

CUET UG Business Studies Sample Paper - 10

Duration: 1 Hour

Maximum Marks: 250

Instructions

- This paper contains a total of 50 Multiple Choice Questions.
- Each correct answer carries **+5 marks**.
- Each incorrect answer carries **-1 mark**.
- No negative marking for unattempted questions.

Q1. At which level of management is the manager responsible for the welfare and survival of the organization?

- (A) Middle level
- (B) Top level
- (C) Supervisory level
- (D) Operational level

Q2. Which characteristic of coordination is highlighted when a manager ensures that the production schedule is aligned with the sales target?

- (A) Coordination is a continuous process
- (B) Coordination ensures unity of action
- (C) Coordination is an all-pervasive function
- (D) Coordination is the responsibility of all managers

Q3. A company has a system where one specialist overlooks the machine settings while another ensures the quality of the product. Which technique of Taylor is being applied?

- (A) Method Study



- (B) Functional Foremanship
- (C) Standardization
- (D) Fatigue Study

Q4. Which principle of Fayol is violated if a subordinate receives orders from two superiors simultaneously?

- (A) Unity of Direction
- (B) Scalar Chain
- (C) Unity of Command
- (D) Equity

Q5. "Management should promote a team spirit of unity and harmony." Identify the principle:

- (A) Initiative
- (B) Esprit de Corps
- (C) Order
- (D) Discipline

Q6. In Case Study: A manager refuses to give a leave of absence to a worker despite a family emergency but grants it to another for a party. Which principle is violated?

- (A) Remuneration
- (B) Centralization
- (C) Equity
- (D) Discipline

Q7. The shift in consumer preference towards organic food products is an example of which dimension of the business environment?



- (A) Economic Environment
- (B) Social Environment
- (C) Technological Environment
- (D) Political Environment

Q8. Which of the following is an example of a "Legal Environment" factor?

- (A) Increase in disposable income
- (B) New legislation regarding GST
- (C) Innovations in manufacturing
- (D) Change in government stability

Q9. Identify the correct sequence of the Planning Process:

- (A) Setting objectives → Developing premises → Identifying alternatives → Evaluating alternatives → Selecting an alternative → Implementation → Follow-up
- (B) Identifying alternatives → Setting objectives → Developing premises → Implementation
- (C) Setting objectives → Implementation → Evaluating alternatives
- (D) Developing premises → Setting objectives → Identifying alternatives

Q10. A _____ is a general statement that guides thinking or channelizes energies towards a particular direction, whereas a _____ is a specific statement that informs what is to be done.

- (A) Rule, Policy
- (B) Policy, Rule
- (C) Procedure, Method
- (D) Strategy, Program



- Q11.** Which type of plan provides the broad contours of an organization's business?
- (A) Procedure
 - (B) Strategy
 - (C) Budget
 - (D) Rule
- Q12.** A large company producing Cosmetics, Garments, and Footwear should ideally adopt which structure?
- (A) Functional Structure
 - (B) Divisional Structure
 - (C) Formal Structure
 - (D) Informal Structure
- Q13.** Which of the following cannot be entirely delegated?
- (A) Authority
 - (B) Responsibility
 - (C) Accountability
 - (D) Work
- Q14.** When a manager grants more autonomy to lower-level managers across the whole organization, it is called:
- (A) Delegation
 - (B) Decentralization
 - (C) Centralization
 - (D) Span of Management
- Q15.** What defines the number of subordinates that can be effectively managed by a superior?



- (A) Scalar Chain
- (B) Unity of Command
- (C) Span of Management
- (D) Departmentalization

Q16. Which of the following is an internal source of recruitment?

- (A) Campus Recruitment
- (B) Casual Callers
- (C) Transfers
- (D) Labor Contractors

Q17. Which test is used to measure an individual's potential for learning new skills?

- (A) Personality Test
- (B) Trade Test
- (C) Aptitude Test
- (D) Intelligence Test

Q18. Identify the correct sequence of the Selection Process:

- (A) Selection tests → Employment Interview → Reference check → Selection decision → Medical Exam
- (B) Interview → Selection test → Job offer
- (C) Medical exam → Selection test → Interview
- (D) Job offer → Reference check → Selection test

Q19. On-the-job training method where a trainee works under a master worker is called:

- (A) Vestibule training



- (B) Internship training
- (C) Apprenticeship training
- (D) Coaching

Q20. According to Maslow's Hierarchy, which need is concerned with status, recognition, and attention?

- (A) Safety needs
- (B) Social needs
- (C) Esteem needs
- (D) Self-actualization needs

Q21. Which style of leadership involves a leader giving orders and expecting strict obedience without consulting subordinates?

- (A) Democratic
- (B) Laissez-faire
- (C) Autocratic
- (D) Paternalistic

Q22. Poorly explained messages or usage of technical jargon fall under which category of communication barriers?

- (A) Psychological barriers
- (B) Organizational barriers
- (C) Semantic barriers
- (D) Personal barriers

Q23. Motivation is a _____ process.

- (A) Physical



- (B) Financial
- (C) Psychological
- (D) External

Q24. In a Free-rein (Laissez-faire) leadership style:

- (A) The leader makes all decisions.
- (B) The leader gives complete freedom to subordinates.
- (C) The leader consults with the team before deciding.
- (D) The leader acts as a father figure.

Q25. "Controlling is blind without _____, and _____ is meaningless without Controlling."

