banks serve rural areas but are formal banks with government ownership; they have branch infrastructure and are not characterised as MFIs.
- Option C: An SHG federation pools members' own savings for internal lending; Swayam Shakti is providing loans from external funds, not just pooling internal savings.
- **Option D: Correct** — Swayam Shakti provides microloans to low-income borrowers without formal bank access = a Microfinance Institution (MFI).

Final Answer: Providing microloans to low-income rural women without bank access = Microfinance Institution (MFI) $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q16

Q17.

Solution

Concept — Global Stock Market Indices: A stock market index is a statistical measure that tracks the performance of a selected group of stocks on an exchange. Each major economy has a benchmark index that reflects the overall health of its stock market.

Step 1 — Key Global Indices:

- **DJIA (Dow Jones Industrial Average)**: USA, tracks 30 large blue-chip companies on the NYSE/NASDAQ.
- **FTSE 100**: United Kingdom, tracks 100 largest companies on the London Stock Exchange (LSE).
- **Nikkei 225**: Japan, tracks 225 companies on the Tokyo Stock Exchange (TSE).
- **Hang Seng**: Hong Kong, tracks major companies on the Hong Kong Stock Exchange (HKEX).
- **S&P 500**: USA, tracks 500 large-cap companies (broader than DJIA).

Step 2 — India's Benchmark Indices:

- **SENSEX** (Sensitive Index): Bombay Stock Exchange (BSE), 30 large-cap companies.
- **NIFTY 50**: National Stock Exchange (NSE), 50 large-cap companies.

Why other options are wrong:

- **Option A: Correct** — DJIA = USA; FTSE 100 = UK (LSE); Nikkei 225 = Japan; Hang Seng = Hong Kong; SENSEX = BSE; NIFTY 50 = NSE.
- Option B: All country-index assignments are incorrect (FTSE 100 is UK, not USA; Nikkei is Japan, not China; etc.).
- Option C: NASDAQ Composite is a US index, not an Indian one; SENSEX is not a US index.
- Option D: The DJIA tracks only 30 companies (not 500 — that is the S&P 500); NIFTY 50 tracks equity stocks, not bonds; Nikkei 225 is in Tokyo, not Hong Kong.

Final Answer: DJIA=USA, FTSE 100=UK, Nikkei=Japan, Hang Seng=Hong Kong, SENSEX/NIFTY=India $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q17

Q18.

Solution

Concept — Break-Even Analysis: Break-even analysis determines the level of output at which Total Revenue (TR) exactly equals Total Cost (TC), resulting in neither profit nor loss. It is an essential tool in managerial accounting and pricing decisions.

Step 1 — Break-Even Formula:

$$\text{BEP (units)} = \frac{\text{Fixed Costs}}{\text{Selling Price per unit} - \text{Variable Cost per unit}} = \frac{\text{Fixed Costs}}{\text{Contribution per unit}}$$

Contribution per unit = Selling Price − Variable Cost = Rs. 200 − Rs. 150 = Rs. 50.

Step 2 — Calculation:

$$\text{BEP} = \frac{1{,}00{,}000}{50} = \mathbf{2{,}000} \text{ units}$$

Verification: TR at 2,000 units = $2{,}000 \times 200$ = Rs. 4,00,000; TC = $1{,}00{,}000 + 2{,}000 \times 150 = 1{,}00{,}000 + 3{,}00{,}000$ = Rs. 4,00,000. TR = TC ✓. As seen in the diagram, the TR and TC lines intersect at 2,000 units (x = 4 in diagram units), confirming the BEP.

Why other options are wrong:

- Option A: Dividing FC by SP ($1{,}00{,}000/200 = 500$) ignores variable costs and gives an incorrect, unrealistically low BEP.
- Option B: The formula shown is dimensionally incorrect and produces an absurd figure (3,00,000 units).
- **Option C: Correct** — BEP = Fixed Costs ÷ Contribution per unit = $1{,}00{,}000 \div 50 = 2{,}000$ units, where TR = TC.
- Option D: "Total costs at full capacity" is not a standard BEP formula; it introduces an undefined capacity ceiling.

Final Answer: $\text{BEP} = \frac{\text{Fixed Costs}}{\text{Contribution per unit}} = \frac{1{,}00{,}000}{50} = 2{,}000 \text{ units} \Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q18

Q19.

