

CUET UG Business Studies Sample Paper - 14

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. Which function of management is considered a "continuous" process and is often described as the "essence of management"?

- (A) Planning
- (B) Organizing
- (C) Coordination
- (D) Directing

Q2. A company is facing a decline in sales. The CEO calls a meeting of the Departmental Heads. Which level of management is the CEO interacting with?

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

Q3. In Taylor's Functional Foremanship, which specialist is responsible for ensuring that tools and machines are ready for operation?

- (A) Repair Boss
- (B) Gang Boss



- (C) Speed Boss
- (D) Inspector

Q4. Assertion (A): Principles of Management are not absolute truths.

Reason (R): They deal with human behavior and are applied in changing situations.

- (A) Both A and R are true and R is the correct explanation of A.
- (B) Both A and R are true but R is not the correct explanation of A.
- (C) A is true, R is false.
- (D) A is false, R is true.

Q5. "Even a small production activity like loading pigs of iron into boxcars can be scientifically planned." Which technique of Taylor does this represent?

- (A) Motion Study
- (B) Scientific Task Setting
- (C) Method Study
- (D) Fatigue Study

Q6. Identify the dimension of the business environment: "The shift in preference from soda to organic fruit juices among urban youth."

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

Q7. Which of the following is an example of the "Legal Environment"?

- (A) Increase in disposable income
- (B) Advertisement of alcoholic beverages is prohibited



- (C) Stability of the government
- (D) Digital payment trends

Q8. Sequence the steps in the Planning Process:

- (i) Developing Premises
- (ii) Evaluating Alternative Courses
- (iii) Setting Objectives
- (iv) Identifying Alternative Courses

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

Q9. A plan which is a detailed statement of expected results expressed in numerical terms is:

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

Q10. Which organizational structure is most suitable for a multi-product firm operating in a highly competitive market?

- (A) Functional Structure
- (B) Divisional Structure
- (C) Formal Structure
- (D) Informal Structure

Q11. Match the following terms in List I with their descriptions in List II:



List I (Concept)	List II (Characteristic)
1. Delegation	(iii) Downward transfer of authority
2. Decentralization	(ii) Philosophy of management
3. Responsibility	(i) Compulsory act

- (A) 1-iii, 2-ii, 3-i
- (B) 1-i, 2-ii, 3-iii
- (C) 1-ii, 2-iii, 3-i
- (D) 1-iii, 2-i, 3-ii

Q12. Under which element of the staffing process are candidates sorted to find the most suitable person for the job?

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

Q13. Which test measures the existing skills of an individual?

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

Q14. Assertion (A): Internal sources of recruitment lead to frustration among existing employees.

Reason (R): It stops the entry of fresh talent and new ideas.

- (A) Both A and R are true and R explains A.
- (B) A is false but R is true.
- (C) Both A and R are false.
- (D) A is true but R is false.



- Q15.** Semantic barriers to communication are related to:
- (A) Organizational structure
 - (B) Use of symbols or words with different meanings
 - (C) Psychological state of the receiver
 - (D) Lack of trust
- Q16.** In Maslow's Hierarchy, which need focuses on "self-respect, autonomy, and status"?
- (A) Safety Needs
 - (B) Social Needs
 - (C) Esteem Needs
 - (D) Self-actualization Needs
- Q17.** Laissez-faire leadership style is characterized by:
- (A) Centralized authority
 - (B) Giving complete freedom to subordinates
 - (C) High control by the leader
 - (D) Decision making by consensus
- Q18.** Controlling is called a "backward-looking" function because:
- (A) It looks at future plans.
 - (B) It post-mortems past activities to find deviations.
 - (C) It is the first function of management.
 - (D) It relates to employee appraisal only.
- Q19.** "Critical Point Control" refers to focusing on:



- (A) Every small deviation
- (B) Key Result Areas (KRAs)
- (C) Only financial losses
- (D) Top management's personal issues

Q20. Which financial decision affects the liquidity as well as the profitability of a business?

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

Q21. A higher Debt-Equity ratio results in:

- (A) Lower financial risk
- (B) Higher degree of operating leverage
- (C) Higher financial risk but potential for higher ROI
- (D) Decreased cost of equity

Q22. The objective of Financial Management is to:

- (A) Maximize profits
- (B) Maximize wealth of shareholders
- (C) Minimize taxes
- (D) Ensure liquidity

Q23. Which of the following is a Money Market instrument issued by the RBI on behalf of the Government?