- (A) Organizing, Planning
- (B) Planning, Planning
- (C) Directing, Staffing
- (D) Planning, Organizing

Q26. Which step in the controlling process involves comparing actual performance with standards?

- (A) Setting standards
- (B) Measurement of performance
- (C) Analyzing deviations
- (D) Taking corrective action

Q27. The decision regarding how much profit is to be retained in the business is known as:

- (A) Investment decision



- (B) Financing decision
- (C) Dividend decision
- (D) Capital Budgeting decision

Q28. Which factor affects the "Financing Decision" regarding the choice between Debt and Equity?

- (A) Growth prospects
- (B) Cash flow position
- (C) Fixed operating costs
- (D) All of the above

Q29. Capital structure refers to the mix between:

- (A) Current Assets and Current Liabilities
- (B) Debt and Equity
- (C) Fixed Assets and Floating Assets

Q30. Higher Dividend Payout is preferred when:

- (A) Company has many investment opportunities.
- (B) Company has stable earnings and high liquidity.
- (C) Access to capital markets is difficult.

Q31. Trading on Equity is possible when:

- (A) $ROI > \text{Cost of Debt}$
- (B) $ROI < \text{Cost of Debt}$
- (C) $\text{Cost of Debt} = \text{Cost of Equity}$

Q32. Which money market instrument is also known as a "Zero-Coupon Bond"?



- (A) Commercial Paper
- (B) Treasury Bill
- (C) Call Money
- (D) Certificate of Deposit

Q33. The process of holding securities in electronic form is called:

- (A) Rematerialization
- (B) Dematerialization
- (C) Listing
- (D) Speculation

Q34. What is the primary function of SEBI regarding "Prohibition of Insider Trading"?

- (A) Development function
- (B) Regulatory function
- (C) Protective function
- (D) Executive function

Q35. The "T+2" rolling settlement in stock exchanges means:

- (A) Trading happens in 2 hours.
- (B) Settlement must be completed within 2 days after the trade date.
- (C) Transfer of shares takes 2 weeks.

Q36. Commercial Paper is an unsecured promissory note issued by:

- (A) RBI
- (B) Small retailers
- (C) Highly creditworthy corporations
- (D) Commercial Banks only



- Q37.** Which market is known as the "New Issue Market"?
- (A) Secondary Market
 - (B) Primary Market
 - (C) Money Market
- Q38.** Which marketing philosophy focuses on the "quality, performance, and features" of the product?
- (A) Production Concept
 - (B) Product Concept
 - (C) Selling Concept
 - (D) Marketing Concept
- Q39.** The 4Ps of the Marketing Mix are:
- (A) People, Place, Price, Promotion
 - (B) Product, Price, Place, Promotion
 - (C) Product, Profit, Place, Promotion
 - (D) Planning, Price, Place, Promotion
- Q40.** Giving a name, sign, or symbol to a product to distinguish it from competitors is called:
- (A) Labeling
 - (B) Packaging
 - (C) Branding
 - (D) Advertising
- Q41.** Which element of the promotion mix involves direct face-to-face communication with potential customers?



- (A) Advertising
- (B) Sales Promotion
- (C) Personal Selling
- (D) Public Relations

Q42. Identify the 'Place' element function:

- (A) Standardizing product quality
- (B) Determining credit terms
- (C) Physical distribution and channels
- (D) Creating awareness through TV ads

Q43. Societal Marketing Concept focuses on:

- (A) Consumer satisfaction
- (B) Ethical and ecological aspects of marketing
- (C) Mass production
- (D) Aggressive selling

Q44. "Buy one, get one free" is an example of:

- (A) Advertising
- (B) Personal Selling
- (C) Sales Promotion
- (D) Public Relations

Q45. Labelling serves the function of:

- (A) Describing the product and specifying its contents
- (B) Identifying the product or brand
- (C) Grading of products



(D) All of the above

Q46. Under the Consumer Protection Act 2019, a complaint can be filed in the District Commission if the value of goods/services does not exceed:

(A) 20 Lakhs

(B) 50 Lakhs

(C) 1 Crore

(D) 10 Crores

Q47. The right to be protected against goods and services which are hazardous to life and property is:

(A) Right to Information

(B) Right to Safety

(C) Right to Choose

(D) Right to be Heard

Q48. A consumer has the right to get relief in case of exploitation. This is known as:

(A) Right to Consumer Education

(B) Right to Seek Redressal

(C) Right to be Heard

(D) Right to Safety

Q49. State Commission handles cases where the value of claim is:

(A) Up to 1 Crore

(B) Between 1 Crore and 10 Crores

(C) Above 10 Crores

Q50. Who can file a complaint under the CPA 2019?



- (A) Any consumer
- (B) Any registered consumers' association
- (C) Central or State Government
- (D) All of the above



Detailed Solutions**Q1.****Solution**

Concept: Management levels are generally divided into three categories: Top, Middle, and Lower (Supervisory).

- **Top Level:** Responsible for framing policies and overall organizational survival.
- **Middle Level:** Responsible for interpreting policies and departmental execution.
- **Lower Level:** Responsible for direct supervision of workers.

Solution: The Top-level management consists of the senior-most executives (e.g., CEO, Chairman, Managing Director). Their primary functions include:

- (a) Integrating diverse elements and coordinating activities of different departments.
- (b) Analyzing the business environment and its implications for the survival of the firm.
- (c) Formulating overall organizational goals and strategies for their achievement.