Solution

Concept — Hindu Undivided Family (HUF) as a Business Form: An HUF is a unique business entity in India, recognised by Hindu personal law. It is formed automatically by marriage under Hindu law and consists of all persons lineally descended from a common ancestor, including wives and unmarried daughters.

Step 1 — Key Features of HUF:

- Governed by **Hindu personal law** (Mitakshara or Dayabhaga school), NOT the Companies Act or Partnership Act.
- Managed by the **Karta** (traditionally the eldest male coparcener), who takes all business decisions.
- All members are called **coparceners**; they acquire a share in the HUF property by birth.
- **Karta's liability**: unlimited personal liability for all HUF debts.
- **Coparceners' liability**: limited to their share of the joint family property.
- An HUF can have its own PAN and file income tax returns; HUF income is taxed separately.

Step 2 — Unique Status: The HUF business form is unique to India. It is not governed by the Companies Act, 2013, Partnership Act, 1932, or Cooperative Societies Act. No other country recognises an HUF as a business entity.

Why other options are wrong:

- Option A: An HUF is NOT registered under the Companies Act; the eldest *male* (not female) member is traditionally the Karta; and the Karta has *unlimited* (not limited) liability.
- **Option B: Correct** — HUF governed by Hindu personal law; Karta = eldest male with unlimited liability; others = coparceners with limited liability.
- Option C: An HUF is governed by Hindu personal law, NOT the Indian Partnership Act, 1932. Coparceners do not have equal voting rights or the right to unilaterally demand dissolution as general partners do.
- Option D: An HUF is not a cooperative society and is not registered under the Multi-State Cooperative Societies Act. Profit sharing in an HUF is not based on capital contribution but on membership and birth rights.

Final Answer: HUF governed by Hindu personal law; Karta (eldest male) has unlimited liability; others are coparceners $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q19

Q20.

Solution

Concept — Venture Capital (VC) vs. Private Equity (PE): Both VC and PE involve equity investment in companies, but they differ in the stage of investment, level of risk, and operational approach.

Step 1 — Venture Capital (VC): VC funds invest in *early-stage startups* with high growth potential but unproven business models. They typically take a minority equity stake, accept high failure risk, and expect very high returns from the few successful investments. Investor X (Rs. 2 crore into a 6-month-old AI startup for 20% equity) is a textbook VC investment.

Step 2 — Private Equity (PE): PE funds invest in *established, mature companies*, typically acquiring a *majority or controlling stake* to restructure operations, improve profitability, and exit (via IPO or strategic sale) within 3–7 years. Investor Y (60% stake in a 15-year-old profitable manufacturer, planning to restructure and exit in 5 years) is a textbook PE investment.

Why other options are wrong:

- Option A: The two investors are *not* both VCs; the stage of investment differs fundamentally (early-stage vs. established company with controlling stake).
- Option B: Investor X is a VC (investing in a startup for growth equity), not a PE investor. PE investors target *established* companies; Investor Y fits PE, not angel investing.
- Option C: Angel investors are individuals investing their own funds at seed stage (typically smaller ticket sizes like Rs. 10–50 lakh); Investor X's Rs. 2 crore ticket size and 20% stake is typical VC range. Investor Y is certainly not a bank loan.
- **Option D: Correct** — Investor X = VC (early-stage startup, minority stake, high risk/reward); Investor Y = PE (established company, majority stake, restructuring, defined exit).

Final Answer: Investor X = Venture Capitalist (early-stage); Investor Y = Private Equity (established company, controlling stake) ⇒ $\boxed{\text{D}}$

Answer: (D) Go Back to Q20

Q21.

Solution

Concept — Rights Issue: A rights issue is a method by which a publicly listed company raises additional equity capital from its *existing shareholders*, giving them the *right (but not the obligation)* to purchase new shares in proportion to their existing holdings, at a price *below the current market price* (at a discount), within a specified period.

Step 1 — Mechanism of a Rights Issue:

- Shares offered *only* to existing shareholders (pro-rata basis).
- Offered at a *discount* to market price (Rs. 80 vs. market price Rs. 120).
- Shareholders have three choices: *subscribe* (buy new shares), *renounce* (sell their rights to others), or *partially accept*.
- The company *raises fresh equity capital*.
- Rights issue does *not* dilute existing shareholders if they exercise their rights.

