

CUET-UG Business Studies Sample Paper-12

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. The General Manager of a firm is involved in framing the overall organizational goals and strategies. At which level of management is he operating?

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

Q2. Coordination is considered the 'essence of management' because:

- (A) It is a separate function of management
- (B) It is the force that binds all other functions
- (C) It is only required at the top level
- (D) It is a one-time activity

Q3. In a factory, the 'Gang Boss' is responsible for keeping machines and tools ready for operation by workers. This is a part of which technique of Scientific Management?

- (A) Standardization
- (B) Method Study
- (C) Functional Foremanship
- (D) Differential Piece Wage System



- Q4.** A manager believes that all employees should be treated with justice and kindness to ensure loyalty. Which principle of Fayol is being applied?
- (A) Equity
 - (B) Discipline
 - (C) Order
 - (D) Initiative
- Q5.** Under the 'Scalar Chain' principle, if two employees at the same level need to communicate urgently without following the formal hierarchy, they use:
- (A) Vertical Chain
 - (B) Gang Plank
 - (C) Feedback Loop
 - (D) Informal Channel
- Q6.** Which technique of Taylor aims to determine the standard time taken to perform a well-defined job?
- (A) Motion Study
 - (B) Fatigue Study
 - (C) Time Study
 - (D) Method Study
- Q7.** The shift in consumer preference towards organic food products represents which dimension of the Business Environment?
- (A) Economic Environment
 - (B) Social Environment
 - (C) Political Environment
 - (D) Technological Environment
- Q8.** The 'Demonetization' policy implemented by the Government of India falls under which dimension?



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

Q9. Identify the correct fourth step in the Planning Process:

- (A) Setting Objectives
- (B) Developing Premises
- (C) Evaluating Alternative Courses
- (D) Identifying Alternative Courses

Q10. "A company decides to recruit only post-graduates for its R&D department."
This is an example of which type of plan?

- (A) Rule
- (B) Policy
- (C) Procedure
- (D) Method

Q11. Which type of plan does not allow for any flexibility or discretion?

- (A) Strategy
- (B) Policy
- (C) Rule
- (D) Objective

Q12. An organization producing diverse products like medicines, cosmetics, and confectionery should ideally adopt which structure?

- (A) Functional Structure
- (B) Divisional Structure
- (C) Network Structure



(D) Matrix Structure

Q13. In which organizational structure is "Responsibility for Profit" easiest to fix?

(A) Functional Structure

(B) Divisional Structure

(C) Formal Structure

(D) Informal Structure

Q14. When authority is shared from a superior to a single subordinate for a specific task, it is known as:

(A) Decentralization

(B) Delegation

(C) Departmentalization

(D) Centralization

Q15. Decentralization is considered an extension of:

(A) Planning

(B) Staffing

(C) Delegation

(D) Directing

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

(A) Campus Placement

(B) Direct Recruitment

(C) Promotion

(D) Recommendation of Employees

Q17. Which selection test is designed to measure the existing skills and knowledge of an individual regarding a specific job?



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

Q18. Arrange the steps of the Selection Process in order: (i) Selection Decision, (ii) Employment Interview, (iii) Preliminary Screening, (iv) Reference Checks.

- (A) (iii), (ii), (iv), (i)
- (B) (ii), (iii), (i), (iv)
- (C) (iii), (iv), (ii), (i)
- (D) (i), (ii), (iii), (iv)

Q19. Which training method involves the trainee working under a master worker for a prescribed period?

- (A) Internship
- (B) Vestibule Training
- (C) Apprenticeship Training
- (D) Case Study

Q20. According to Maslow, which need represents the desire to become what one is capable of becoming?

- (A) Esteem Needs
- (B) Social Needs
- (C) Self-Actualization Needs
- (D) Safety Needs

Q21. A leader who allows his subordinates to take decisions and acts only as a support system is following which leadership style?

- (A) Autocratic



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

Q22. Which barrier to communication arises due to the use of technical jargon?

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

Q23. "Profit Sharing" and "Stock Options" are examples of:

- (A) Non-financial Incentives
- (B) Financial Incentives
- (C) Status Incentives
- (D) Job Enrichment

Q24. Fear of challenge to authority is a communication barrier related to:

- (A) The Receiver
- (B) The Sender
- (C) The Channel
- (D) The Message

Q25. Which function of management ensures that activities are performed as per the plans?