Since the welfare and survival of the organization are strategic, long-term responsibilities, they fall under the ambit of Top Management.

Answer: (B)



Q2.

Solution

Concept: Coordination is the process by which a manager synchronizes the activities of different departments. Its key characteristics include:

- **Unity of Action:** Acts as the binding force between departments to ensure efforts are focused on common goals.
- **Continuous Process:** It is not a one-time task but begins at the planning stage and continues until controlling.
- **Pervasive Function:** Required at all levels and in all departments of an organization.

Solution: When a manager ensures that the production schedule is aligned with the sales target, they are performing the function of **Unity of Action**.

In this scenario:

Production Dept. Efforts + Sales Dept. Efforts → Common Organizational Goal

The primary purpose of this alignment is to avoid a situation where production either exceeds or falls short of what the sales team can sell. By "binding" these two distinct activities together, coordination ensures that the action of one department supports the action of the other, thereby achieving unity.

Answer: (B)



Q3.

Solution

Concept: F.W. Taylor proposed the technique of **Functional Foremanship** to improve efficiency. This technique involves:

- Separation of **Planning** and **Execution** functions.
- Use of eight specialized foremen to supervise workers, as Taylor believed one person could not be an expert in every aspect of work.

Solution: In the given scenario, the company utilizes different specialists for different tasks—one for technical machine settings and another for quality control. This is a direct application of **Functional Foremanship**.

Under this technique, the "Execution" wing typically includes:

- (a) **Speed Boss:** Timely completion of work.
- (b) **Gang Boss:** Keeping machines and tools ready.
- (c) **Repair Boss:** Ensuring proper working conditions of machines.
- (d) **Inspector:** Checking the quality of work.

By having one specialist overlook settings and another (the Inspector) ensuring quality, the organization is dividing the supervision among specialized "bosses" to ensure maximum efficiency and standardization.

Answer: (B)



Q4.

Solution

Concept: Henri Fayol's 14 principles of management provide a framework for efficient administration. Two often confused principles are:

- **Unity of Command:** Focuses on the relationship between a subordinate and a superior to avoid conflicting orders.
- **Unity of Direction:** Focuses on the organization as a whole, ensuring one plan and one head for a group of activities having the same objective.

Solution: If a subordinate receives orders from two superiors simultaneously, the principle of **Unity of Command** is violated.

According to this principle, an individual employee should receive orders from, and be accountable to, only **one** superior. If this principle is ignored:

- Authority is undermined and discipline is in jeopardy.
- Order is disturbed and stability is threatened.
- The subordinate faces a dilemma of whose instructions to prioritize, leading to confusion and inefficiency.

By ensuring a single line of command, the organization prevents overlapping instructions and maintains clear accountability.

Answer: (C)

Q5.

Solution

Concept: Henri Fayol outlined 14 principles of management, emphasizing various aspects of organizational behavior and structure.

- **Initiative:** Encouraging employees to develop and carry out plans.
- **Esprit de Corps:** Promoting team spirit, unity, and harmony.
- **Order:** A place for everything and everyone.
- **Discipline:** Obedience to organizational rules and employment agreements.

Solution: The statement "Management should promote a team spirit of unity and harmony" directly defines the principle of **Esprit de Corps**.

Fayol suggested that management should foster teamwork and harmony among employees to bring about mutual trust and belongingness. This helps in realizing organizational objectives effectively and minimizes the need for using penalties.

Answer: (B)



Q6.

Solution

Concept: The principle of **Equity** ensures fair, just, and impartial treatment of all employees. It implies that managers should exhibit kindness and justice in their behavior towards workers, without any discrimination based on personal bias, religion, language, caste, or nationality.

Solution: In the given case study, the manager demonstrates clear favoritism and bias. Denying a leave for a genuine, critical reason (family emergency) to one employee while granting it to another for a trivial reason (a party) is unjust.

This discriminatory action violates the principle of **Equity**, as the manager is not applying rules fairly or treating subordinates with equal consideration and justice.

Answer: (C)

Q7.

Solution

Concept: The macroeconomic environment of a business is divided into various dimensions:

- **Economic:** Interest rates, inflation, changes in disposable income.
- **Social:** Customs, traditions, values, social trends, and lifestyle choices.
- **Technological:** Scientific improvements and innovations.
- **Political:** Government stability and attitudes of elected representatives.

Solution: A shift in consumer preference towards organic food products reflects a change in the health consciousness, lifestyle, and values of the consumers.

Since these factors—dietary habits, health awareness, and lifestyle trends—are shaped by society and its evolving culture, this shift is a prime example of a change in the **Social Environment**.

Answer: (B)

Q8.

Solution

Concept: The macro environment of a business comprises various dimensions, each representing specific external forces:

- **Economic Environment:** Factors like inflation, interest rates, and disposable income.
- **Technological Environment:** Scientific improvements and innovations in methods of production.
- **Political Environment:** Government stability, peace, and political attitudes.
- **Legal Environment:** Legislations passed by the government, administrative orders, and court judgments.

Solution: "New legislation regarding GST" refers to a law or act passed by the government (Goods and Services Tax Act). Because it is a legislative framework that businesses must comply with, it falls strictly under the **Legal Environment**.

In contrast, an increase in disposable income is economic, innovations are technological, and government stability is political.

Answer: (B)

Q9.

Solution

Concept: Planning is a systematic and logical process that involves deciding in advance what to do and how to do it. The standard steps in the planning process must be followed sequentially to ensure effective goal setting and execution.