Step 2 — Rights Issue vs. Bonus Issue (as shown in Q21 diagram): The key distinction is that a rights issue requires shareholders to *pay cash*, while a bonus issue gives shares *free* from the company's reserves. In a bonus issue, no fresh capital is raised; reserves are merely converted into share capital.

Why other options are wrong:

- **Option A: Correct** — offering new shares to existing shareholders at a discount, in proportion to their current holdings, to raise fresh capital = rights issue.
- Option B: A bonus issue gives free shares from reserves with no cash payment by shareholders and raises no new capital — Horizon Textiles is *raising* Rs. 50 crore (fresh capital), which rules out a bonus issue.
- Option C: A Follow-on Public Offering (FPO) is offered to the *general public* (new investors). Horizon Textiles is offering shares only to *existing shareholders*, making this a rights issue, not an FPO.
- Option D: A share buyback involves the company *buying back* its own shares from shareholders — the opposite of raising capital by issuing new shares.

Final Answer: Offering new shares at a discount to existing shareholders to raise fresh capital = rights issue $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q21

Q22.

Solution

Concept — SIDBI (Small Industries Development Bank of India): SIDBI is India's principal development financial institution dedicated to the growth and development of the MSME sector, which contributes significantly to India's GDP, employment, and exports.

Step 1 — Key Facts about SIDBI:

- **Established**: April 2, **1990**, under the SIDBI Act, 1989.
- **Headquarters**: **Lucknow**, Uttar Pradesh.
- **Mandate**: Promotion, financing, and development of MSMEs; also coordinates functions of other institutions engaged in MSME financing.
- **Functions**: Direct lending to MSMEs, refinancing of banks/NBFCs lending to MSMEs, support for MSME clusters, technology upgradation, and entrepreneurship development.
- **Owner**: Government of India (majority stake), along with public sector banks and LIC.

Step 2 — Distinction from Similar Institutions: NABARD (1982) focuses on agriculture and rural development. EXIM Bank (1982) focuses on export-import trade financing. MUDRA (2015) refinances MFIs for micro-enterprise loans under Rs. 10 lakh. SIDBI (1990) is the apex institution specifically for the entire MSME spectrum.

Why other options are wrong:

- Option A: NABARD is the correct description of that institution, but NABARD's mandate is agriculture and rural development, not specifically MSMEs.
- Option B: EXIM Bank focuses on export-import financing for Indian businesses, not specifically MSME promotion and development.
- **Option C: Correct** — SIDBI, established in 1990, headquartered in Lucknow, is the principal development financial institution for MSME promotion, financing, and development.
- Option D: MUDRA was established in 2015, not to be confused with SIDBI (1990). MUDRA is a refinancing agency for micro-loans under Rs. 10 lakh; SIDBI is the apex institution for the broader MSME sector.

Final Answer: SIDBI = established 1990, HQ Lucknow, principal DFI for MSME promotion and financing $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q22

Q23.

Solution

Concept — RBI's Regulation of Digital Payments and UPI: India's payment and settlement ecosystem is governed by a clear legislative and institutional framework.

Step 1 — Payment and Settlement Systems Act, 2007: The RBI is the regulator of all payment systems in India under the **Payment and Settlement Systems Act, 2007 (PSS Act)**. This Act gives the RBI the authority to regulate, supervise, and oversee payment systems including RTGS, NEFT, IMPS, and UPI.

Step 2 — UPI: Launch, Operator, and Scale:

- UPI was launched in **April 2016** (pilot) by **NPCI** (National Payments Corporation of India).
- NPCI is an umbrella organisation for retail payment systems in India, promoted by the **RBI and the Indian Banks' Association (IBA)** in 2008.
- By FY 2023–24, UPI processed over **100 billion transactions** annually, making India the world's leading real-time payment market.
- While NPCI operates UPI, the *regulatory oversight* rests with the **RBI** under the PSS Act.

Why other options are wrong:

- Option A: UPI was not launched by the RBI directly; it was launched by NPCI in 2016, not 2010.
- **Option B: Correct** — RBI regulates all payment systems under PSS Act, 2007; UPI launched by NPCI in 2016; UPI now processes 100 billion+ transactions annually.
- Option C: SEBI regulates the securities market (stocks, bonds, mutual funds), not the payment and settlement infrastructure. UPI is not a securities transaction system.
- Option D: The RBI has primary regulatory jurisdiction over payment systems, not the Ministry of Finance. The PSS Act, 2007 explicitly grants this authority to the RBI.