- (A) Planning
- (B) Organising
- (C) Directing
- (D) Controlling



- Q26.** In Controlling, the 'Key Result Areas' (KRAs) are identified to focus on:
- (A) All minor deviations
 - (B) Critical points that impact the whole organization
 - (C) Personal issues of employees
 - (D) External environmental threats
- Q27.** The decision concerning the proportion of debt and equity in the total capital is called:
- (A) Investment Decision
 - (B) Financing Decision
 - (C) Dividend Decision
 - (D) Working Capital Decision
- Q28.** Which of the following factors would lead to a higher requirement of Working Capital?
- (A) Short Operating Cycle
 - (B) High Rate of Inflation
 - (C) Liberal Credit Terms from Suppliers
 - (D) High Inventory Turnover
- Q29.** The concept of 'Financial Leverage' is concerned with:
- (A) Use of Equity Capital
 - (B) Use of Preference Capital
 - (C) Use of Fixed Interest Bearing Securities
 - (D) Use of Retained Earnings
- Q30.** Capital Budgeting decisions are related to:
- (A) Current Assets
 - (B) Fixed Assets



- (C) Current Liabilities
- (D) Short-term loans

Q31. A high Debt-Equity ratio implies:

- (A) Low Financial Risk
- (B) High Financial Risk
- (C) Low Operating Risk
- (D) High Dividend Payout

Q32. Which money market instrument is issued by Commercial Banks to meet a temporary shortage of cash?

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

Q33. The 'Primary Market' is also known as:

- (A) Stock Exchange
- (B) New Issue Market
- (C) Money Market
- (D) Over-the-Counter Market

Q34. Which function of SEBI involves the registration of collective investment schemes and mutual funds?

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

Q35. What is the maturity period of a 'Commercial Paper'?



- (A) 1 to 5 years
- (B) 15 days to 1 year
- (C) 1 day to 14 days
- (D) 5 to 10 years

Q36. In the Stock Exchange, 'T+1' settlement means the transaction is settled:

- (A) On the same day
- (B) Within 24 hours of the trade date
- (C) After 1 week
- (D) At the end of the month

Q37. Which marketing philosophy holds that "Availability and Affordability" of the product are the keys to success?

- (A) Product Concept
- (B) Production Concept
- (C) Selling Concept
- (D) Marketing Concept

Q38. The 'Marketing Mix' element that involves decisions regarding discounts and credit terms is:

- (A) Product
- (B) Price
- (C) Place
- (D) Promotion

Q39. Which sales promotion tool involves offering a product at a lower price than the list price for a limited period?

- (A) Rebate
- (B) Discount



- (C) Refund
- (D) Premium

Q40. The social process by which individual groups obtain what they need and want through creating offerings is:

- (A) Selling
- (B) Marketing
- (C) Advertising
- (D) Branding

Q41. Which level of packaging refers to the immediate container of the product (e.g., a toothpaste tube)?

- (A) Primary Packaging
- (B) Secondary Packaging
- (C) Transportation Packaging
- (D) Tertiary Packaging

Q42. A brand name that is given legal protection is called a:

- (A) Logo
- (B) Trademark
- (C) Patent
- (D) Copyright

Q43. Which 'P' of marketing is concerned with making the product available at the right place and in the right quantity?

- (A) Promotion
- (B) Product
- (C) Place
- (D) Price



- Q44.** "Customer is the King" is the motto of which marketing philosophy?
- (A) Selling Concept
 - (B) Production Concept
 - (C) Marketing Concept
 - (D) Product Concept
- Q45.** Under the Consumer Protection Act 2019, the 'Right to Safety' implies protection against:
- (A) Unfair Trade Practices
 - (B) Marketing of goods hazardous to life
 - (C) Lack of information
 - (D) High prices
- Q46.** A consumer can file a complaint in the State Commission if the value of goods/services exceeds:
- (A) ₹ 50 Lakhs but stays below ₹ 1 Crore
 - (B) ₹ 1 Crore but stays below ₹ 10 Crores
 - (C) ₹ 20 Lakhs but stays below ₹ 50 Lakhs
 - (D) ₹ 10 Crores
- Q47.** Which redressal agency is at the apex level for consumer grievances in India?
- (A) District Commission
 - (B) State Commission
 - (C) National Commission
 - (D) Supreme Court
- Q48.** In the trading procedure of a Stock Exchange, what comes immediately after 'Opening a Demat Account'?
- (A) Placing an Order



- (B) Execution of Order
- (C) Selection of a Broker
- (D) Settlement

Q49. Which of the following is NOT a regulatory function of SEBI?