Solution: The correct and logical sequence of the planning process is:

- (a) **Setting Objectives:** Defining what the organization wants to achieve.
- (b) **Developing Premises:** Making assumptions about the future conditions (the environment in which the plan will operate).
- (c) **Identifying Alternative Courses of Action:** Discovering various ways to achieve the set objectives.
- (d) **Evaluating Alternatives:** Weighing the pros and cons, risks, and benefits of each alternative.
- (e) **Selecting an Alternative:** Choosing the most feasible and profitable plan.
- (f) **Implementing the Plan:** Putting the chosen plan into action.
- (g) **Follow-up:** Monitoring the implemented plan to ensure goals are met.

Option A correctly lists all these steps in chronological order.

Answer: (A)



Q10.

Solution

Concept: Plans can be classified into several types based on their nature and purpose.

- **Policy:** A general statement that provides a framework for decision-making. It guides thinking rather than action.
- **Rule:** A specific statement that specifies what is to be done or not done. It is rigid and does not allow for discretion.
- **Procedure:** A series of chronological steps to perform a task.

Solution: A **Policy** is a general guide to thinking. For example, a "Recruitment Policy" guides managers on the criteria for hiring without detailing every specific action.

In contrast, a **Rule** is a specific guide to action. For example, "No Smoking" is a rule; it tells an employee exactly what is required and carries a penalty for non-compliance. Therefore, the first blank refers to a Policy and the second to a Rule.

Answer: (B)

Q11.

Solution

Concept: Different types of plans serve different organizational needs:

- **Strategy:** A comprehensive plan for accomplishing an organization's objectives.
- **Budget:** A statement of expected results expressed in numerical terms.
- **Procedure:** Routine steps on how to carry out activities.

Solution: A **Strategy** provides the "broad contours" of an organization's business. It involves a comprehensive framework that includes:

- (a) Determining long-term objectives.
- (b) Adopting a particular course of action.
- (c) Allocating resources necessary to achieve objectives.

Whenever a company makes decisions regarding its business reach (e.g., entering new markets, choosing product lines), it is defining its strategic contours.

Answer: (B)



Q12.

Solution

Concept: Organizational structure can be classified based on how activities are grouped:

- **Functional Structure:** Grouping jobs of similar nature under functions (e.g., Production, Marketing). It is suitable for single-product firms.
- **Divisional Structure:** Grouping activities on the basis of products. Each division (e.g., Cosmetics) is multi-functional.

Solution: A large company dealing in diverse product lines such as **Cosmetics, Garments, and Footwear** should adopt a **Divisional Structure**.

In this structure, each product line is treated as a separate profit center. It is ideal here because:

- (a) Each product line requires specialized knowledge and distinct resources.
- (b) It facilitates expansion and growth as new divisions can be added without disrupting existing ones.
- (c) It allows for better coordination of functions within a single product line.

[Image of divisional organizational structure chart]

Answer: (B)

Q13.

Solution

Concept: Delegation is the transfer of authority from a superior to a subordinate. It has three key elements:

- **Authority:** The right to command. It can be delegated.
- **Responsibility:** The obligation to perform a task. It is assigned.
- **Accountability:** Answerability for the final outcome.

Solution: **Accountability** cannot be delegated. Even after a manager delegates authority and assigns responsibility to a subordinate, the manager remains answerable to their own superior for the performance of the task.

This is known as the **Principle of Absoluteness of Accountability**. While work and the authority to do it move down the ladder, the ultimate "buck stops" with the delegator. If the subordinate fails to perform, the manager is still held accountable for that failure.

Answer: (C)



Q14.

Solution

Concept: Delegation and Decentralization are related but distinct concepts of authority dispersal:

- **Delegation:** A process of sharing authority between a superior and a subordinate (individual act).
- **Decentralization:** A systematic delegation of authority at all levels and in all departments of the organization (organizational policy).

Solution: When a manager grants more autonomy to lower-level managers across the **whole organization**, it is called **Decentralization**.

Decentralization is much broader than delegation. It reflects a philosophy of management where the power to take decisions is pushed down to the level nearest to the point of action. It reduces the burden on top management and encourages initiative among lower-level employees.

Answer: (B)

Q15.

Solution

Concept: The structure of an organization is often determined by its "Span of Management" (or Span of Control).

- **Narrow Span:** Few subordinates per superior; results in a "Tall" structure.
- **Wide Span:** Many subordinates per superior; results in a "Flat" structure.

Solution: **Span of Management** defines the number of subordinates that can be effectively managed by a superior.

The span is influenced by factors such as the capacity of the manager, the nature of work, and the competence of subordinates. It is crucial because it determines the number of levels in the management hierarchy and the shape of the organizational structure.

Answer: (C)



Q16.

Solution

Concept: Recruitment sources are categorized into two types:

- **Internal Sources:** Filling vacancies from within the organization (e.g., Transfers, Promotions).
- **External Sources:** Seeking candidates from outside the organization (e.g., Campus Recruitment, Advertising, Labor Contractors).

Solution: Among the given options, **Transfers** is an internal source of recruitment.

A transfer involves shifting an employee from one job to another, one department to another, or from one shift to another, without a substantive change in the responsibilities or status of the employee. It is a way of optimizing the existing workforce without hiring new personnel from the outside.

Answer: (C)

Q17.

Solution

Concept: Selection tests are used to measure various characteristics of candidates.

