FDDI AIST Business Aptitude

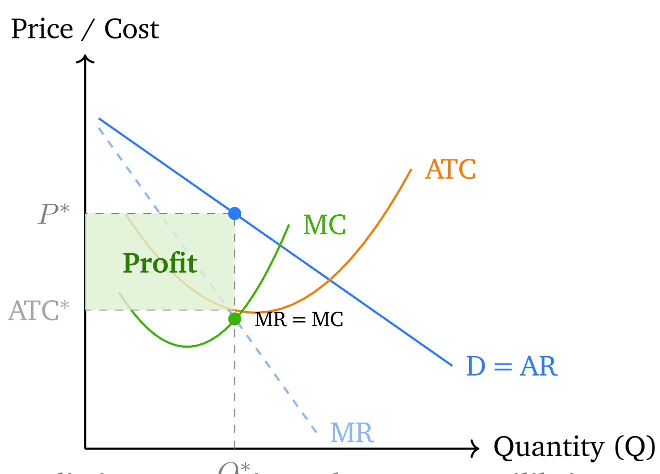
Sample Paper – 10

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

Instructions

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

Q1. Which of the following **best** describes monopolistic competition as a market structure?



Monopolistic Competition: Short-Run Equilibrium

(A) A few large sellers with homogeneous (identical) products, strong interdependence among firms, and a tendency for price rigidity around a kinked demand curve.

(B) Many sellers offering **differentiated** products through branding, design, or quality; each firm has some pricing power (monopoly element) but faces free-entry competition; long-run economic profit is zero.

(C) A single seller of a unique product with complete pricing power, insurmountable entry barriers, and no close substitutes available to consumers.

(D) Many sellers offering identical (homogeneous) products, no individual control over price, and a perfectly elastic demand curve for each firm.

Q2. Which of the following statements **correctly** defines price discrimination in economics?

(A) Charging different prices to different buyers based on the different costs of supplying each buyer.

(B) Setting a price above marginal cost to earn supernormal profit, which is the defining practice of a monopolist.

(C) Selling goods at artificially low prices in export markets to eliminate foreign competition (dumping).

(D) Selling the **same** product to different buyers at different prices that are **not** based on cost differences — practised in three degrees (by individual WTP, by block/volume, and by market segment).

Q3. The **Big Mac Index**, published by *The Economist*, is a popular illustration of which economic theory?

(A) Purchasing Power Parity (PPP) — the theory that exchange rates between currencies should adjust so that identical goods cost the same in every country when expressed in a common currency; used to compare living standards across nations.

(B) Interest Rate Parity — the theory that exchange rate movements between two currencies offset the difference in their nominal interest rates.

(C) The Theory of Comparative Advantage — countries should specialise in producing goods in which they have a relative cost advantage and trade for the rest.

(D) The Fisher Effect — the nominal interest rate in a country equals the real interest rate plus the expected rate of inflation.

Q4. Which of the following correctly describes **expansionary fiscal policy**, used by the government to stimulate the economy during a recession?

(A) Raising tax rates and reducing government expenditure to lower the fiscal deficit and dampen aggregate demand during a period of high inflation.

(B) Reducing the repo rate and expanding the money supply through open market operations to stimulate borrowing and investment.

(C) Increasing government spending **and/or** cutting taxes to boost aggregate demand, employment, and output — managed through the Union Budget.

(D) Raising import tariffs and restricting foreign exchange outflows to protect the domestic economy from external economic shocks.

Q5. Special Drawing Rights (SDR) is an international reserve asset created by the IMF. Which of the following **correctly** identifies the five currencies in the SDR basket (as revised in 2016)?

(A) US Dollar (USD), Euro (EUR), British Pound (GBP), Swiss Franc (CHF), and Australian Dollar (AUD).

(B) US Dollar (USD), Euro (EUR), Chinese Renminbi (CNY), Japanese Yen (JPY), and British Pound (GBP).

(C) US Dollar (USD), Euro (EUR), British Pound (GBP), Canadian Dollar (CAD), and Indian Rupee (INR).

(D) US Dollar (USD), Euro (EUR), Japanese Yen (JPY), Swiss Franc (CHF), and Canadian Dollar (CAD).

Q6. A footwear company implements a system that records every customer's purchase history, size preferences, return complaints, and browsing behaviour, enabling personalised offers and targeted follow-up to improve customer retention and maximise lifetime value. This system is best described as:

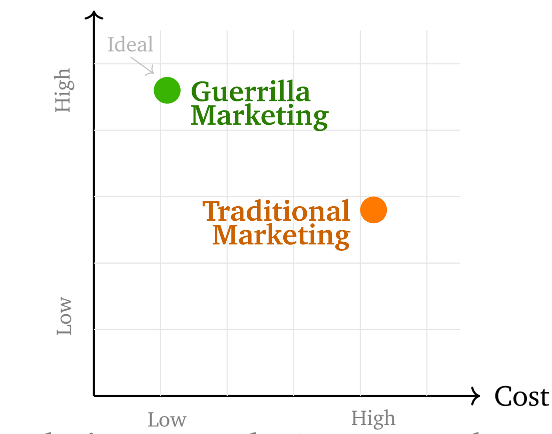
(A) Enterprise Resource Planning (ERP) — software integrating all internal business processes (finance, HR, production, supply chain) on a single platform.

(B) Supply Chain Management (SCM) — a system focused on planning and controlling the flow of goods, information, and finances from supplier to end consumer.

(C) Material Requirements Planning (MRP) — a production scheduling and inventory control system that ensures raw materials arrive as and when needed.

(D) Customer Relationship Management (CRM) — a strategy and technology system for managing a company's interactions with current and potential customers to improve retention and maximise lifetime customer value; e.g., Salesforce.

Q7. A small footwear startup projects its brand logo and product imagery onto a famous landmark building in Mumbai during a major festival night at negligible cost, generating massive social media buzz and press coverage. This promotional strategy is best described as:



Marketing Approach: Cost vs. Brand Impact

(A) Guerrilla marketing — an unconventional, low-cost, high-impact strategy that generates maximum brand exposure through surprise, creativity, and public spectacle; particularly effective for small brands with limited budgets.

(B) Viral marketing — creating digital content specifically designed to be shared rapidly and widely across social media platforms by consumers themselves.

(C) Ambient advertising — placing promotional messages in non-traditional, unexpected locations (e.g., on staircases, pavements, bus shelters) as a continuous, low-key presence.

(D) Sponsorship marketing — a paid arrangement where the brand financially supports an event or individual in exchange for logo placement and visibility rights.

Q8. A footwear brand creates three distinct product lines with separate designs, pricing, and advertising: an *economy* line (footwear priced Rs. 500–2,000), a *mid-market* line (Rs. 2,000–10,000), and a *premium* line (above Rs. 10,000). Which basis of **market segmentation** does this primarily illustrate?

(A) Psychographic segmentation — grouping consumers by lifestyle values, personality traits, and attitudes irrespective of their income level.

(B) Behavioural segmentation — dividing the market based on purchase occasion, usage rate, and degree of brand loyalty.

(C) Income-based demographic segmentation — dividing consumers by their earnings or spending capacity into economy, mid-market, and premium tiers, each requiring different products and messaging.

(D) Geographic segmentation — targeting different regions based on average household expenditure patterns across states or cities.

Q9. A leading footwear brand hires a famous Indian cricketer to appear in its national advertising campaign. The primary marketing goal is for consumers to associate the brand with the cricketer's attributes — success, athleticism, and trustworthiness — through repeated pairing. This strategy is grounded in:

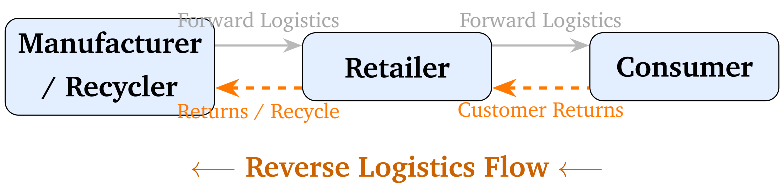
(A) Product placement — embedding the brand within entertainment content (films, TV shows) consumed by the target audience without explicit advertising.