- (A) Levying fee or other charges
- (B) Regulation of take-over bids by companies
- (C) Prohibiting fraudulent and unfair trade practices
- (D) Registration of brokers and sub-brokers

Q50. The process of searching for prospective employees and stimulating them to apply for jobs is:

- (A) Selection
- (B) Recruitment
- (C) Orientation
- (D) Placement



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

Concept: Management in an organization is typically divided into three levels: Top, Middle, and Lower (Operational/Supervisory). **Top-level management** consists of the most senior executives, such as the Chairman, Chief Executive Officer (CEO), President, and General Manager. Their primary role is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organization.

Solution: The General Manager is part of the **Top-level management**. The key responsibilities at this level include: 1. Framing overall organizational goals and policies. 2. Developing strategies to achieve the long-term objectives. 3. Analyzing the business environment and its implications for the survival of the firm. 4. Being responsible for all the activities of the business and for its impact on society.

Final Answer: Top Level

Answer: (C)

Q2.**Solution**

Concept: **Coordination** is not a separate function of management like planning or organizing; rather, it is the thread that runs through all these activities. It is the process by which a manager synchronizes the activities of different departments to ensure that organizational goals are achieved efficiently. It acts as a "binding force" that ensures unity of action.

Solution: Coordination is the **essence of management** because it is required at every stage and in every function. * It begins at the planning stage where departmental plans must be integrated. * It is required during organizing to define authorities and responsibilities. * It is essential in staffing, directing, and controlling to ensure everyone moves in the same direction. Without coordination, the individual efforts of employees would lead to chaos and overlap.

Final Answer: It is the force that binds all other functions

Answer: (B)



Q3.

Solution

Concept: F.W. Taylor proposed **Functional Foremanship** as a technique to improve the quality of supervision by separating planning from execution. He suggested that workers should be supervised by eight specialist foremen (four for planning and four for execution) to ensure maximum efficiency and specialization.

Solution: The **Gang Boss** is one of the four foremen under the **Production (Execution) Department**. His specific duty is to ensure that the necessary machines, tools, and materials are set up and ready for the workers to use immediately upon starting their shift. This prevents delays and keeps the workflow smooth.

The other foremen under execution include: * **Speed Boss:** Ensures timely and accurate completion of work. * **Repair Boss:** Ensures machines and tools are in proper working condition. * **Inspector:** Checks the quality of work produced.

Final Answer: Functional Foremanship

Answer: (C)

Q4.

Solution

Concept: Henri Fayol's principle of **Equity** emphasizes that managers should be fair and impartial when dealing with their subordinates. Equity does not mean equal salary for everyone, but rather the absence of discrimination on the basis of caste, creed, gender, or religion. It focuses on creating a friendly atmosphere where employees feel valued.

Solution: The manager's belief in treating employees with **justice and kindness** is the core of the principle of **Equity**. By applying this principle, the manager ensures that there is no bias in treatment, which in turn fosters a sense of security and **loyalty** among the workforce. While "Discipline" refers to obedience to rules and "Order" refers to the systematic arrangement of people and materials, "Equity" specifically addresses the humane and fair treatment of personnel.

Final Answer: Equity

Answer: (A)



Q5.

Solution

Concept: The **Scalar Chain** refers to the formal line of authority and communication that runs from the highest to the lowest ranks in an organization. Fayol insisted that this chain should strictly be followed to maintain order. However, he recognized that in emergencies, following the formal chain could lead to dangerous delays.

Solution: To prevent delays during urgent situations, Fayol provided a shortcut called the **Gang Plank**. This allows two employees working at the same level of authority to communicate directly with each other, provided they inform their immediate superiors. This ensures that the organization remains agile without completely discarding the formal hierarchy.

Final Answer: Gang Plank

Answer: (B)

Q6.

Solution

Concept: **Time Study** is a technique of Scientific Management used to determine the standard time required to perform a well-defined job. It involves using measuring devices like stopwatches to observe a worker performing a task several times to arrive at an average "standard time." This helps in determining the number of workers required, framing suitable incentive schemes, and calculating labor costs.

Solution: The primary goal of **Time Study** is to establish a "fair day's work" for an average worker. * **Motion Study** focuses on eliminating unproductive movements. * **Fatigue Study** determines the frequency and duration of rest intervals. * **Method Study** aims to find the one "best way" of doing a job. Since the question specifically asks about determining "standard time," the correct technique is Time Study.

Final Answer: Time Study

Answer: (C)

Q7.

Solution

Concept: The **Social Environment** of a business includes the customs, traditions, values, social trends, and lifestyle patterns of the society in which an organization operates. Changes in social environment often influence the demand for products and the taste and preferences of consumers.

Solution: A shift in consumer preference toward **organic food products** is a reflection of changing **lifestyle patterns and health consciousness** in society. It isn't a result of interest rates (Economic) or government legislation (Legal), but rather a change in what the community values. Therefore, it falls under the Social Environment.