- **Aptitude Test:** Measures the capacity or potential to learn new skills.
- **Trade Test:** Measures existing skills and level of knowledge.
- **Personality Test:** Measures emotions, reactions, and value systems.
- **Intelligence Test:** Measures the level of IQ or psychological ability.

Solution: The test used to measure an individual's potential for learning new skills is the **Aptitude Test**. While a Trade Test tells you what a person *already* knows, an Aptitude Test helps predict how well they will perform in the future after receiving training.

Answer: (C)



Q18.

Solution

Concept: Selection is a "negative process" of eliminating unsuitable candidates. It involves a series of steps to find the most appropriate person for the job.

Solution: The standard sequence of the Selection Process is:

- (a) **Preliminary Screening:** Eliminating unqualified candidates.
- (b) **Selection Tests:** Measuring various traits.
- (c) **Employment Interview:** In-depth conversation to evaluate suitability.
- (d) **Reference and Background Checks:** Verifying information.
- (e) **Selection Decision:** Final choice made from candidates who pass the interview.
- (f) **Medical Examination:** Checking physical fitness.
- (g) **Job Offer and Contract of Employment.**

Option A follows the logical flow required to filter candidates effectively.

Answer: (A)

Q19.

Solution

Concept: Training methods are classified into:

- **On-the-job:** Learning while doing (Apprenticeship, Coaching, Job Rotation).
- **Off-the-job:** Learning before doing (Vestibule, Lectures, Case Study).

Solution: Apprenticeship Training is an on-the-job method where the trainee is placed under the guidance of a master worker or expert. This is common in skilled trades like plumbing, electrical work, or ironworking, where the learner (apprentice) observes and assists the expert until they acquire the necessary proficiency.

Answer: (C)



Q20.

Solution

Concept: Abraham Maslow's Need Hierarchy Theory suggests that human needs follow a specific order.

[Image of Maslow's Hierarchy of Needs pyramid]

- **Basic Physiological:** Hunger, thirst, shelter.
- **Safety/Security:** Job security, stability of income.
- **Social/Affiliation:** Friendship, sense of belongingness.
- **Esteem:** Self-respect, autonomy, status, recognition.
- **Self-Actualization:** Growth, self-fulfillment.

Solution: According to Maslow, **Esteem needs** are those concerned with self-respect, autonomy, status, recognition, and attention. When these needs are satisfied, the individual feels confident and valuable within the organization.

Answer: (C)

Q21.

Solution

Concept: Leadership styles are classified based on the level of authority held by the leader versus the participation of subordinates:

- **Autocratic (Authoritarian):** Centralized power; communication is one-way (downward).
- **Democratic (Participative):** Decentralized authority; decisions are made in consultation with the group.
- **Laissez-faire (Free-rein):** Complete delegation of power; subordinates make decisions.

Solution: The **Autocratic** leadership style involves a leader giving orders and expecting strict obedience without consulting subordinates. In this style:

- (a) The leader is the dogmatic decision-maker.
- (b) There is no scope for subordinate initiative.
- (c) It is effective in situations where immediate action is required or workers are unskilled.

Answer: (C)



Q22.

Solution

Concept: Communication barriers are hurdles that prevent the effective flow of information. They are categorized as:

- **Semantic Barriers:** Problems related to the encoding and decoding of messages into words or impressions (language-related).
- **Psychological Barriers:** Related to the state of mind of the sender/receiver (e.g., lack of attention, premature evaluation).
- **Organizational Barriers:** Related to structure, rules, and regulations.

Solution: Poorly explained messages, faulty translations, or the usage of technical jargon (words understood only by specialists) are examples of **Semantic barriers**.

These barriers arise because the same words or symbols can be interpreted differently by different people. If a manager uses highly technical language that a worker cannot decode, the communication fails due to a breakdown in the meaning of the symbols used.

Answer: (C)

Q23.

Solution

Concept: Motivation is an internal state that energizes, directs, and sustains behavior. It is based on the "motives" and "needs" of individuals.

Solution: Motivation is a **Psychological** process. It is an internal feeling that cannot be seen or touched but can be observed through behavior.

It starts with a physiological or psychological deficiency (need) that creates a drive, leading to an incentive to achieve a goal. Because it relates to the human mind, emotions, and desires to satisfy unfulfilled needs, it is categorized as a psychological phenomenon rather than a physical or external one.

Answer: (C)



Q24.

Solution

Concept: Leadership styles vary based on the degree of control exercised by the leader.

- **Autocratic:** Leader centralizes all decision-making power.
- **Democratic:** Leader involves subordinates in decision-making.
- **Laissez-faire (Free-rein):** Leader avoids power and abdicates responsibility.

Solution: In a **Free-rein (Laissez-faire)** leadership style, the leader gives ****complete freedom to subordinates****.

In this approach:

- (a) Subordinates are encouraged to make their own decisions.
- (b) The leader provides resources and information but does not interfere in the work process.
- (c) The group establishes its own goals and solves its own problems.

This style is most effective when subordinates are highly skilled, experienced, and self-motivated.

Answer: (B)

Q25.

Solution

Concept: Planning and Controlling are often described as the "two sides of a coin." They are inseparable and reciprocal functions of management.

Solution: "Controlling is blind without **Planning**, and **Planning** is meaningless without Controlling."

- **Blind Controlling:** Without planning, there are no predetermined standards or goals. If there is no "target," a manager has nothing to compare actual performance against.
- **Meaningless Planning:** Without controlling, the planning process is a mere academic exercise because there is no mechanism to check whether the plans are being implemented correctly or if goals are being achieved.