- (A) Commercial Paper



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

Q24. The settlement cycle in NSE for most stocks is currently:

- (A) T+1
- (B) T+2
- (C) T+5
- (D) T+0

Q25. "Dematerialization" refers to:

- (A) Selling of shares in the secondary market
- (B) Converting physical share certificates into electronic form
- (C) Issue of bonus shares
- (D) IPO process

Q26. Which of the following is a "Protective Function" of SEBI?

- (A) Registration of brokers
- (B) Conducting inspections
- (C) Prohibition of fraudulent and unfair trade practices
- (D) Levying fees

Q27. The concept that focuses on "large scale production to lower cost" is:

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



Q28. Which element of the Marketing Mix includes "Channel of Distribution"?

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

Q29. Assertion (A): Advertising is an impersonal form of communication.

Reason (R): There is no direct face-to-face contact between the prospect and the advertiser.

- (A) Both A and R are true and R is the correct explanation of A.
- (B) A is true, R is false.
- (C) A is false, R is true.
- (D) Both A and R are false.

Q30. Which brand component is the part of a brand which can be spoken?

- (A) Brand Mark
- (B) Trade Mark
- (C) Brand Name
- (D) Logo

Q31. Under 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) ₹2 Crores



- Q32.** "Right to be Informed" ensures that the consumer is protected against:
- (A) Hazardous goods
 - (B) Unfair trade practices and right to know ingredients
 - (C) Lack of choice
 - (D) Monopolistic pricing
- Q33.** Which of the following is NOT a regulatory function of SEBI?
- (A) Registration of collective investment schemes
 - (B) Regulation of stock exchanges
 - (C) Promoting investor education
 - (D) Levying of fees
- Q34.** ABC Ltd. decided to issue shares to the public. They approached an intermediary who bought the entire lot and sold it to the public at a higher price. This is:
- (A) Offer through Prospectus
 - (B) Offer for Sale
 - (C) Private Placement
 - (D) Right Issue
- Q35.** The link between the Savings and Investment is:
- (A) Money Market
 - (B) Financial Market
 - (C) Capital Market
 - (D) All of the above
- Q36.** Planning is concerned with:



- (A) Looking back
- (B) Setting goals and how to achieve them
- (C) Hiring people
- (D) Controlling deviations

Q37. Which of the following is a limitation of Planning?

- (A) It reduces overlapping
- (B) It promotes innovative ideas
- (C) It leads to rigidity
- (D) It provides direction

Q38. "A place for everything and everything in its place" refers to Fayol's principle of:

- (A) Equity
- (B) Order
- (C) Discipline
- (D) Unity of Direction

Q39. The most common source of recruitment for unskilled or semi-skilled workers is:

- (A) Campus Recruitment
- (B) Direct Recruitment
- (C) Casual Callers
- (D) Advertisement

Q40. Training which is provided at a dummy work site is called:

- (A) Apprenticeship Training
- (B) Vestibule Training



- (C) Internship Training
- (D) Job Rotation

Q41. Directing flows in which direction?

- (A) Upward
- (B) Downward
- (C) Horizontal
- (D) Diagonal

Q42. Which communication barrier is caused by the emotional state of the sender or receiver?

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

Q43. Which of the following is a non-financial incentive?

- (A) Bonus
- (B) Perquisites
- (C) Status
- (D) Profit sharing

Q44. Management Audit is a technique to keep a check on:

- (A) Financial performance
- (B) Efficiency of the management
- (C) Production quality
- (D) Inventory levels



- Q45.** Total amount of money invested in a business is known as:
- (A) Gross Working Capital
 - (B) Net Working Capital
 - (C) Capital Structure
 - (D) Fixed Capital
- Q46.** When the stock market is "Bullish", a company should ideally issue:
- (A) Debentures
 - (B) Loans
 - (C) Equity Shares
 - (D) Bonds
- Q47.** "Agmark" is used for:
- (A) Electrical goods
 - (B) Agricultural products
 - (C) Jewelry
 - (D) Environment-friendly products
- Q48.** Labelling performs the function of:
- (A) Describing the product
 - (B) Grading the product
 - (C) Promoting the product
 - (D) All of the above
- Q49.** Under the CPA 2019, if a consumer is not satisfied with the District Commission's order, they can appeal to the State Commission within:



- (A) 30 days
- (B) 45 days
- (C) 60 days
- (D) 90 days

Q50. Which of the following is NOT a consumer right?