Final Answer: Social Environment

Answer: (B)



Q8.

Solution

Concept: The **Economic Environment** consists of factors that have a direct economic impact on business operations, such as interest rates, inflation rates, changes in disposable income of people, stock market indices, and the value of the rupee. It includes major economic policy changes like industrial policies, fiscal policies, and monetary reforms.

Solution: **Demonetization** was a major economic policy move aimed at curbing black money, corruption, and terrorism funding by withdrawing the status of legal tender from specific currency notes. Because it directly deals with the money supply, monetary policy, and the economic structure of the country, it is a part of the **Economic Environment**.

Final Answer: Economic Environment

Answer: (C)

Q9.

Solution

Concept: Planning is a systematic process consisting of specific logical steps. The process begins with **Setting Objectives**, followed by **Developing Premises** (assumptions about the future), and then **Identifying Alternative Courses of Action**. Once the alternatives are identified, the next logical step is to analyze them.

Solution: The **fourth step** in the planning process is **Evaluating Alternative Courses**. In this stage, the positive and negative aspects of each proposal are weighed against the objectives to be achieved. Each alternative is evaluated in terms of its feasibility and consequences.

The standard sequence is: 1. Setting Objectives 2. Developing Premises 3. Identifying Alternative Courses 4. **Evaluating Alternative Courses** 5. Selecting an Alternative 6. Implementing the Plan 7. Follow-up Action

Final Answer: Evaluating Alternative Courses

Answer: (C)

Q10.

Solution

Concept: A **Policy** is a general statement that guides thinking and provides a basis for decision-making. It defines the broad parameters within which a manager can function. Policies help in bringing consistency to the decisions made by different managers in the organization.

Solution: The decision to "recruit only post-graduates for the R&D department" is a **Policy**. It serves as a standing guide for the HR department when screening candidates. Unlike a **Rule**, which might say "No smoking" (a specific instruction with no discretion), a policy provides a general guideline for executive action—in this case, regarding recruitment standards.

Final Answer: Policy

Answer: (B)



Q11.

Solution

Concept: A **Rule** is a specific statement that informs what is to be done or not done. It is the simplest type of plan and is unique because it allows for no compromise or discretion. Rules are enforced to maintain discipline and order within an organization.

Solution: Unlike a **Policy** (which is a guide to thinking) or a **Strategy** (which is a comprehensive plan to achieve goals), a **Rule** is a rigid instruction. For example, "No Smoking" is a rule; it must be followed exactly as stated, and employees have no freedom to interpret it differently. Because it provides no room for flexibility, it is the most restrictive type of plan.

Final Answer: Rule

Answer: (C)

Q12.

Solution

Concept: The choice of organizational structure depends largely on the diversification of the business. A **Divisional Structure** is designed for large organizations that have more than one category of products. In this structure, the organization is divided into separate business units or divisions, each responsible for a specific product line.

Solution: Since the organization produces widely different products like **medicines, cosmetics, and confectionery**, a **Divisional Structure** is the most appropriate.

- Product Focus:** Each product line requires different raw materials, production processes, and marketing strategies.
- Autonomy:** Each division works as a profit center, headed by a divisional manager who has control over all functions (production, sales, etc.) related to that specific product.
- Efficiency:** It prevents the confusion that would arise in a Functional Structure if a single department tried to manage such diverse manufacturing needs.

Final Answer: Divisional Structure

Answer: (B)



Q13.

Solution

Concept: In a **Divisional Structure**, the organization is organized into separate business units or divisions based on products, services, or geography. Each division acts as a self-contained unit with its own functions (production, marketing, finance, etc.) and is headed by a divisional manager who is accountable for the performance of that specific unit.

Solution: The **Divisional Structure** makes it easiest to fix responsibility for profit. Because each division operates as a separate **profit center**, the costs and revenues associated with a specific product line can be easily identified. If a particular product is not performing well, the management can clearly hold the divisional head accountable. In a Functional Structure, departments (like production or sales) are interdependent, making it difficult to pinpoint which department is responsible for a dip in overall profits.

Final Answer: Divisional Structure

Answer: (B)

Q14.

Solution

Concept: **Delegation** is the downward transfer of authority from a superior to a subordinate. It is a prerequisite for the efficient functioning of an organization because it enables a manager to use their time on high-priority activities while ensuring that routine work is handled by others.

Solution: The sharing of authority between a **single superior and a single subordinate** for a specific task is **Delegation**. It consists of three elements: Authority, Responsibility, and Accountability. While Delegation is a technique used between two individuals, **Decentralization** refers to the systematic distribution of authority across all levels of the organization.