(B) Brand association through celebrity endorsement — leveraging a celebrity's positive image to enhance the brand's perceived value and credibility via associative learning; risk: celebrity misconduct can harm the brand.

(C) Cause-related marketing — the brand aligns with a social or environmental cause championed by the celebrity to improve its ethical reputation.

(D) Sponsorship — the brand financially supports the cricketer's sports activities in exchange for logo placement on jersey and equipment.

Q10. A national footwear retailer introduces a programme where customers can return worn or defective shoes at any store; the shoes are then sent to the manufacturer for refurbishing, recycling, or responsible disposal. The backward movement of goods through the supply chain described here is called:



(A) Forward logistics — the standard, planned movement of goods from manufacturer through retailer to the end consumer.

(B) Inbound logistics — the management of raw materials and components arriving at a manufacturing facility from suppliers.

(C) Green logistics — an environmental management framework for reducing the carbon footprint and emissions of transportation and warehousing networks.

(D) Reverse logistics — the process of moving goods **backward** through the supply chain (from consumer toward manufacturer) for returns, refurbishing, recycling, recall, or remanufacturing.

Q11. Henry Mintzberg categorised the work of a manager into ten roles grouped under three headings: Interpersonal, Informational, and Decisional. Which of the following options **correctly** lists roles belonging to the **Decisional** category?

(A) Entrepreneur, Disturbance Handler, Resource Allocator, and Negotiator.

(B) Monitor, Disseminator, and Spokesperson.

(C) Figurehead, Leader, and Liaison.

(D) Coordinator, Planner, Budgeter, and Evaluator.

Q12. An organisation creates a centralised digital repository where employees document project experiences, lessons learnt, process guides, and best practices, making this accumulated expertise searchable and accessible to all staff. This initiative best illustrates which management concept?

(A) Talent Management — identifying, developing, and retaining high-potential employees through structured career frameworks and succession planning.

(B) Change Management — a structured approach to transitioning individuals and organisations from a current state to a desired future state with minimal resistance.

(C) Knowledge Management (KM) — the process of **capturing**, **organising**, **sharing**, and **applying** organisational knowledge (both explicit and tacit) to improve performance and drive innovation.

(D) Performance Management — setting measurable targets for employees, monitoring output against those targets, and linking results to rewards and development.

Q13. A newly appointed CEO consistently arrives early, publicly recognises exemplary customer-service behaviour by employees, and regularly retells stories of past leaders who put the customer first even at financial cost. Over time, these actions gradually reshape the company's shared values and everyday norms. This scenario best illustrates which management concept?

(A) A company's mission statement defines employee behaviour by codifying explicit targets and compliance standards that all staff must follow.

(B) Leaders shape organisational culture through role modelling, reward systems, and storytelling — a strong culture aligned with strategy creates competitive advantage, as argued by Peters and Waterman.

(C) Human Resource policies — recruitment criteria, onboarding, and training programmes — are the primary and most powerful determinants of organisational culture.

(D) Organisational culture is fixed at the time of a company's founding and cannot be meaningfully altered by subsequent leadership changes.

Q14. A fashion footwear brand retains only its core design and marketing functions in-house. It outsources manufacturing to a factory in Tamil Nadu, warehousing to a third-party logistics provider, and customer service to a BPO firm. The brand acts as a central coordinator linking all these external specialists. Which organisational model does this best describe?

(A) A functional organisational structure, where all activities are grouped into specialised departments (finance, marketing, operations) within a single company.

(B) A divisional organisational structure, where a large corporation organises its business units around distinct products, geographies, or customer groups.

(C) A matrix organisational structure, where employees report simultaneously to a functional manager and a project manager, creating dual lines of authority.

(D) A network organisational structure, where a central hub firm coordinates a web of outsourced, independent specialist contractors, retaining only core competencies in-house for maximum flexibility and low fixed costs.

Q15. A shareholder of a listed footwear company is unable to attend the Annual General Meeting (AGM) but wishes to vote on an important board resolution. She submits a written authorisation allowing her colleague to attend and cast votes on her behalf. Under the **Companies Act 2013**, what is this authorisation called?

(A) A proxy — a written authorisation allowing a nominated person (the proxy holder) to attend and vote on behalf of a shareholder at a general meeting; the proxy holder may vote but cannot speak at the meeting.

(B) A power of attorney — a general legal instrument granting broad authority to act on behalf of another person in financial, legal, and personal matters.

(C) A voting trust — an arrangement where shareholders transfer their voting rights to an independent trustee for a specified period, consolidating voting control.

(D) A quorum — the minimum number of members legally required to be present at a meeting for business to be transacted and resolutions to be valid.

Q16. Regional Rural Banks (RRBs) were established under the RRB Act, 1976 by nationalised banks (sponsor banks) in collaboration with the Central Government and State Governments. Which of the following **correctly** states the capital-sharing ratio among these three parties?

(A) Central Government 40%, Sponsor Bank 40%, State Government

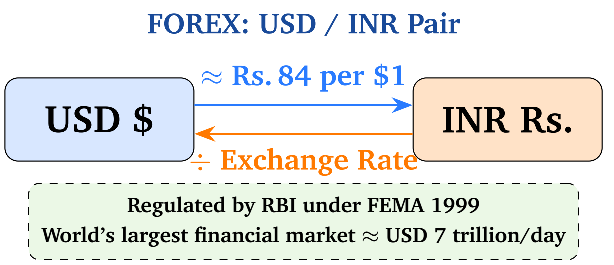
20%.

(B) Central Government 60%, Sponsor Bank 20%, State Government 20%.

(C) Central Government 50%, Sponsor Bank 35%, State Government 15%.

(D) Central Government 35%, Sponsor Bank 50%, State Government 15%.

Q17. Which of the following statements about the **Foreign Exchange (FOREX) market** in India is **correct**?



(A) India's FOREX market is governed by the Foreign Exchange Regulation Act (FERA) 1973, which continues in force today and imposes strict criminal penalties on all foreign exchange dealings.

(B) India's FOREX market is regulated by the Reserve Bank of India (RBI) under the Foreign Exchange Management Act (FEMA) 1999; the USD/INR pair is the most actively traded currency pair in India.

(C) The FOREX market in India is a centralised exchange in Mumbai with fixed trading hours, similar in structure to the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

(D) India's FOREX market is regulated by SEBI, which announces official daily exchange rates in consultation with scheduled commercial banks.

Q18. The **Cash Conversion Cycle (CCC)** measures how efficiently a firm converts its investments in inventory and other resources into cash. Which of the following formulas **correctly** calculates the CCC?

(A) CCC = Days Sales Outstanding (DSO) + Days Payable Outstanding (DPO) − Days Inventory Outstanding (DIO).

(B) CCC = Days Inventory Outstanding (DIO) − Days Sales Outstanding (DSO) + Days Payable Outstanding (DPO).

(C) CCC = Days Inventory Outstanding (DIO) × Days Sales Outstanding (DSO) ÷ Days Payable Outstanding (DPO).

(D) CCC = Days Inventory Outstanding (DIO) + Days Sales Outstanding (DSO) − Days Payable Outstanding (DPO); a **lower** CCC indicates better working capital management.

Q19. Which of the following statements about **estate duty (inheritance tax)** and **wealth tax** in India is **correct**?

(A) India currently levies **neither** estate duty nor annual wealth tax on individuals: Estate Duty was abolished in 1985, and Wealth Tax was abolished in 2015–16 under the Finance Act 2015; capital gains tax applies when inherited assets are subsequently sold.