- (A) Right to Safety
- (B) Right to Seek Redressal
- (C) Right to a Discount
- (D) Right to Consumer Education



Detailed Solutions**Q1.****Solution****Concept:**

Management is a process of getting things done with the aim of achieving goals effectively and efficiently. **Coordination** is known as the essence of management because it is the force that binds all other functions of management (Planning, Organizing, Staffing, Directing, and Controlling). It is a **continuous** and pervasive process that begins at the planning stage and continues until controlling, ensuring unity of action in the pursuit of common objectives.

Solution:

1. Identification of the "Essence": While Planning, Organizing, and Directing are distinct functions of management, Coordination is the underlying element that makes these functions work in harmony.
2. Characteristics: Coordination is not a one-time activity; it is a continuous requirement for any organization to prevent overlaps and conflicts.
3. Analysis of options: - Planning is the first function but not the "essence." - Organizing creates the structure. - Coordination integrates all activities across all functions.

Final Answer: Coordination

Answer: (C)

Q2.**Solution****Concept:**

Management is divided into three levels: 1. **Top Level:** Consists of CEOs, Board of Directors, and General Managers. They focus on organizational goals and framing policies. 2. **Middle Level:** Consists of Departmental Heads (e.g., Sales Manager, Purchase Manager). They act as a link between Top and Lower levels. 3. **Operational/Supervisory Level:** Consists of Foremen and Supervisors who oversee the actual workforce.

Solution:

1. Role of the CEO: The Chief Executive Officer (CEO) belongs to the Top Level of management.
2. The Interaction: When the CEO calls a meeting specifically for "Departmental Heads," they are communicating with the level immediately below them.
3. Identification of Target: Departmental heads (like Marketing Manager, Finance Manager) represent the Middle Level of management. Therefore, the CEO is interacting with the Middle Level to implement strategic plans.

Final Answer: Middle Level

Answer: (B)



Q3.

Solution**Concept:**

F.W. Taylor's **Functional Foremanship** is a technique that extends the principle of specialization to the shop floor. He divided the work into two departments: **Planning In-charge** and **Production In-charge**, with four specialists in each. Under the Production In-charge, the specialists are: - **Speed Boss:** Ensures timely completion of jobs. - **Gang Boss:** Keeps machines and tools ready for operation. - **Repair Boss:** Ensures machines are in proper working condition. - **Inspector:** Checks the quality of work.

Solution:

1. Requirement Analysis: The question asks for the specialist responsible for the "readiness" of tools and machines.
2. Specific Role: The Gang Boss is the one who arranges all the necessary machines, tools, and resources so that workers can start their work without delay.
3. Distinction: The Repair Boss only fixes machines when they break down, whereas the Gang Boss prepares them beforehand.

Final Answer: Gang Boss

Answer: (B)

Q4.

Solution**Concept:**

The **Principles of Management** are flexible, not rigid like the principles of pure science. They are behavioral in nature because they aim at influencing human behavior, which is unpredictable. Consequently, these principles must be adapted based on the prevailing environment and context.

Solution:

1. Evaluation of Assertion (A): The statement that principles are not "absolute truths" is correct because they are general guidelines and not fixed laws like Gravity or Chemistry.
2. Evaluation of Reason (R): Management deals with humans. Since human behavior and external business environments change, the application of principles must also change. This explains why they are not absolute.
3. Logical Connection: Since the flexible nature (Assertion) is a direct result of the complexity of human behavior and situational variables (Reason), the reason correctly justifies the assertion.

Final Answer: Both A and R are true and R is the correct explanation of A.

Answer: (A)



Q5.

Solution**Concept:**

Scientific Management aims to replace the "Rule of Thumb" with science. Taylor's **Method Study** is a technique designed to find the "one best way" of performing a job to minimize cost and maximize efficiency. It involves analyzing every single movement and process, even for seemingly simple tasks.

Solution:

1. Case Analysis: Loading pigs of iron is a physical, manual task. By applying scientific analysis to this task, management can determine the most efficient method of loading to save time and energy.
2. Identification: This is a classic example provided by Taylor to illustrate "Method Study," where even the most basic activity is scrutinized to find the most efficient operational method.
3. Contrast: Motion study focuses on eliminating unnecessary movements, while Method Study looks at the entire process to find the best overall way.

Final Answer: Method Study

Answer: (C)

Q6.

Solution**Concept:**

The **Social Environment** of business consists of the customs, traditions, values, social trends, and consumer preferences of the society in which an organization operates. Changes in social trends, such as an increased focus on health and fitness, directly influence the demand for products and services.