Final Answer: Delegation

Answer: (B)

Q15.

Solution

Concept: Delegation and Decentralization are closely related. Delegation is the act of assigning work and the authority to do it to a subordinate. When this philosophy of sharing authority is applied to the entire organization, from the top level down to the lowest level, it becomes Decentralization.

Solution: **Decentralization** is considered an **extension of Delegation**. Delegation happens between two people (superior and subordinate), whereas Decentralization is the delegation of authority throughout the organization. In other words, "Delegation multiplied by every department" results in Decentralization.

Final Answer: Delegation

Answer: (C)



Q16.

Solution

Concept: Recruitment sources are classified into two categories: **Internal** (from within the organization) and **External** (from outside the organization). Internal sources involve shifting existing employees to fill vacant positions, which is cost-effective and boosts employee morale.

Solution: **Promotion** is an internal source of recruitment. It involves shifting an employee to a higher post carrying higher responsibilities, status, and pay. **Campus Placement**, **Direct Recruitment**, and **Recommendations** are all external sources because the candidates are being brought in from outside the current workforce.

Final Answer: Promotion

Answer: (C)

Q17.

Solution

Concept: During the employee selection process, different types of tests are used to measure various human characteristics. While an Aptitude Test measures the *potential* or ability of an individual to learn new skills, a **Trade Test** measures the *existing* skills, level of knowledge, and proficiency of an individual in their chosen profession or trade.

Solution: If an organization wants to measure what a candidate already knows or can actively do right now regarding a specific job (e.g., testing a typist's typing speed or an electrician's wiring skills), they will conduct a **Trade Test**.

Final Answer: Trade Test

Answer: (C)

Q18.

Solution

Concept: The **Selection Process** in Human Resource Management follows a logical sequence of hurdles that a candidate must clear to get hired. It starts with weeding out unqualified candidates and ends with a job offer.

Solution: The standard steps in the selection process occur in this order: 1. **(iii) Preliminary Screening:** Eliminating unqualified applications based on the resume. 2. Selection Tests (not listed in options) 3. **(ii) Employment Interview:** In-depth conversation to evaluate suitability. 4. **(iv) Reference Checks:** Verifying the candidate's background and character. 5. **(i) Selection Decision:** Making the final choice from among the candidates who passed the previous stages.

Therefore, the correct sequential order is (iii), (ii), (iv), (i).

Final Answer: (iii), (ii), (iv), (i)

Answer: (A)



Q19.

Solution

Concept: Training methods are broadly classified into "On-the-job" and "Off-the-job" methods. **Apprenticeship Training** is a traditional on-the-job method specifically designed for jobs requiring a high level of skill, such as plumbers, electricians, or ironworkers.

Solution: In **Apprenticeship Training**, the trainee is placed under the guidance of a "master worker" or experienced guide for a prescribed period. The trainee observes and learns the skills while the master performs the work, eventually taking over the tasks themselves. **Vestibule Training** is done on dummy equipment away from the actual work floor. **Internship** is a joint program between educational institutions and corporate firms.

Final Answer: Apprenticeship Training

Answer: (C)

Q20.

Solution

Concept: Abraham Maslow's Need Hierarchy Theory categorizes human needs into five levels, starting from basic physiological needs up to the highest level of psychological development.

Solution: The highest level in Maslow's hierarchy is **Self-Actualization Needs**. This refers to the drive to become what one is capable of becoming. It includes growth, achieving one's maximum potential, and self-fulfillment. An individual at this stage seeks meaningful work, creative outlets, and personal growth.

Final Answer: Self-Actualization Needs

Answer: (C)

Q21.

Solution

Concept: Leadership styles refer to a leader's behavior towards their team. A **Laissez-faire** (or Free-rein) leader abdicates decision-making authority and gives complete freedom to subordinates to set their own goals and figure out the best way to achieve them.

Solution: When a leader allows subordinates to take decisions and acts merely as an outside contact or support system to bring in information and resources, they are utilizing the **Laissez-faire** leadership style. This works best when subordinates are highly trained, self-motivated, and capable of working independently.

Final Answer: Laissez-faire

Answer: (C)



Q22.

Solution

Concept: Communication barriers prevent the accurate exchange of information. **Semantic Barriers** are related to problems in encoding and decoding messages into words or impressions. This often happens because words have multiple meanings or because of the specific language used.

Solution: The use of **technical jargon** is a classic **Semantic Barrier**. Specialists and experts often develop a unique vocabulary or technical language related to their field. If they use this terminology to communicate with workers or individuals outside their department without explaining it, the receiver will fail to grasp the true meaning of the message.