(B) Estate Duty in India is levied at a flat 10% on the total market value of an estate transferred to legal heirs at the time of the deceased's death.

(C) Wealth Tax continues to be levied under the Wealth Tax Act, 1957, at 1% on net wealth exceeding Rs. 30 lakh, and must be filed annually with the Income Tax Return.

(D) India levies an inheritance tax of 20% on assets above Rs. 1 crore transferred to non-family members, as specified under Schedule III of the Income Tax Act, 1961.

Q20. Maruti Udyog Limited (India) and Suzuki Motor Corporation (Japan) combined their resources, technology, and capital to establish *Maruti Suzuki India Limited* — a new, separately incorporated company — to manufacture passenger cars in India. This arrangement is best described as:

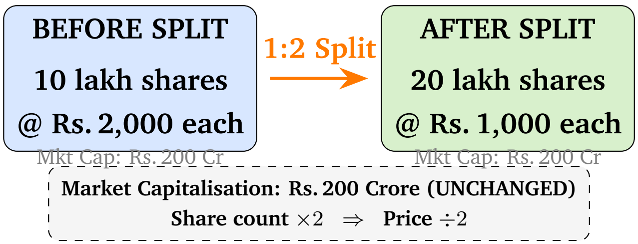
(A) A strategic alliance — a collaborative arrangement where two or more companies co-operate on specific activities while maintaining fully independent legal identities and no shared equity.

(B) A licensing agreement — Suzuki granted Maruti the right to manufacture cars using its technology and brand name in exchange for a royalty or licence fee.

(C) A joint venture (JV) — a new legal entity co-owned by two or more companies that pool resources, technology, risks, and profits for a specific business purpose; both parent companies retain their separate identities.

(D) A merger — two companies combine entirely into a single new entity, with neither original company continuing to exist separately.

Q21. A company's shares are currently trading at Rs. 2,000 each, with 10 lakh shares outstanding (total market capitalisation: Rs. 200 crore). The company announces a **1:2 stock split** (each existing share is divided into two new shares). What will be the **share price** and **total shares outstanding** immediately after the split?



(A) Share price: Rs. 2,000; Shares outstanding: 20 lakh — the split doubles the share count but leaves the price unchanged.

(B) Share price: Rs. 1,000; Shares outstanding: 20 lakh — each share is divided into two, halving the price while doubling the count; total market capitalisation remains unchanged at Rs. 200 crore.

(C) Share price: Rs. 4,000; Shares outstanding: 5 lakh — a reverse split consolidates shares and doubles the price.

(D) Share price: Rs. 1,000; Shares outstanding: 10 lakh — only the price changes; the number of shares stays the same.

Q22. Which of the following **correctly** describes **Small Finance Banks (SFBs)** introduced by the Reserve Bank of India in 2015?

(A) SFBs may accept deposits from the public but are not permitted to provide loans; they operate exclusively as specialised savings and deposit institutions for rural areas.

(B) SFBs are a category of co-operative bank that operate within the boundaries of a single state and are regulated by the respective State Government under the Co-operative Societies Act.

(C) SFBs are Non-Banking Financial Companies (NBFCs) that provide microfinance loans to self-help groups and small borrowers but are explicitly prohibited from accepting public deposits.

(D) SFBs are fully licensed commercial banks that can both **accept deposits** and **extend loans**, specifically targeting underserved segments — small and marginal farmers, micro-enterprises, and small businesses; they are regulated by the RBI. Examples: AU Small Finance Bank, Equitas, Suryoday.

Q23. India held the G20 Presidency from December 1, 2022 to November 30, 2023. Which of the following statements about **India's G20 Presidency** is **correct**?

(A) India's G20 theme was *"Vasudhaiva Kutumbakam — One Earth, One Family, One Future"*; the G20 New Delhi Summit was held on September 9–10, 2023 at Bharat Mandapam; and the **African Union** was admitted as a permanent G20 member at this summit.

(B) India's G20 theme was "Inclusive and Resilient Growth"; the summit was held in Mumbai in October 2023; and Brazil was admitted as a new permanent member of the G20.

(C) India's G20 Presidency formally began on January 1, 2023 and concluded on December 31, 2023; the Leaders' Summit was held in New Delhi in November 2023.

(D) The G20 New Delhi Summit 2023 adopted a binding "One Sun, One

World, One Grid" resolution committing all member nations to 100% renewable energy by 2050.

Q24. India's **National Logistics Policy (NLP)** was launched to improve the competitiveness of Indian exports and reduce the country's high logistics costs. Which of the following **correctly** describes the NLP?

(A) The NLP was announced under the Aatmanirbhar Bharat package in May 2020, with a target of reducing logistics costs to 5% of GDP by 2025 through road-focused infrastructure spending.

(B) The NLP covers only road transport and warehousing infrastructure, explicitly excluding ports, railways, inland waterways, and digital platforms from its scope.

(C) The NLP was launched by Prime Minister Modi on September 17, 2022, targeting a reduction in logistics costs from approximately 14% of GDP to under 8% (comparable to global benchmarks), with key focus on multimodal connectivity and the ULIP digital platform.

(D) The NLP is implemented by the Ministry of Finance and primarily focuses on reducing import duties on logistics equipment such as cranes, forklifts, and refrigerated trucks.

Q25. Gujarat International Finance Tec-City (**GIFT City**), located near Gandhinagar, Gujarat, is India's first International Financial Services Centre (IFSC). Which authority **specifically** regulates financial services conducted at GIFT City IFSC?

(A) SEBI (Securities and Exchange Board of India) — India's capital market regulator, which oversees all securities markets, mutual funds, and investment advisers across the country.

(B) IFSCA (International Financial Services Centres Authority) — a unified statutory regulator established in 2020 under the IFSCA Act, 2019, specifically for financial products, services, and institutions operating in foreign currencies at India's IFSCs, including GIFT City.

(C) RBI (Reserve Bank of India) — India's central bank, which regulates all banking operations, foreign exchange management, and monetary policy in the country.

(D) The Ministry of Corporate Affairs — under which GIFT City was incorporated as a Special Economic Zone (SEZ) and which therefore retains regulatory jurisdiction over all financial activities within it.

Detailed Solutions

Q1.

Solution

Concept — Monopolistic Competition: Monopolistic competition is a market structure combining elements of both monopoly and perfect competition. It was developed by Edward Chamberlin and Joan Robinson. The defining features are: (1) many sellers, (2) differentiated products (each firm's product differs in branding, design, quality, or perceived attributes), (3) some pricing power for each firm (downward-sloping demand), (4) free entry and exit, and (5) zero economic profit in the long run (because free entry erodes any short-run profits).

Step 1 — Short-Run vs. Long-Run: In the short run, a firm in monopolistic competition may earn supernormal profit (as shown in the diagram in Q1 — price $P^* >$ ATC). In the long run, new entrants attract customers away (demand shifts left) until price just equals ATC — zero economic profit.

Step 2 — Examples in Footwear/Apparel: The footwear retail market is a classic example — many brands (Nike, Adidas, Bata, local brands) with differentiated products. Each brand controls its own price to a degree, but all compete for the same consumers.

Why other options are wrong:

- Option A: Describes *oligopoly* — few sellers, homogeneous or differentiated products, kinked demand. Not monopolistic competition.
- **Option B: Correct** — many sellers, differentiated products, some pricing power, free entry/exit, zero long-run economic profit.
- Option C: Describes a *monopoly* — single seller, no close substitutes, high entry barriers.
- Option D: Describes *perfect competition* — many sellers, homogeneous products, price takers, perfectly elastic demand.

Final Answer: Many sellers, differentiated products, some pricing power, free entry, zero long-run profit $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q1

Q2.

Solution

Concept — Price Discrimination: Price discrimination occurs when a seller charges different prices to different buyers for the *same* product or service, and the price difference is *not* justified by differences in the cost of supply. It requires: (1) the seller has some monopoly power, (2) the seller can identify and separate different buyer groups, and (3) buyers cannot easily resell (arbitrage is difficult).