Answer: (B)



Q26.

Solution

Concept: The controlling process consists of a definite sequence of steps designed to ensure organizational goals are met.

Solution: The step in the controlling process that involves comparing actual performance with standards is **Analyzing Deviations**.

The complete logical flow is:

- (a) **Setting Standards:** Defining the benchmark.
- (b) **Measurement of Performance:** Determining what has actually been done.
- (c) **Comparing Performance with Standards:** This reveals the "Deviation."
- (d) **Analyzing Deviations:** Determining if the gap is acceptable (using Management by Exception).
- (e) **Taking Corrective Action:** Fixing the causes of the deviation.

Answer: (C)

Q27.

Solution

Concept: Financial management involves three broad categories of decisions:

- **Investment Decision:** Where to invest funds (Long-term and Short-term).
- **Financing Decision:** From where to raise funds (Debt vs. Equity).
- **Dividend Decision:** How much of the profit after tax is to be distributed to shareholders and how much is to be retained.

Solution: The decision regarding how much profit is to be retained in the business is known as the **Dividend decision**.

It involves a trade-off between:

- (a) **Dividends:** Distributed to satisfy shareholders.
- (b) **Retained Earnings:** Kept aside to reinvest in the growth and expansion of the business.

Answer: (C)



Q28.

Solution

Concept: The **Financing Decision** involves determining the proportion of debt and equity in the capital structure. Various factors influence this choice:

- **Cash Flow Position:** Strong cash flows make debt easier to service (interest + principal).
- **Fixed Operating Costs:** High fixed costs (like rent/salaries) increase financial risk, making equity safer.
- **Growth Prospects:** High growth companies may prefer equity to avoid the fixed burden of debt interest.

Solution: All the mentioned factors—Growth prospects, Cash flow position, and Fixed operating costs—significantly impact the financing decision. Therefore, **All of the above** is the correct choice.

Answer: (D)

Q29.

Solution

Concept: Capital Structure represents the framework of an organization's long-term sources of funds. It is a specific part of the financial structure.

Solution: Capital structure refers to the mix between **Debt and Equity**.

- **Debt:** Includes borrowed funds like debentures, loans, and public deposits. It carries a fixed obligation of interest.
- **Equity:** Includes owner's funds like equity share capital, preference share capital, and retained earnings.

The optimal capital structure is one that maximizes the value of the shares by balancing risk and return.

Answer: (B)



Q30.

Solution

Concept: The **Dividend Decision** determines how much of the profit should be distributed to shareholders versus how much should be retained for future use.

Solution: A higher dividend payout is preferred when a **company has stable earnings and high liquidity**.

- **Stable Earnings:** Gives confidence to the board to maintain regular payouts.
- **Liquidity:** Dividends are a cash outflow; hence, sufficient cash must be available.
- Conversely, if a company has many investment opportunities, it would prefer to retain earnings rather than pay them out as dividends.

Answer: (B)

Q31.

Solution

Concept: Trading on Equity (Financial Leverage) refers to the use of fixed-interest-bearing securities (debt) in the capital structure to increase the return to equity shareholders.

Solution: Trading on Equity is successful and possible only when the **ROI > Cost of Debt**.

- **ROI (Return on Investment):** The rate at which the company earns on its total capital employed.
- **Cost of Debt:** The interest rate paid on borrowed funds.

If the company earns 15% but only pays 10% on debt, the surplus 5% belongs to the equity shareholders, thereby increasing their Earnings Per Share (EPS). If ROI is less than the cost of debt, using debt will actually decrease the EPS.

Answer: (A)



Q32.

Solution

Concept: Money market instruments are short-term debt instruments with high liquidity.

- **Treasury Bill (T-Bill):** Issued by the RBI on behalf of the Central Government to meet short-term requirements of funds.
- **Commercial Paper:** Unsecured promissory note issued by highly creditworthy companies.
- **Call Money:** Short-term finance repayable on demand, used for inter-bank transactions.

Solution: The **Treasury Bill** is also known as a **Zero-Coupon Bond**.

They are issued at a price which is lower than their face value and redeemed at par. They do not pay a fixed interest rate; instead, the difference between the issue price and the redemption value is the interest (discount) earned by the holder. For example, a 91-day T-Bill with a face value of 1,00,000 may be issued at 96,000.

Answer: (B)

Q33.

Solution

Concept: The trading system in stock exchanges has shifted from physical certificates to an electronic accounting system to ensure speed, transparency, and safety.

Solution: The process of holding securities in electronic form is called **Dematerialization** (or **Demat**).

In this process, physical share certificates are taken back by the company and destroyed, and an equal number of securities are credited to the investor's account in electronic form with a Depository Participant. This eliminates problems like theft, forgery, and paper-based delays.

Answer: (B)



Q34.

Solution

Concept: The Securities and Exchange Board of India (SEBI) performs three main categories of functions:

- **Protective Functions:** To protect the interests of investors and provide safety of investment.
- **Regulatory Functions:** To regulate the business in stock exchanges and other securities markets.
- **Development Functions:** To promote and develop relevant activities in the stock exchange.

Solution: The "Prohibition of Insider Trading" is a **Protective function**.

Insider trading involves using price-sensitive, non-public information by persons (insiders) to make personal profits. SEBI prohibits this practice to ensure a level playing field and to protect ordinary investors from being cheated by those with access to internal company secrets.