Final Answer: Semantic Barrier

Answer: (C)

Q23.

Solution

Concept: Incentives are measures used to motivate employees to improve their performance. They are broadly divided into Financial (monetary) and Non-financial (psychological/social) incentives.

Solution: **Profit Sharing** (giving employees a share of the company's surplus profits) and **Stock Options** (offering company shares to employees at a set price) are direct monetary benefits that increase an employee's wealth. Because they are measurable in terms of money, they are classified as **Financial Incentives**.

Final Answer: Financial Incentives

Answer: (B)

Q24.

Solution

Concept: Personal barriers to communication are linked to the personal feelings, attitudes, and state of mind of the individuals involved. The "fear of challenge to authority" is a barrier specifically related to managers or superiors in an organization.

Solution: If a manager perceives that communicating a certain piece of information might adversely affect their authority or expose their weaknesses, they may intentionally withhold or suppress that communication. Because the manager is the one originating (or deliberately failing to originate) the message, this barrier is directly related to **The Sender**.

Final Answer: The Sender

Answer: (B)



Q25.

Solution

Concept: Management consists of several functions: Planning, Organizing, Staffing, Directing, and Controlling. While Planning establishes the goals and standards, it is the job of the final function to ensure the actual work aligns with those benchmarks.

Solution: **Controlling** is the function that ensures activities in an organization are performed exactly as per the plans. It involves measuring actual performance, comparing it against the set standards, finding out any deviations, and taking corrective action so that the organizational goals are met efficiently.

Final Answer: Controlling

Answer: (D)

Q26.

Solution

Concept: In the Controlling process, it is impossible for a manager to control everything. The principle of **Critical Point Control** suggests that management should focus its attention on **Key Result Areas (KRAs)**. These are critical areas where any deviation would cause a significant loss or have a widespread impact on the organization's success.

Solution: By identifying KRAs, a manager ensures that they are not bogged down by minor, insignificant deviations (which can be handled by lower-level management) and instead focus on the **critical points that impact the whole organization**. For example, a 5% increase in labor costs is a KRA, whereas a 10% increase in stationary costs might not be.

Final Answer: Critical points that impact the whole organization

Answer: (B)

Q27.

Solution

Concept: Financial management involves three major decisions: Investment Decisions, Financing Decisions, and Dividend Decisions. The **Financing Decision** deals with quantum of finance to be raised from various long-term sources.

Solution: The decision concerning the proportion of debt (borrowed funds) and equity (shareholders' funds) in the total capital structure of a company is the **Financing Decision**. It involves evaluating the cost and risk associated with each source of finance to achieve an optimal capital structure. **Investment Decision** relates to how funds are invested in different assets. **Dividend Decision** relates to the distribution of profits to shareholders.

Final Answer: Financing Decision

Answer: (B)



Q28.

Solution

Concept: **Working Capital** is the portion of capital required for the day-to-day operations of a business (Current Assets - Current Liabilities). Various factors affect how much working capital an organization needs, such as the nature of the business, scale of operations, business cycle, and inflation.

Solution: A **High Rate of Inflation** means that prices for raw materials, labor, and other inputs are rising. As a result, the company will need more funds to maintain the exact same volume of production and sales. Therefore, inflation leads to a higher requirement for working capital. A **Short Operating Cycle**, **Liberal Credit Terms from Suppliers**, and **High Inventory Turnover** all lead to a **lower** requirement of working capital because funds are tied up for shorter periods.

Final Answer: High Rate of Inflation

Answer: (B)

Q29.

Solution

Concept: **Financial Leverage** (also known as trading on equity) refers to the proportion of debt in the overall capital structure. It measures the extent to which an organization utilizes fixed-cost financial sources to increase the potential return to equity shareholders.

Solution: The core concept of financial leverage is built around the **use of Fixed Interest Bearing Securities** (such as debt, debentures, and bonds). Because the interest rate on these securities is fixed and tax-deductible, employing them can magnify the Earnings Per Share (EPS) for equity holders, provided the company's Return on Investment (ROI) is higher than the interest rate on the debt.

Final Answer: Use of Fixed Interest Bearing Securities

Answer: (C)

Q30.

Solution

Concept: Investment decisions are categorized into long-term and short-term decisions. **Capital Budgeting** is the process of making long-term investment decisions.

Solution: Capital budgeting decisions involve committing a large amount of funds to long-term projects or assets with the expectation of generating returns over multiple years. Because these decisions are long-term, they are directly related to the acquisition, expansion, or replacement of **Fixed Assets** (e.g., machinery, land, buildings). Decisions regarding Current Assets and Current Liabilities fall under Working Capital Management.