Step 1 — Three Degrees of Price Discrimination:

- *First degree (perfect):* Each buyer pays exactly their maximum willingness to pay — the seller captures all consumer surplus.
- *Second degree (block pricing):* Price varies with quantity consumed; bulk buyers pay less per unit (e.g., wholesale discounts, electricity slab tariffs).
- *Third degree (market segmentation):* Different prices charged to identifiable groups — e.g., student discounts, senior citizen rail fares, different prices in domestic vs. export markets.

Step 2 — Key Condition: The price differences must NOT be explained by cost differences. If a firm charges more simply because its costs are higher for certain customers, that is cost-based pricing, not discrimination.

Why other options are wrong:

- Option A: If prices differ because *costs* differ, it is cost-based pricing, not price discrimination. The defining feature of price discrimination is prices differ *independent of cost*.
- Option B: Charging above marginal cost is a feature of all monopoly/imperfect competition pricing — not the definition of price discrimination.
- Option C: Dumping (artificially low export prices to eliminate competition) is a predatory trade practice, distinct from price discrimination.
- **Option D: Correct** — selling the same product to different buyers at different prices not based on cost differences, practised in three degrees.

Final Answer: Same product, different prices, not cost-based, practised in three degrees $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q2

Q3.

Solution

Concept — Purchasing Power Parity (PPP): PPP is the theory, associated with economist Gustav Cassel, that in the long run exchange rates between currencies should adjust so that identical goods (a standardised basket) cost the same amount across countries when prices are expressed in a common currency. If a basket of goods costs \$10 in the US and Rs. 830 in India, then the PPP exchange rate is Rs. 83 per dollar.

Step 1 — Big Mac Index: *The Economist*'s Big Mac Index (first published 1986) uses the price of a McDonald's Big Mac hamburger as a standardised, globally available "basket" to test PPP. If a Big Mac costs \$5.58 in the US and Rs. 299 in India, the implied PPP rate is $299 \div 5.58 \approx$ Rs. 53.6 per dollar — much less than the market rate, suggesting the rupee is undervalued.

Step 2 — Use of PPP: PPP-adjusted GDP (GDP at PPP) provides a more accurate comparison of living standards across countries than nominal GDP at market exchange rates, because it accounts for local price levels. The IMF, World Bank, and UN use PPP extensively.

Why other options are wrong:

- **Option A: Correct** — PPP states exchange rates adjust so identical goods cost the same across countries; Big Mac Index is a practical PPP illustration.
- Option B: Interest Rate Parity (IRP) relates exchange rate movements to interest rate differentials — unrelated to hamburger prices.
- Option C: Comparative Advantage (Ricardo) explains patterns of trade specialisation, not exchange rate determination.
- Option D: The Fisher Effect links nominal interest rates to expected inflation — not to international price comparisons.

Final Answer: Big Mac Index illustrates Purchasing Power Parity (PPP) $\Rightarrow \boxed{\text{A}}$

Answer: (A) **Go Back to Q3**

Q4.

Solution

Concept — Fiscal Policy (Expansionary vs. Contractionary): Fiscal policy refers to the use of government spending and taxation decisions to influence the level of aggregate demand (AD) and economic activity. It is managed through the Union Budget.

Step 1 — Expansionary Fiscal Policy:

- *When used:* During a recession, when AD is too low and unemployment is high.
- *Tools:* (a) Increase government spending on infrastructure, welfare schemes, etc. **AND/OR** (b) Cut taxes (personal income tax, corporate tax) to put more money in consumers' and firms' hands.
- *Effect:* AD shifts right $\rightarrow$ higher output, employment, and income (Keynesian multiplier at work).

Step 2 — Contractionary Fiscal Policy:

- *When used:* During high inflation, to cool down excessive demand.
- *Tools:* Reduce government spending **AND/OR** raise taxes.
- *Effect:* AD shifts left $\rightarrow$ lower inflationary pressure, possibly lower output.

Why other options are wrong:

- Option A: Raising taxes and cutting spending is *contractionary* fiscal policy — used to fight inflation, not recession.
- Option B: Reducing interest rates and expanding money supply describes *expansionary monetary policy* (central bank tool), not fiscal policy.
- **Option C: Correct** — increasing government spending and/or cutting taxes to boost AD is expansionary fiscal policy.
- Option D: Raising tariffs and restricting foreign exchange is trade/exchange-rate policy, not standard fiscal policy.

Final Answer: Increase government spending and/or cut taxes to boost AD = expansionary fiscal policy $\Rightarrow \boxed{\text{C}}$

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

Q5.

Solution

Concept — Special Drawing Rights (SDR): The SDR is an international reserve asset created by the International Monetary Fund (IMF) in 1969. It is *not a currency* but a claim on the freely usable currencies of IMF members. Countries hold SDRs as part of their foreign exchange reserves and can exchange them for hard currencies.

Step 1 — SDR Basket (revised 2016): The value of the SDR is determined daily based on a weighted basket of five major currencies:

- US Dollar (USD) — largest weight
- Euro (EUR)
- Chinese Renminbi (CNY) — added in 2016
- Japanese Yen (JPY)
- British Pound (GBP)

Step 2 — Why CNY was added: Before 2016, the basket had only USD, EUR, JPY, and GBP. China lobbied successfully to include the CNY (yuan/renminbi) after the IMF recognised it as a freely usable currency, reflecting China's growing share of global trade.

Why other options are wrong:

- Option A: Swiss Franc (CHF) and Australian Dollar (AUD) are not in the SDR basket.
- **Option B: Correct** — USD, EUR, CNY, JPY, GBP is the correct five-currency SDR basket since 2016.
- Option C: Canadian Dollar (CAD) and Indian Rupee (INR) are not SDR basket currencies; INR is not designated as a freely usable currency by the IMF.
- Option D: Swiss Franc (CHF) and Canadian Dollar (CAD) are not in the SDR basket.

Final Answer: SDR basket = USD, EUR, CNY, JPY, GBP $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q5

Q6.

Solution

Concept — Customer Relationship Management (CRM): CRM is both a business strategy and a technology platform focused on managing a company's relationships and interactions with existing and potential customers. The goal is to improve customer retention, personalise communications, and maximise the *Customer Lifetime Value (CLV)* of each relationship. Salesforce, HubSpot, and Zoho CRM are leading platforms.

Step 1 — Core CRM Functions:

- *Customer data management:* Recording purchase history, preferences, complaints, and demographics.
- *Sales pipeline management:* Tracking leads from enquiry to purchase.
- *Marketing automation:* Sending personalised emails, offers, and follow-ups based on customer behaviour.
- *Customer service:* Managing and resolving complaints efficiently, improving retention.

Step 2 — CRM vs. Other Systems: ERP integrates internal business functions; SCM manages the supply chain from supplier to customer; MRP manages production scheduling and raw-material inventory. None of these focus primarily on *customer relationships*.

Why other options are wrong:

- Option A: ERP (e.g., SAP, Oracle) integrates finance, HR, production, and supply chain — it handles internal operations, not customer-relationship tracking.
- Option B: SCM focuses on the supplier-to-consumer goods flow (procurement, logistics, inventory) — not on recording individual customer preferences.
- Option C: MRP is a production planning tool that calculates material requirements based on a bill of materials — entirely focused on operations.
- **Option D: Correct** — CRM manages customer interactions, tracks purchase history, preferences, and complaints to improve retention and maximise lifetime value.

Final Answer: System that tracks customer history and preferences to improve retention = CRM $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q6

Q7.

Solution

Concept — Guerrilla Marketing: Coined by Jay Conrad Levinson in his 1984 book, guerrilla marketing is an unconventional promotional strategy that seeks *maximum brand exposure at minimal cost* through surprising, creative, and often theatrical public interventions. The key differentiators are: low budget, high creativity, surprise element, and use of public spaces.