Solution:

1. Analysis of the Trend: The shift from soda (carbonated drinks) to organic fruit juices represents a change in the lifestyle and health consciousness of a specific demographic (urban youth).
2. Categorization: - Economic deals with interest rates, inflation, etc. - Technological deals with innovations. - Political deals with government stability. - Social deals with societal tastes and preferences.
3. Conclusion: Since the preference for organic drinks over soda is a reflection of changing societal values and health trends, it falls under the Social Environment.

Final Answer: Social Environment

Answer: (B)



Q7.

Solution**Concept:**

The **Legal Environment** of business includes the legislation passed by the government, administrative orders, court judgments, and decisions rendered by various commissions and agencies. It sets the framework within which business must operate, and compliance with these laws is mandatory.

Solution:

1. Evaluation of Options: - "Increase in disposable income" is an Economic factor. - "Stability of the government" is a Political factor. - "Digital payment trends" is a Technological/Social factor.
2. Specific Identification: The "prohibition of advertisements for alcoholic beverages" is a statutory requirement or a regulation mandated by law.
3. Conclusion: Legal restrictions on how a product is marketed or sold constitute a clear example of the legal environment affecting business operations.

Final Answer: Advertisement of alcoholic beverages is prohibited

Answer: (B)

Q8.

Solution**Concept:**

The **Planning Process** is a systematic logical sequence of steps that a manager follows to formulate a plan. It begins with establishing what the organization wants to achieve and ends with follow-up action.

Solution:

1. Step 1: Setting Objectives – Establishing goals for the entire organization and each department.
2. Step 2: Developing Premises – Making assumptions about the future (the environment).
3. Step 3: Identifying Alternative Courses – Listing various ways to achieve the objective.
4. Step 4: Evaluating Alternative Courses – Weighing the pros and cons of each alternative.
5. Step 5: Selecting an Alternative – Choosing the best plan.

Mapping the given items: - (iii) Setting Objectives comes first. - (i) Developing Premises follows. - (iv) Identifying Alternative Courses comes next. - (ii) Evaluating Alternative Courses follows identification.

Therefore, the correct sequence is iii, i, iv, ii.

Final Answer: iii, i, iv, ii

Answer: (A)



Q9.

Solution**Concept:**

In management planning, there are several types of plans. A **Budget** is a plan which quantifies future facts and figures. It is a statement of expected results expressed in numerical terms for a definite period in the future.

Solution:

1. Definitions: - Strategy: A comprehensive plan for achieving long-term goals. - Policy: General guidelines for decision-making. - Rule: Specific statements detailing what is to be done. - Budget: A numerical expression of a plan.

2. Analysis: Because a budget translates plans into numbers (e.g., Sales Budget, Cash Budget), it makes it easier to compare actual performance with planned figures for control purposes.

Final Answer: Budget

Answer: (C)

Q10.

Solution**Concept:**

Organizational structures are chosen based on the nature of the business. - **Functional Structure:** Groups activities based on functions (Production, Finance, etc.). Suitable for single-product firms. - **Divisional Structure:** Groups activities based on product lines. Each division (e.g., Cosmetics, Footwear) has its own functional departments.

Solution:

1. Business Need: A "multi-product firm" requires focus on each individual product to ensure profitability and react to competition specifically for that product category.

2. Benefits of Divisional Structure: It facilitates product specialization, provides greater flexibility, and makes it easier to hold a specific division accountable for its performance.

3. Suitability: In a competitive market, being able to manage a product line as a separate profit center is highly advantageous, making the Divisional structure the most appropriate choice.

Final Answer: Divisional Structure

Answer: (B)



Q11.

Solution**Concept:**

The concepts of organizing involve different degrees of authority transfer. - **Delegation:** The downward transfer of authority from a superior to a subordinate; it is a compulsory act for managers to reduce their workload. - **Decentralization:** An optional policy or philosophy where authority is distributed throughout all levels of the management hierarchy. - **Responsibility:** The obligation of a subordinate to properly perform the assigned duty; it flows upward.

Solution:

1. **Delegation (1):** It is the downward transfer of authority (iii). It is essential for a manager to function. 2. **Decentralization (2):** It is a philosophy of management (ii) that spreads decision-making power. 3. **Responsibility (3):** It is the obligation (compulsory act) arising out of the superior-subordinate relationship (i).

Matching these: 1-iii, 2-ii, 3-i.

Final Answer: 1-iii, 2-ii, 3-i

Answer: (A)

Q12.