Final Answer: RBI regulates payments under PSS Act, 2007; UPI launched by NPCI in 2016; 100 billion+ transactions in FY 2023–24 $\Rightarrow$ $\boxed{\text{B}}$

$\boxed{\textbf{Answer: (B)}}$ Go Back to Q23

Q24.

Solution

Concept — National Pension System (NPS): The NPS is India's voluntary, long-term retirement savings architecture that was introduced by the government to move away from the old defined-benefit (guaranteed) pension to a defined-contribution model.

Step 1 — Key NPS Facts:

- **Launch for government employees**: January 1, **2004** (replaced the old pension scheme for new central government recruits).
- **Extended to all citizens**: **May 2009** (NPS for All/Swavalamban).
- **Regulator**: **PFRDA** (Pension Fund Regulatory and Development Authority), not SEBI or LIC.
- **Nature**: Voluntary, market-linked, portable (contributions follow the subscriber across jobs).
- **Investment**: Contributions invested across equities (E), corporate bonds (C), and government securities (G), managed by registered Pension Fund Managers.
- **Tax benefit**: Deduction under **Section 80CCD(1B)** up to Rs. 50,000 over and above the Section 80C limit.

Step 2 — Tier I and Tier II accounts: NPS Tier I (pension account, withdrawals restricted until age 60) and Tier II (voluntary savings account, flexible withdrawals). At retirement, at least 40% of the corpus must be used to purchase an annuity.

Why other options are wrong:

- Option A: NPS was launched in 2004 (not 1995), is not regulated by SEBI, and does not invest exclusively in government securities.
- Option B: NPS is not limited to self-employed individuals, does not guarantee a fixed pension amount, and is not managed by LIC.
- Option C: NPS is not related to PM Jan Dhan Yojana (which is a basic bank account scheme); there is no compulsory contribution requirement for all bank account holders.
- **Option D: Correct** — NPS launched 2004 (govt employees), extended 2009 (all citizens), regulated by PFRDA, voluntary, invests in equity/bonds/g-secs, tax benefit under Sec. 80CCD.

Final Answer: NPS launched 2004 (govt) / 2009 (all citizens); regulated by PFRDA; voluntary; invests in equity, bonds, g-secs; tax benefit Sec. 80CCD $\Rightarrow$ $\boxed{\text{D}}$

Answer: (D) Go Back to Q24

Q25.

Solution

Concept — India's Merchandise Exports: Merchandise exports refer to the physical goods that a country sells to the rest of the world. India's export performance is a key indicator of economic competitiveness and a priority of national trade policy.

Step 1 — FY 2022–23 Export Performance:

- Total merchandise exports crossed **USD 450 billion** in FY 2022–23 (approximately USD 447 billion), a record high at that time.
- **Top export categories**: Petroleum products (refined), Gems and Jewellery (cut diamonds, gold jewellery), Engineering goods (machinery, auto components), Pharmaceuticals (generics — India is the "pharmacy of the world").
- Other significant categories: Textiles, chemicals, electronic goods, and rice.

Step 2 — Export Target: The **Foreign Trade Policy 2023–28** sets an ambitious target of **USD 1 trillion** in merchandise exports by **2030**, alongside USD 1 trillion in services exports, for a combined target of USD 2 trillion.

Why other options are wrong:

- **Option A: Correct** — India's merchandise exports crossed USD 450 billion in FY 2022–23; top categories are petroleum, gems & jewellery, engineering, and pharma; target is USD 1 trillion by 2030.
- Option B: USD 150 billion grossly underestimates India's actual merchandise export figure; IT/software is classified as a *service* export, not merchandise.
- Option C: While textiles, tea, and spices are traditional exports, they are no longer the top categories; petroleum products, engineering goods, and gems & jewellery now dominate.
- Option D: India has not surpassed China (China's merchandise exports exceed USD 3 trillion); India's total exports of USD 450 billion are a fraction of China's.

Final Answer: India's merchandise exports $\approx$ USD 450 bn (FY 2022–23); top exports = petroleum, gems, engineering, pharma; target USD 1 trillion by 2030 $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q25

Answer Key

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