Step 1 — Characteristics of Guerrilla Marketing:

- Unexpected and disruptive — catches the audience off guard.
- Very low financial cost relative to traditional media (TV, print, billboards).
- High *earned media* value — people share photos/videos, generating viral coverage.
- Particularly effective for small brands, startups, or challenger brands with limited marketing budgets.

Step 2 — The Cost-Impact Advantage (See Diagram in Q7): Traditional marketing (TV commercials, newspaper ads) requires high expenditure for moderate, predictable reach. Guerrilla marketing achieves high impact at low cost by exploiting novelty and public curiosity.

Why other options are wrong:

- **Option A: Correct** — unconventional, low-cost, surprise-based public spectacle that maximises brand exposure = guerrilla marketing.
- Option B: Viral marketing relies on digital sharing of content; it may or may not involve a physical public stunt, and budget can vary widely.
- Option C: Ambient advertising places messages in unusual locations as a *permanent* fixture (e.g., a branded staircase); it lacks the *one-off surprise event* character of the scenario.
- Option D: Sponsorship requires a formal financial agreement with an event organiser or individual — the scenario involves no such contractual arrangement.

Final Answer: Unconventional, low-cost, surprise public spectacle generating high brand impact = guerrilla marketing $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q7

Q8.

Solution

Concept — Income-Based (Demographic) Market Segmentation: Market segmentation divides a heterogeneous market into distinct subgroups (segments) with similar characteristics, enabling a firm to tailor products and messaging to each group. *Demographic segmentation* uses measurable population characteristics including age, gender, education, family size, occupation, and **income**.

Step 1 — Income Segmentation in Practice: The brand in the question explicitly divides its market by spending capacity:

- *Economy tier (Rs. 500–2,000):* Price-sensitive consumers; functional, no-frills footwear.
- *Mid-market tier (Rs. 2,000–10,000):* Value-conscious; balance of quality and price.
- *Premium tier (>Rs. 10,000):* Affluent consumers; high-end materials, brand prestige.

Each tier gets a different product, price point, and advertising message — this is classic income segmentation.

Step 2 — Why Income is a Demographic Variable: The four main bases are Geographic, Demographic (including income), Psychographic, and Behavioural. Income, along with age and occupation, is a demographic (measurable population) variable.

Why other options are wrong:

- Option A: Psychographic segmentation uses lifestyle values and personality traits, not price/spending brackets.
- Option B: Behavioural segmentation uses purchase occasion, loyalty, or usage rate — not income bands.
- **Option C: Correct** — dividing consumers by income/spending capacity into economy, mid-market, and premium tiers is income-based demographic segmentation.
- Option D: Geographic segmentation divides by location (region, city, climate) — not by how much consumers can spend.

Final Answer: Dividing consumers by spending capacity into three price tiers = income-based demographic segmentation $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q8

Q9.

Solution

Concept — Celebrity Endorsement and Brand Association: Celebrity endorsement is a marketing strategy in which a well-known public figure promotes a brand. The underlying mechanism is *associative learning* (classical conditioning): by repeatedly pairing the celebrity with the brand, consumers transfer the celebrity's positive attributes (success, athleticism, trustworthiness) to their perception of the brand. This raises *brand equity* and can justify premium pricing.

Step 1 — Transfer of Meaning: Consumer psychologist Grant McCracken developed the *meaning transfer model*: cultural meanings embodied in the celebrity flow to the product and then to the consumer. A cricketer's attributes (competitive spirit, dedication, mass appeal) enrich the brand's image.

Step 2 — Risk Factor: If the celebrity is involved in a scandal, controversy, or criminal case, the *negative* association transfers to the brand as well (e.g., sportswear brands distancing themselves from athletes after doping violations). This is the principal risk of celebrity endorsement.

Why other options are wrong:

- Option A: Product placement embeds the brand subtly within entertainment content (e.g., a character wearing branded shoes in a film) — it is different from explicit advertising featuring the celebrity.
- **Option B: Correct** — leveraging a celebrity's image to build brand association through associative learning is the goal of celebrity endorsement.
- Option C: Cause-related marketing involves aligning with a social/environmental cause; the scenario makes no mention of a cause.
- Option D: Sponsorship is a financial arrangement to fund the cricketer's events in exchange for logo display — the scenario describes an advertising campaign, not sports funding.

Final Answer: Transferring celebrity attributes to the brand through advertising = brand association via celebrity endorsement $\Rightarrow \boxed{B}$

Answer: (B) Go Back to Q9

Q10.

Solution

Concept — Reverse Logistics: Reverse logistics encompasses all operations relating to the backward flow of goods and materials from the end consumer toward the manufacturer or disposal point. It is the opposite direction of the standard (forward) supply chain. Key activities include: product returns, warranty repairs, product recalls, refurbishing, recycling, and remanufacturing.

Step 1 — Forward vs. Reverse:

- *Forward logistics:* Manufacturer → Distributor → Retailer → Consumer.
- *Reverse logistics:* Consumer → Retailer → Manufacturer / Recycler (as shown in the diagram in Q10).

Step 2 — Importance for Sustainability and Customer Service: Reverse logistics is critical for (a) sustainability/circular economy goals (recycling, reducing landfill), (b) brand trust (easy returns boost customer confidence), and (c) regulatory compliance (extended producer responsibility laws in many countries). It adds complexity and cost but is increasingly expected by consumers.

Why other options are wrong:

- Option A: Forward logistics is the *standard* direction (factory to consumer); the scenario explicitly describes a *backward* movement.
- Option B: Inbound logistics refers to raw materials coming *into* a factory from suppliers — not finished goods returning from consumers.
- Option C: Green logistics focuses on reducing the environmental footprint of the supply chain (lower emissions, eco packaging) — it is broader than just product returns.
- **Option D: Correct** — backward movement from consumer toward manufacturer for returns, recycling, and refurbishing is reverse logistics.

Final Answer: Backward movement of goods from consumer to manufacturer for returns/recycling = reverse logistics ⇒ $\boxed{\text{D}}$

Answer: (D) Go Back to Q10

Q11.

Solution

Concept — Mintzberg's 10 Managerial Roles: Henry Mintzberg (1973) challenged the traditional POLC view of management by observing actual managers at work. He identified **10 specific roles** grouped into three categories:

Step 1 — The Three Categories and Their Roles:

- *Interpersonal roles* (arise from the manager's formal authority and status):
  - Figurehead — ceremonial duties (signing documents, attending events)
  - Leader — motivating and directing subordinates
  - Liaison — building external networks and contacts
- *Informational roles* (arise from information-processing responsibilities):
  - Monitor — scanning the environment for information
  - Disseminator — sharing information with subordinates
  - Spokesperson — communicating organisational information to outsiders
- *Decisional roles* (arise from using information for decisions):
  - **Entrepreneur** — initiating change and innovation
  - **Disturbance Handler** — dealing with crises
  - **Resource Allocator** — distributing budget, time, and staff
  - **Negotiator** — representing the organisation in negotiations

Why other options are wrong:

- **Option A: Correct** — Entrepreneur, Disturbance Handler, Resource Allocator, and Negotiator are all Decisional roles.
- Option B: Monitor, Disseminator, and Spokesperson are *Informational* roles, not Decisional.
- Option C: Figurehead, Leader, and Liaison are *Interpersonal* roles, not Decisional.
- Option D: Coordinator, Planner, Budgeter, and Evaluator are not among Mintzberg's 10 roles (these belong to classical/Fayol management theory).

Final Answer: Mintzberg's Decisional roles = Entrepreneur, Disturbance Handler, Resource Allocator, Negotiator $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q11

Q12.