Final Answer: Fixed Assets

Answer: (B)



Q31.

Solution

Concept: The **Debt-Equity ratio** evaluates a company's financial leverage by comparing its total liabilities to its shareholder equity. It shows how much debt a company is using to finance its assets relative to the value of shareholders' equity.

Solution: Debt brings a fixed obligation to pay interest and repay the principal amount, regardless of whether the company makes a profit. A **high Debt-Equity ratio** means the company relies heavily on borrowed funds. This heavy reliance increases the chances of defaulting on these fixed payment obligations, thereby implying **High Financial Risk**.

Final Answer: High Financial Risk

Answer: (B)

Q32.

Solution

Concept: **Call Money** is a short-term finance repayable on demand, with a maturity period of one day to fifteen days. It is used for inter-bank transactions. Commercial banks are required to maintain a minimum cash balance (Cash Reserve Ratio or CRR) as per RBI guidelines.

Solution: When a bank faces a temporary shortage of cash or needs to maintain its CRR, it borrows from other banks using **Call Money**. The interest rate paid on call money is known as the Call Rate, which is highly volatile.

Final Answer: Call Money

Answer: (C)

Q33.

Solution

Concept: The Capital Market is divided into two parts: the Primary Market and the Secondary Market. The **Primary Market** deals with new securities being issued for the very first time by a company to the public.

Solution: Since the Primary Market is where fresh capital is raised and securities are issued for the first time, it is also known as the **New Issue Market**. Once these securities are issued here, they are subsequently traded among investors in the Secondary Market (Stock Exchange).

Final Answer: New Issue Market

Answer: (B)



Q34.

Solution

Concept: The Securities and Exchange Board of India (SEBI) performs **Regulatory Functions** to ensure the orderly functioning of the securities market. These functions involve establishing rules, codes of conduct, and registering various market intermediaries.

Solution: The registration and regulation of collective investment schemes and mutual funds fall under the **Regulatory Function** of SEBI. This ensures that these entities follow standardized practices to protect the integrity of the market.

Final Answer: Regulatory Function

Answer: (B)

Q35.

Solution

Concept: **Commercial Paper (CP)** is a short-term, unsecured promissory note issued by large and creditworthy companies to meet short-term financial requirements. It is a money market instrument.

Solution: The maturity period of Commercial Paper typically ranges from **15 days to 1 year**. (Note: While some regulations allow for 7 days, in standard management curriculum, 15 days to 1 year is the traditionally recognized range for CP maturity).

Final Answer: 15 days to 1 year

Answer: (B)

Q36.

Solution

Concept: Settlement refers to the process where the buyer receives the shares and the seller receives the money. The stock market follows a standardized cycle for this transfer.

Solution: In **T+1 settlement**, 'T' stands for the Trade Day (the day the transaction took place). '+1' indicates one working day after the trade. Therefore, the transaction is settled **within 24 hours of the trade date** (on the next working day). India transitioned to this faster cycle to increase market liquidity and reduce risk.

Final Answer: Within 24 hours of the trade date

Answer: (B)



Q37.

Solution

Concept: Marketing philosophies represent the different orientations a company can take toward its market. The **Production Concept** is one of the oldest philosophies. It is based on the idea that consumers will favor products that are widely available and highly affordable. Management, therefore, focuses on high production efficiency, low costs, and mass distribution.

Solution: The **Production Concept** specifically holds that customers are primarily interested in product **availability and affordability**. This philosophy was dominant during the industrial revolution when demand exceeded supply. Companies believed that if they could make a product cheap enough and put it everywhere, it would sell itself. **Product Concept** focuses on quality and features. **Selling Concept** focuses on aggressive promotion and sales. **Marketing Concept** focuses on customer satisfaction.

Final Answer: Production Concept

Answer: (B)

Q38.

Solution

Concept: The **Marketing Mix** consists of four elements (4Ps): Product, Price, Place, and Promotion. **Price** is the amount of money customers have to pay to obtain the product. It is a critical element as it directly affects the revenue and profits of the firm.

Solution: Decisions regarding the list price, **discounts**, allowances, and **credit terms** are all components of the **Price** mix. These variables determine the final cost to the consumer and the terms under which the exchange of value occurs.

Final Answer: Price

Answer: (B)

Q39.

Solution

Concept: **Sales Promotion** refers to short-term incentives designed to encourage the purchase or sale of a product or service. These tools are used to boost sales during slack periods or to clear old stock.

Solution: A **Discount** is a sales promotion tool where a product is offered at a price lower than the list price for a specific, limited period. It is often expressed as a percentage off (e.g., 20% off) to attract price-sensitive customers.