Answer: (C)

Q35.

Solution

Concept: Rolling settlement is a mechanism where trades are settled after a certain number of days following the day the trade was executed.

Solution: The "**T+2**" **rolling settlement** means that the **settlement must be completed within 2 working days after the trade date**.

- **T:** The day the trade (buying or selling of shares) actually takes place.
- **+2:** Two additional working days allowed for the clearing house to ensure the seller delivers the shares and the buyer delivers the cash.

On the $T + 2$ day, the shares are credited to the buyer's Demat account and funds are paid to the seller.

Answer: (B)



Q36.

Solution

Concept: Commercial Paper (CP) is a short-term money market instrument used by companies to meet their working capital requirements or as an alternative to bank borrowing.

- **Nature:** It is an unsecured promissory note, meaning it is not backed by collateral.
- **Maturity:** Typically ranges from 15 days to one year.
- **Negotiability:** It is freely transferable by endorsement and delivery.

Solution: Because Commercial Paper is unsecured, it is issued only by **highly creditworthy corporations** (large and financially sound companies). Since there is no collateral, investors rely solely on the company's reputation and credit rating to ensure the debt will be repaid. It is often used for "bridge financing"—raising short-term funds to cover the flotation costs of issuing long-term securities.

Answer: (C)

Q37.

Solution

Concept: The Capital Market is divided into two segments based on the timing of the security issue:

- **Primary Market:** Where securities are issued for the very first time.
- **Secondary Market:** Also known as the Stock Market, where existing (already issued) securities are traded.

Solution: The **Primary Market** is known as the "**New Issue Market**". In this market, the flow of funds is from savers to investors (entities) directly. The company receives the money from the issue of shares or debentures to use for expansion or diversification. There is no "buying and selling" between investors here; rather, the company sells directly to the public through IPOs (Initial Public Offerings) or right issues.

Answer: (B)



Q38.

Solution

Concept: There are five distinct marketing philosophies (concepts) that guide organizational efforts:

- **Production Concept:** Focuses on availability and affordability.
- **Product Concept:** Focuses on quality and continuous improvement.
- **Selling Concept:** Focuses on aggressive promotion and sales volume.
- **Marketing Concept:** Focuses on customer needs and satisfaction.
- **Societal Concept:** Focuses on consumer welfare and ecological balance.

Solution: The **Product Concept** focuses on the "**quality, performance, and features**" of the product. The underlying assumption is that customers will favor products that offer the most quality, and therefore, an organization should devote its energy to making continuous product improvements.

Answer: (B)

Q39.

Solution

Concept: The Marketing Mix is the set of marketing tools that a firm uses to pursue its marketing objectives in the target market. Jerome McCarthy popularized the classification of these tools into four categories.

Solution: The **4Ps of the Marketing Mix** are **Product, Price, Place, and Promotion**.

- (a) **Product:** The actual offering (goods/services) and its features.
- (b) **Price:** The amount the customer has to pay for the product.
- (c) **Place:** The activities that make the product available to target customers (distribution).
- (d) **Promotion:** The activities that communicate the merits of the product and persuade customers to buy it.

Answer: (B)



Q40.

Solution

Concept: Product-related marketing activities include:

- **Branding:** Creating a distinct identity for the product.
- **Packaging:** Designing the wrapper or container for a product.
- **Labelling:** Designing the information tag or graphic on the package.

Solution: Giving a name, sign, or symbol to a product to distinguish it from competitors is called **Branding**. A brand name helps in product differentiation, ensures repeat purchase through brand loyalty, and allows a firm to charge a different price than its competitors. When a brand name is registered and given legal protection, it is called a **Trademark**.

Answer: (C)

Q41.

Solution

Concept: The **Promotion Mix** consists of various tools used by a business to communicate with its target audience:

- **Advertising:** Impersonal, paid form of communication.
- **Personal Selling:** Direct, oral presentation with potential buyers.
- **Sales Promotion:** Short-term incentives to encourage purchase.
- **Public Relations:** Building a positive image of the company.

Solution: **Personal Selling** involves direct face-to-face communication between the seller (salesperson) and the potential customer.

Unlike advertising, it allows for:

- (a) **Two-way communication:** Immediate feedback can be received.
- (b) **Flexibility:** The message can be adjusted according to the customer's reaction.
- (c) **Relationship Building:** It helps in developing a personal rapport with the client.

Answer: (C)



Q42.

Solution

Concept: The 'Place' (or Distribution) element of the marketing mix is concerned with making the goods available at the right place, in the right quantity, and at the right time.

Solution: The 'Place' element function is primarily **Physical distribution and channels**.

This involves two major components:

- (a) **Channels of Distribution:** The path taken by goods to reach the consumer (Wholesalers, Retailers, etc.).
- (b) **Physical Distribution:** The physical movement of goods through transportation, inventory management, warehousing, and order processing.

Standardizing quality is a product function, credit terms are a price function, and TV ads are a promotion function.

Answer: (C)

Q43.

Solution

Concept: The **Societal Marketing Concept** is an extension of the marketing concept. It argues that the organization's task is to determine the needs of the target markets and deliver the desired satisfaction more effectively than competitors in a way that preserves or enhances the well-being of both the consumer and the society.

Solution: The Societal Marketing Concept focuses on the **Ethical and ecological aspects of marketing**.