Solution

Concept — Knowledge Management (KM): Knowledge Management is the systematic process by which organisations identify, capture, organise, store, share, and apply their collective knowledge assets to achieve their objectives. KM distinguishes between two types of knowledge:

- *Explicit knowledge:* Codified, documented, easily transferable (manuals, process guides, databases).
- *Tacit knowledge:* Personal, experience-based, difficult to articulate (expert intuition, craft skills, contextual know-how).

Step 1 — KM Tools and Mechanisms:

- *Knowledge repositories:* Centralised digital databases of documented expertise, lessons learnt, and best practices.
- *Communities of practice (CoPs):* Groups of people sharing a common domain who interact to deepen their knowledge.
- *After-action reviews:* Structured post-project debriefs to capture what worked and what did not.

Step 2 — KM vs. Other HR Concepts: The scenario specifically focuses on *capturing* (documentation), *organising* (the repository), *sharing* (searchable and accessible to all), and *applying* (employees can use it) — the four KM verbs.

Why other options are wrong:

- Option A: Talent Management focuses on people development (career paths, succession planning) — not on a knowledge repository.
- Option B: Change Management guides organisations through transitions; it is about managing human responses to change, not documenting expertise.
- **Option C: Correct** — capturing, organising, sharing, and applying organisational knowledge = Knowledge Management.
- Option D: Performance Management sets targets and evaluates individual output against them; the scenario is about knowledge sharing, not performance appraisal.

Final Answer: Capturing, organising, sharing, and applying organisational knowledge = Knowledge Management $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q12

Q13.

Solution

Concept — Corporate Culture and Leadership: Organisational (corporate) culture is the set of shared values, beliefs, norms, rituals, and assumptions that shape how members of an organisation behave and make decisions. It is often described as "the way we do things around here." Scholars Peters and Waterman (*In Search of Excellence*, 1982) identified strong culture as a key differentiator of excellent companies.

Step 1 — How Leaders Shape Culture: Edgar Schein's model identifies three levels at which leaders embed culture:

- *Role modelling:* Leaders demonstrate the values they want employees to internalise through their own behaviour (arriving early, prioritising customers).
- *Reward systems:* Publicly recognising and rewarding behaviour that exemplifies the desired culture reinforces those norms.
- *Storytelling:* Sharing narratives about past leaders and heroic decisions creates cultural mythology that guides current behaviour.

Step 2 — Competitive Advantage through Culture: Peters and Waterman found that companies with strong, aligned cultures consistently outperformed competitors because culture acts as an informal control system — employees internalise the values and self-regulate without constant managerial oversight.

Why other options are wrong:

- Option A: Mission statements are formal documents; they may aspire to define values but rarely *reshape* culture on their own without leadership behaviour to back them up.
- **Option B: Correct** — leaders shape culture through role modelling, reward systems, and storytelling; strong culture = competitive advantage (Peters and Waterman).
- Option C: HR policies (recruitment, training) influence culture, but research consistently identifies *leadership behaviour* as the more powerful shaper of culture.
- Option D: Culture is not immutable at founding; it can and does change over time, often driven by new leadership, crises, or strategic pivots.

Final Answer: Leaders shape culture through role modelling, rewards, and storytelling $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q13

Q14.

Solution

Concept — Network Organisation Structure: A network (or virtual) organisation is a structure in which a central hub firm retains only its *core competencies* in-house (e.g., design, brand management, R&D) and outsources all other functions to specialised external contractors, suppliers, or service providers. The hub coordinates rather than owns the peripheral activities.

Step 1 — Key Features:

- *Hub firm:* Small, lean central organisation that orchestrates the network.
- *Peripheral nodes:* Independent specialist firms (manufacturers, logistics providers, BPOs) that handle non-core activities.
- *Advantages:* Maximum flexibility, very low fixed costs, ability to scale rapidly, and access to best-in-class specialists worldwide.
- *Disadvantages:* Loss of direct control over quality, dependency on external partners, risk of IP leakage.

Step 2 — Real-World Examples: Nike (designs and markets shoes; outsources manufacturing to Asian factories), Apple (designs hardware/software; contracts Foxconn for assembly), and many fast-fashion brands are classic network organisations.

Why other options are wrong:

- Option A: A functional structure groups *employees inside one company* by function (marketing, finance, operations) — no outsourcing to external entities.
- Option B: A divisional structure organises a large corporation's internal units by product, geography, or customer group — still one integrated company.
- Option C: A matrix structure involves dual reporting (functional + project) for employees of a single organisation — not outsourcing to third parties.
- **Option D: Correct** — a hub firm coordinating a web of outsourced independent specialists, retaining only core activities in-house, is a network organisational structure.

Final Answer: Hub firm + outsourced specialist web, retaining only core functions = network organisation $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q14

Q15.

Solution

Concept — Proxy Voting in Corporate Governance: Under the Companies Act 2013 (Section 105), a member of a company who is entitled to attend and vote at a meeting has the right to appoint another person as a *proxy* to attend and vote on their behalf. This is a fundamental shareholder right.

Step 1 — Key Provisions of the Companies Act 2013 on Proxies:

- Any member entitled to vote may appoint a proxy.
- A proxy need not be a member of the company.
- A member can appoint up to **50 proxies**.
- A proxy can **vote** on a poll but **cannot speak** at the meeting.
- The proxy form must be deposited with the company at least 48 hours before the meeting.

Step 2 — Proxy vs. Postal Ballot vs. e-Voting: The Companies Act also allows shareholders to vote by postal ballot and e-voting (electronic voting) for certain resolutions — these are alternatives to proxy voting when shareholders cannot attend in person.

Why other options are wrong:

- **Option A: Correct** — a proxy is the written authorisation under the Companies Act 2013 to attend and vote at a general meeting; the proxy holder can vote but cannot speak.
- Option B: A power of attorney is a broader legal instrument used in various legal/financial contexts; it is not the term used under the Companies Act for voting authorisation at general meetings.
- Option C: A voting trust consolidates the voting rights of multiple shareholders into a trustee; it is a separate arrangement, often used in corporate restructurings, not for a single meeting.
- Option D: A quorum is the minimum attendance threshold for a valid meeting (e.g., 5 members for a public company AGM under Companies Act 2013) — a procedural requirement, not an authorisation.

Final Answer: Written authorisation to attend and vote on behalf of a shareholder at a general meeting = proxy $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q15

Q16.

Solution

Concept — Regional Rural Banks (RRBs): Regional Rural Banks were established under the RRB Act, 1976, following the recommendations of the Narasimham Committee (1975). They were created to provide financial services to rural areas and agriculture, bridging the gap left by commercial banks in remote regions. RRBs combine the local reach of co-operative banks with the professional management of commercial banks.

Step 1 — Capital-Sharing Structure: The ownership of each RRB is shared among three parties in the following ratio:

Party	Share (%)
Central Government	50%
Sponsor Bank (nationalised bank)	35%
State Government	15%
Total	**100%**

Step 2 — Regulatory Oversight: RRBs are regulated by the RBI (for banking operations) and supervised by NABARD (National Bank for Agriculture and Rural Development), which also provides refinance to RRBs. The sponsor bank provides managerial and financial assistance.

Why other options are wrong:

- Option A: 40–40–20 split is incorrect; the Central Government's share is 50%, not 40%.
- Option B: 60–20–20 split is incorrect; no such ratio exists under the RRB Act.
- **Option C: Correct** — Central Government 50%, Sponsor Bank 35%, State Government 15% is the correct RRB capital-sharing ratio.
- Option D: 35–50–15 split is incorrect; it inverts the roles of the Central Government and the sponsor bank.

Final Answer: RRB capital: Central Govt 50%, Sponsor Bank 35%, State Govt 15% $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q16

Q17.

Solution

Concept — Foreign Exchange (FOREX) Market in India: The FOREX market is the global decentralised (over-the-counter, OTC) marketplace for trading currencies. It is the world's largest and most liquid financial market, with an average daily trading volume of approximately USD 7.5 trillion (BIS Triennial Survey 2022). In India, FOREX is regulated by the Reserve Bank of India (RBI).