Final Answer: Discount

Answer: (B)



Q40.

Solution

Concept: **Marketing** is often defined in a social context rather than just a commercial one. It focuses on the exchange of value between two parties to satisfy their respective needs and wants.

Solution: The definition provided—"a social process by which individual groups obtain what they need and want through creating offerings"—is the core definition of **Marketing** as popularized by Philip Kotler. It emphasizes value creation and exchange.

Final Answer: Marketing

Answer: (B)

Q41.

Solution

Concept: Packaging is categorized into three levels based on its proximity to the product and its purpose: Primary, Secondary, and Transportation.

Solution: **Primary Packaging** refers to the immediate container of the product. It stays with the product until it is ready for use (e.g., a toothpaste tube, a matchbox, or a medicine strip). Its main function is to protect the product and facilitate its use.

Final Answer: Primary Packaging

Answer: (A)

Q42.

Solution

Concept: A brand identifies the seller's product. When a brand is registered with the government, it gains legal protection, preventing others from using the same name or mark.

Solution: A brand name that is given legal protection is called a **Trademark**. No other firm can use such a name or mark in the same category of goods or services. This provides the owner exclusive rights and legal recourse against infringement.

Final Answer: Trademark

Answer: (B)



Q43.

Solution

Concept: The "Place" element of the marketing mix, also known as **Physical Distribution**, involves the various activities a company undertakes to make the product accessible to target customers.

Solution: **Place** is concerned with ensuring that the product is available at the right location, at the right time, and in sufficient quantities. This involves selecting distribution channels and managing logistics like transportation and inventory.

Final Answer: Place

Answer: (C)

Q44.

Solution

Concept: Marketing philosophies guide how companies approach their business. The **Marketing Concept** shifted the focus from the seller's needs to the buyer's needs.

Solution: The motto **"Customer is the King"** belongs to the **Marketing Concept**. It posits that the success of an organization depends on determining the needs and wants of the target market and delivering satisfaction better than competitors.

Final Answer: Marketing Concept

Answer: (C)

Q45.

Solution

Concept: The **Consumer Protection Act, 2019** provides six basic rights to consumers to protect them from exploitation and unfair practices.

Solution: The **Right to Safety** implies the right to be protected against the **marketing of goods and services which are hazardous to life and property**. It mandates that products should meet safety standards and carry necessary warnings.

Final Answer: Marketing of goods hazardous to life

Answer: (B)



Q46.

Solution

Concept: Pecuniary jurisdiction refers to the monetary limits within which a consumer commission can hear a case. These limits were significantly revised under the 2019 Act.

Solution: As per the Consumer Protection Act, 2019, a complaint can be filed in the **State Commission** if the value of goods or services paid as consideration **exceeds ₹ 1 Crore but does not exceed ₹ 10 Crores**.

Final Answer: ₹ 1 Crore but stays below ₹ 10 Crores

Answer: (B)

Q47.

Solution

Concept: Consumer disputes in India are resolved through a three-tier quasi-judicial machinery established at the District, State, and National levels.

Solution: The **National Commission** (National Consumer Disputes Redressal Commission) is the **apex level** agency. It hears cases involving high monetary values and appeals against the orders of State Commissions.

Final Answer: National Commission

Answer: (C)

Q48.

Solution

Concept: The trading procedure on a Stock Exchange follows a specific sequence of steps to ensure transparency and security for the investor.

Solution: In the standard trading procedure, the sequence is: (1) Selection of a broker, (2) Opening a Demat account, (3) **Placing an order**, (4) Execution of the order, and (5) Settlement. Therefore, placing an order comes immediately after opening the Demat account.

Final Answer: Placing an Order

Answer: (A)



Q49.

Solution

Concept: SEBI performs three types of functions: Regulatory, Protective, and Development. ****Regulatory functions**** involve the establishment of rules and registration of market players.

Solution: ****Prohibiting fraudulent and unfair trade practices**** (such as price rigging or misleading advertisements) is a ****Protective Function****, not a regulatory one. Regulatory functions include registering brokers, levying fees, and regulating takeovers.

Final Answer: Prohibiting fraudulent and unfair trade practices

Answer: (C)

Q50.

Solution

Concept: Staffing is the management function of filling and keeping filled the positions in the organization. The first step after manpower planning is attracting potential candidates.

Solution: The process of searching for prospective employees and stimulating them to apply for jobs in the organization is called ****Recruitment****. It is considered a "positive" process as it aims to create a large pool of candidates.

Final Answer: Recruitment

Answer: (B)



Answer Key

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