It addresses the potential conflicts between short-run consumer wants and long-run societal well-being. It considers:

- **Environmental pollution** (using eco-friendly packaging).
- **Deforestation** and resource depletion.
- **Ethical practices** (not selling harmful or adulterated products).

Answer: (B)



Q44.

Solution

Concept: The **Promotion Mix** consists of various tools. **Sales Promotion** refers to short-term incentives, which are designed to encourage the buyers to make an immediate purchase of a product or service.

Solution: "Buy one, get one free" is a classic example of **Sales Promotion**.

Common sales promotion activities include:

- **Rebate or Discount:** Offering products at a lower price.
- **Quantity Gift:** Offering extra quantity (e.g., Buy 1 Get 1).
- **Refunds:** Offering to refund a part of the price on next purchase.
- **Product Combination:** Offering a gift with a purchase (e.g., free toothbrush with toothpaste).

These activities are intended to boost sales volume quickly and clear out inventory.

Answer: (C)

Q45.

Solution

Concept: Labelling is the part of a product that carries verbal information about the product or the seller. It performs several critical functions in marketing.

Solution: Labelling serves the following functions:

- (a) **Describing the product and specifying its contents:** Informing the user about ingredients, net weight, price, and usage instructions.
- (b) **Identification of the product or brand:** Helping the customer distinguish the product from others on the shelf.
- (c) **Grading of products:** Helping to categorize products into different quality or size grades (e.g., Gold, Silver, and Platinum hair oil).
- (d) **Promotion:** Attractive labels can draw attention and persuade buyers.

Therefore, **All of the above** is correct.

Answer: (D)



Q46.

Solution

Concept: The **Consumer Protection Act, 2019** established a three-tier quasi-judicial machinery at the District, State, and National levels to provide simple and speedy redressal to consumer disputes. The pecuniary jurisdiction (the value of the claim) was significantly increased in the 2019 Act compared to the older 1986 Act.

Solution: Under the Consumer Protection Act 2019, a complaint can be filed in the **District Commission** if the value of goods or services paid as consideration **does not exceed 1 Crore**.

The hierarchy of jurisdiction is as follows:

- **District Commission:** Up to 1 Crore.
- **State Commission:** Between 1 Crore and 10 Crores.
- **National Commission:** Above 10 Crores.

Answer: (C)

Q47.

Solution

Concept: The Consumer Protection Act provides six fundamental rights to protect the interests of consumers.

- **Right to Safety:** Protection against marketed goods and services that are hazardous to life and property.
- **Right to Information:** Right to be informed about quality, quantity, purity, and price.
- **Right to Choose:** Right to have access to a variety of products at competitive prices.
- **Right to be Heard:** Right to have consumer interests considered at appropriate forums.

Solution: The right to be protected against goods and services which are hazardous to life and property is the **Right to Safety**.

This right is particularly relevant for products like electrical appliances, LPG cylinders, and food items. Consumers are encouraged to look for quality marks like ****ISI****, ****AGMARK****, or ****FSSAI**** to ensure their safety.

Answer: (B)



Q48.

Solution

Concept: When a consumer's rights are violated or they are exploited by unfair trade practices, the law provides a specific mechanism for compensation and resolution.

Solution: A consumer's right to get relief in case of exploitation is known as the **Right to Seek Redressal**.

This right includes:

- (a) **Compensation:** Receiving money for losses or injuries suffered.
- (b) **Replacement:** Getting a new product in place of a defective one.
- (c) **Removal of Defects:** Having the seller fix the issue.
- (d) **Refund:** Getting the purchase price back.

The consumer can approach the District, State, or National Commissions depending on the value of the claim to exercise this right.

Answer: (B)

Q49.

Solution

Concept: The **Consumer Protection Act, 2019** provides a three-tier machinery for the redressal of consumer grievances. Each tier is defined by its pecuniary jurisdiction, which refers to the monetary value of the goods or services paid as consideration.

Solution: The **State Commission** handles cases where the value of the claim is **Between 1 Crore and 10 Crores**.

The revised jurisdictions under the 2019 Act are:

- **District Commission:** Claims up to 1 Crore.
- **State Commission:** Claims exceeding 1 Crore but not exceeding 10 Crores.
- **National Commission:** Claims exceeding 10 Crores.

Answer: (B)



Q50.

Solution

Concept: To ensure that justice is accessible, the Consumer Protection Act broadly defines who has the "locus standi" (the right to bring a lawsuit) to file a complaint regarding defective goods or deficient services.

Solution: A complaint under the CPA 2019 can be filed by **All of the above**.

Specifically, the law allows the following entities to file a case:

- (a) **Any Consumer:** An individual who buys goods or hires services for consideration.
- (b) **Any Registered Consumers' Association:** Voluntary groups working for consumer interests.
- (c) **Central or State Government:** Acting in the public interest.
- (d) **One or more consumers:** On behalf of numerous consumers having the same interest (Class action suit).
- (e) **Legal heir or representative:** In case of the death of a consumer.

Answer: (D)



Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	B	2	B	3	B	4	C	5	B
6	C	7	B	8	B	9	A	10	B
11	B	12	B	13	C	14	B	15	C
16	C	17	C	18	A	19	C	20	C
21	C	22	C	23	C	24	B	25	B
26	C	27	C	28	D	29	B	30	B
31	A	32	B	33	B	34	C	35	B
36	C	37	B	38	B	39	B	40	C
41	C	42	C	43	B	44	C	45	D
46	C	47	B	48	B	49	B	50	D