Step 1 — Regulatory Framework: FEMA 1999: India's FOREX market is governed by the **Foreign Exchange Management Act (FEMA) 1999**, which replaced the much stricter Foreign Exchange Regulation Act (FERA) 1973. Key changes: FERA treated all FOREX violations as criminal offences; FEMA is a civil law with a developmental approach, facilitating normal foreign exchange transactions while controlling capital flows.

Step 2 — USD/INR as Most Traded Pair: In the Indian FOREX market, the US Dollar–Indian Rupee (USD/INR) pair accounts for the overwhelming majority of currency transactions, reflecting India's dominant trade and financial linkages with the US.

Why other options are wrong:

- Option A: FERA 1973 was repealed and replaced by FEMA 1999; it is no longer in force.
- **Option B: Correct** — RBI regulates under FEMA 1999; USD/INR is the most actively traded pair in India.
- Option C: The FOREX market is a global OTC (over-the-counter) market with no central exchange or fixed trading hours — it operates 24 hours a day, 5 days a week across time zones.
- Option D: SEBI regulates capital markets (stocks, bonds, mutual funds); RBI (not SEBI) manages FOREX and sets exchange rate policy.

Final Answer: RBI regulates India's FOREX under FEMA 1999; USD/INR is the most traded pair $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q17

Q18.

Solution

Concept — Cash Conversion Cycle (CCC): The CCC is a key working capital metric that measures the number of days it takes for a company to convert its investment in raw materials and inventory into cash receipts from customers. A *shorter CCC* means faster cash recovery and more efficient working capital management.

Step 1 — CCC Formula and Components:

$$\text{CCC} = \text{DIO} + \text{DSO} - \text{DPO}$$

- **DIO (Days Inventory Outstanding):** Average days inventory is held before being sold. $= \frac{\text{Average Inventory}}{\text{COGS}} \times 365$
- **DSO (Days Sales Outstanding):** Average days it takes to collect payment from customers after a sale. $= \frac{\text{Average Receivables}}{\text{Revenue}} \times 365$
- **DPO (Days Payable Outstanding):** Average days the company takes to pay its own suppliers. $= \frac{\text{Average Payables}}{\text{COGS}} \times 365$

Step 2 — Intuition: The company ties up cash for (DIO + DSO) days and benefits from supplier credit for DPO days. The net cash tied up = DIO + DSO − DPO. To minimise the CCC: reduce DIO (faster inventory turnover), reduce DSO (collect from customers sooner), and increase DPO (take longer to pay suppliers, within terms).

Why other options are wrong:

- Option A: DSO + DPO − DIO is the wrong formula; it omits the correct structure and sign convention.
- Option B: DIO − DSO + DPO inverts the sign on DSO and DPO — mathematically incorrect.
- Option C: Multiplying/dividing the three metrics has no economic meaning.
- **Option D: Correct** — CCC = DIO + DSO − DPO; lower CCC = better liquidity and working capital efficiency.

Final Answer: $\text{CCC} = \text{DIO} + \text{DSO} - \text{DPO}$; lower value = better working capital management $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q18

Q19.

Solution

Concept — Estate Duty and Wealth Tax in India: India has, at various points in its history, levied both estate duty (a tax on the transfer of wealth at death) and wealth tax (an annual tax on the net wealth of individuals). Both have been abolished.

Step 1 — Historical Timeline:

- *Estate Duty Act, 1953:* Taxed the total value of the estate transferred at the time of death. Applicable to assets above a threshold. **Abolished in 1985** (Finance Act 1985) by the Rajiv Gandhi government.
- *Wealth Tax Act, 1957:* Levied on the net wealth of individuals, HUFs, and companies exceeding the exemption limit. Rate was 1% on net wealth above Rs. 30 lakh. **Abolished in 2015–16** (Finance Act 2015) by the Modi government; replaced by a 2% surcharge on super-rich income taxpayers.

Step 2 — Current Position: As of today, India does NOT levy estate duty, inheritance tax, or annual wealth tax. When inherited assets are subsequently sold, *Capital Gains Tax* applies on the appreciation from the date of acquisition by the original owner.

Why other options are wrong:

- **Option A: Correct** — India has no estate duty (abolished 1985) and no wealth tax (abolished 2015–16); capital gains tax applies on sale of inherited assets.
- Option B: Estate Duty was abolished in 1985; no flat-rate estate duty exists in India.
- Option C: Wealth Tax was abolished in 2015–16; the 1% rate no longer applies.
- Option D: No 20% inheritance tax provision exists under the Income Tax Act, 1961; India has no inheritance tax.

Final Answer: India has no estate duty or wealth tax; both were abolished (1985 and 2015–16 respectively) $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q19

Q20.

Solution

Concept — Joint Venture (JV) vs. Strategic Alliance: When two or more companies wish to collaborate, they may do so in two principal ways:

- *Joint Venture:* The collaborating companies create a **new, separate legal entity** (a new company) that is jointly owned and operated. Each partner contributes equity (capital, technology, land, brands) and shares profits, losses, and governance rights. The JV has its own board, balance sheet, and management.
- *Strategic Alliance:* Companies collaborate on specific activities (R&D, marketing, distribution) **without** creating a new entity. Each partner retains its independent legal identity. No pooled equity.

Step 1 — Maruti Suzuki as a JV: Maruti Udyog Limited (Government of India) and Suzuki Motor Corporation created *Maruti Suzuki India Limited* — a new, incorporated company. Suzuki brought technology and design; the Government brought land, infrastructure, and distribution access. This is a classic joint venture.

Step 2 — Key Indicators of a JV: New company incorporated + shared equity ownership + shared management + shared profits and losses.

Why other options are wrong:

- Option A: A strategic alliance involves cooperation *without* creating a new legal entity; Maruti Suzuki is a new incorporated company, so it is a JV, not an alliance.
- Option B: A licensing agreement involves one party permitting another to use its technology for a fee; Suzuki is an equity co-owner, not just a licensor.
- **Option C: Correct** — a new legal entity co-owned by two companies, pooling resources for a specific business = joint venture.
- Option D: In a merger, both original companies cease to exist as separate entities; both Maruti Udyog/Suzuki and the Indian Government retained separate identities.

Final Answer: New legal entity co-owned by two companies pooling resources = joint venture (JV) $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q20

Q21.

Solution

Concept — Stock Split: A stock split is a corporate action in which a company increases the number of its outstanding shares by issuing additional shares to existing shareholders in a fixed proportion. The total market capitalisation (share price $\times$ number of shares) remains *unchanged*. A **1:2 split** means each existing share becomes 2 shares.

Step 1 — Numerical Calculation:

- *Before split:* 10 lakh shares $\times$ Rs. 2,000 = Rs. 200 crore market cap.
- *Split ratio 1:2:* Each share $\to$ 2 shares, so $10 \times 2 = 20$ lakh shares.
- *New price:* Market cap stays Rs. 200 crore $\div$ 20 lakh shares = Rs. 1,000 per share.

Step 2 — Why Companies Do Stock Splits:

- To lower the *nominal price per share*, making the stock more accessible to retail (small) investors.
- To improve *trading liquidity* — more shares at a lower price attracts more buyers and sellers.
- The company's fundamentals (earnings, assets, dividends per aggregate share) do not change; only the unit size changes.

Contrast — Reverse Split: A reverse split (e.g., 2:1 consolidation) reduces share count and raises the price — the opposite of a regular split.

Why other options are wrong:

- Option A: The price cannot remain at Rs. 2,000 after a 1:2 split — if shares double, price must halve to keep market cap constant.
- **Option B: Correct** — 1:2 split $\Rightarrow$ 20 lakh shares at Rs. 1,000 each; market cap unchanged at Rs. 200 crore.
- Option C: Describes a reverse split (share count halved, price doubled) — the opposite of a 1:2 forward split.
- Option D: Share count must change in a split by definition; saying shares stay at 10 lakh is incorrect for a 1:2 split.

Final Answer: 1:2 stock split $\Rightarrow$ 20 lakh shares at Rs. 1,000 each; market cap unchanged $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q21

Q22.

Solution

Concept — Small Finance Banks (SFBs): Small Finance Banks were conceptualised under the RBI's Differentiated Bank Licences framework (2015), designed to provide full banking services to underserved and unbanked segments of the population that commercial banks typically overlook due to small ticket sizes or geographic remoteness.

Step 1 — Key Features of SFBs:

- *Licensed as:* Scheduled commercial banks under the Banking Regulation Act, 1949.
- *Activities:* Can accept deposits (savings, current, fixed deposits) AND provide loans and credit facilities.
- *Target segments:* Small and marginal farmers, micro and small enterprises (MSEs), unorganised sector workers, low-income households.
- *Regulation:* Regulated by RBI; subject to all prudential norms (CRR, SLR, capital adequacy).
- *Priority-sector lending:* Required to lend at least 75% of their Adjusted Net Bank Credit (ANBC) to priority sectors.

Step 2 — SFB Examples: AU Small Finance Bank, Equitas Small Finance Bank, Suryoday Small Finance Bank, Jana Small Finance Bank, ESAF Small Finance Bank.

Why other options are wrong:

- Option A: SFBs are full-service banks; they CAN provide loans — this option incorrectly restricts them to deposit-taking only.
- Option B: SFBs are *not* co-operative banks; they are RBI-licensed commercial banks with national jurisdiction.
- Option C: SFBs are NOT NBFCs; they are licensed banks that CAN accept public deposits — the distinguishing feature of a bank vs. an NBFC.
- **Option D: Correct** — SFBs are fully licensed commercial banks accepting deposits and providing loans, targeting underserved segments; regulated by RBI.

Final Answer: SFBs accept deposits AND provide loans to underserved segments; regulated by RBI $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q22

Q23.

Solution

Concept — India's G20 Presidency 2023: The Group of Twenty (G20) is the premier international forum for economic cooperation, comprising 19 countries and (now) 2 permanent regional bodies. Presidency rotates annually.

Step 1 — Key Facts about India's G20 Presidency:

- *Presidency period:* December 1, 2022 to November 30, 2023.
- *Theme: "Vasudhaiva Kutumbakam — One Earth, One Family, One Future"* (Sanskrit phrase from the Maha Upanishad, meaning the world is one family).
- *G20 Leaders' Summit:* September 9–10, 2023, at Bharat Mandapam, New Delhi.
- *Historic admission:* The **African Union (AU)** — representing 55 African nations — was admitted as a permanent G20 member at the New Delhi Summit, expanding membership to 21 permanent members.
- *Preceding and succeeding presidencies:* Indonesia (2022) $\rightarrow$ India (2023) $\rightarrow$ Brazil (2024).

Step 2 — Significance: India's presidency focused on inclusive growth, sustainable development, digital public infrastructure, climate finance, and multilateral development bank reform. Over 200 meetings were held across India.

Why other options are wrong:

- **Option A: Correct** — theme "Vasudhaiva Kutumbakam", summit Sept 9–10 2023 in New Delhi, African Union admitted.
- Option B: The theme is wrong ("Inclusive and Resilient Growth" was not India's theme); venue was New Delhi (not Mumbai); Brazil is next president (2024), not a new G20 member.
- Option C: The presidency began December 1, 2022 (not January 1, 2023); the summit was in September 2023 (not November).
- Option D: "One Sun, One World, One Grid" is India's separate international solar grid initiative (ISA); it is not a G20 New Delhi Summit resolution.

Final Answer: India's G20 theme was Vasudhaiva Kutumbakam; summit Sept 9–10 2023; African Union admitted $\Rightarrow \boxed{\text{A}}$

Answer: (A) **Go Back to Q23**

Q24.

Solution

Concept — National Logistics Policy (NLP) 2022: India's logistics sector costs approximately 13–14% of GDP — significantly higher than the global benchmark of 8% (and developed economies at 6–8%). High logistics costs reduce the competitiveness of Indian exports and increase consumer prices. The NLP was designed to address this structural weakness.

Step 1 — Key Details of NLP:

- *Launch:* PM Narendra Modi launched the NLP on **September 17, 2022**, in New Delhi.
- *Target:* Reduce India's logistics cost from $\approx$14% of GDP to **under 8% of GDP** within a few years, and improve India's Logistics Performance Index (LPI) ranking.
- *ULIP (Unified Logistics Interface Platform):* A digital platform that integrates data from 35+ government systems (customs, railways, port, highway toll, etc.) to enable seamless, paperless logistics operations.
- *Multimodal focus:* Integrating road, rail, air, waterway, and coastal shipping to optimise the logistics mix.
- *Lead ministry:* Ministry of Commerce and Industry (not Ministry of Finance).

Step 2 — Relationship to PM GatiShakti: The NLP complements PM GatiShakti — the National Master Plan for Multi-modal Connectivity (launched 2021) — by providing the policy and institutional framework to reduce costs and improve efficiency.

Why other options are wrong:

- Option A: NLP was launched in September 2022, not 2020; the target is under 8% (not 5%).
- Option B: NLP explicitly covers multimodal connectivity including ports, railways, air cargo, and digital platforms — it is not restricted to road transport.
- **Option C: Correct** — launched September 17, 2022; target under 8% of GDP; focus on multimodal connectivity and ULIP digital platform.
- Option D: NLP is implemented by the Ministry of Commerce and Industry (and Ministry of Ports, Shipping and Waterways for specific components) — not the Ministry of Finance.

Final Answer: NLP launched Sept 17, 2022; target $<$8% of GDP logistics cost; focus on multimodal + ULIP $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q24

Q25.

Solution

Concept — GIFT City and IFSCA: Gujarat International Finance Tec-City (GIFT City), located at Gandhinagar, Gujarat, is India's first and only International Financial Services Centre (IFSC). It was designed to bring offshore financial services activity — which was traditionally conducted in Singapore, Dubai, or Mauritius — back to Indian soil, conducted in foreign currencies.

Step 1 — IFSCA (International Financial Services Centres Authority):

- *Established:* April 27, 2020, under the IFSCA Act, 2019.
- *Purpose:* A unified, single-window regulatory authority for all financial services (banking, capital markets, insurance, fund management) conducted in foreign currencies within India's IFSCs.
- *Significance:* Before IFSCA, activities at GIFT City were regulated by multiple regulators (RBI for banking, SEBI for securities, IRDAI for insurance) — creating regulatory complexity. IFSCA unifies this.
- *Headquarters:* Gandhinagar, Gujarat (co-located with GIFT City).

Step 2 — What Operates at GIFT City IFSC: Stock exchanges (India INX, NSE IFSC), banking units (GIFT City IBUs of Indian and foreign banks), alternative investment funds, insurance companies, aircraft leasing, ship leasing, and fintech entities.

Why other options are wrong:

- Option A: SEBI regulates Indian capital markets domestically; the IFSC-specific activities at GIFT City fall under IFSCA, not SEBI (though IFSCA coordinates with SEBI for securities matters).
- **Option B: Correct** — IFSCA, established 2020 under IFSCA Act 2019, is the unified statutory regulator for GIFT City IFSC.
- Option C: RBI regulates domestic banking and FEMA; IFSC-specific banking activities at GIFT City fall under IFSCA's jurisdiction.
- Option D: The Ministry of Corporate Affairs handles company registration and compliance; it does not regulate financial services at GIFT City.

Final Answer: GIFT City IFSC is regulated by IFSCA, the unified statutory authority established in 2020 $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q25

Answer Key

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