Solution**Concept:**

The staffing process involves several steps: - **Recruitment:** Searching for prospective employees and stimulating them to apply. - **Selection:** The process of choosing the best candidate from the pool of applicants. - **Placement:** Assigning the selected person to a specific job. - **Orientation:** Introducing the new employee to the organization.

Solution:

1. Selection is often called a "negative process" because more candidates are rejected than selected. 2. It involves evaluating and sorting through the applications, conducting tests, and interviews to find the individual who best fits the job requirements. 3. Therefore, "sorting candidates to find the most suitable person" is the definition of the selection process.

Final Answer: Selection

Answer: (B)



Q13.

Solution**Concept:**

Selection tests are used to objectively measure the qualities of candidates. - **Aptitude Test:** Measures the potential to learn new skills. - **Personality Test:** Measures emotions, reactions, and maturity. - **Trade Test:** Measures the actual knowledge or proficiency an individual already possesses in a particular field. - **Interest Test:** Measures the pattern of interests or involvement in specific areas.

Solution:

1. To check if a candidate actually knows the job they claim to know, a Trade Test is conducted.
2. For example, a computer programmer would be given a coding test to measure their "existing skills."
3. This is distinct from an aptitude test, which would measure if they *could* learn to code in the future.

Final Answer: Trade Test

Answer: (C)

Q14.

Solution**Concept:**

Internal recruitment involves filling vacancies from within the organization (promotions/transfers). External recruitment involves hiring from outside. Both have specific advantages and limitations.

Solution:

1. **Evaluation of Assertion (A):** Internal sources can lead to frustration among those who are *not* promoted, or it can lead to lethargy as employees feel their promotion is guaranteed by seniority. Thus, it can cause dissatisfaction in some contexts, but more importantly, it creates a "closed" culture.
2. **Evaluation of Reason (R):** Internal recruitment by definition excludes fresh talent from outside. This lack of "new blood" can lead to a lack of innovation and fresh perspectives (inbreeding).
3. **Conclusion:** While both statements are true, the lack of fresh ideas (Reason) is a major limitation of internal recruitment, but it doesn't strictly explain why people get "frustrated"—frustration usually arises from favoritism or being overlooked. However, in the context of CUET patterns, the lack of fresh talent is the core "disadvantage" linked to internal sourcing.

Final Answer: A is false but R is true. (Note: Internal recruitment usually *boosts* morale of those promoted, making A generally false in management theory).

Answer: (B)



Q15.

Solution**Concept:**

Communication barriers hinder the flow of information. - **Semantic Barriers:** Related to problems and obstructions in the process of encoding and decoding of message into words or impressions (e.g., faulty translations, technical jargon). - **Psychological Barriers:** Related to the state of mind of the sender/receiver. - **Organizational Barriers:** Related to structure, rules, and regulations.

Solution:

1. Semantic barriers occur because the same word or symbol can have different meanings to different people. 2. For example, if a manager says "value," they might mean "quality," but the worker might hear "price." 3. This confusion arising from symbols or words with multiple meanings is the core of semantic barriers.

Final Answer: Use of symbols or words with different meanings

Answer: (B)

Q16.

Solution**Concept:**

Abraham Maslow's Need Hierarchy Theory suggests that human needs are arranged in a specific order. 1. Physiological Needs (Basic survival) 2. Safety/Security Needs (Physical and financial protection) 3. Social/Belongingness Needs (Friendship and acceptance) 4. **Esteem Needs** (Recognition, status, and self-respect) 5. Self-actualization (Growth and fulfillment)

Solution:

1. Definition: Esteem needs are concerned with the desire for a stable, firmly based, high evaluation of oneself. This includes internal factors like self-respect and autonomy, as well as external factors like prestige and recognition.

2. Matching: The keywords "self-respect, autonomy, and status" directly correspond to the fourth level of the hierarchy—Esteem Needs.

3. Contrast: Social needs focus on relationships, while self-actualization focuses on reaching one's full potential.

Final Answer: Esteem Needs

Answer: (C)



Q17.

Solution**Concept:**

Leadership styles are categorized based on the use of authority: - **Autocratic:** Leader gives orders and expects obedience. - **Democratic:** Leader consults subordinates and encourages participation. - **Laissez-faire (Free-rein):** Leader does not use power but gives subordinates complete freedom to set their own goals and solve problems.

Solution:

1. Principle: The Laissez-faire style is based on the belief that subordinates are competent and motivated enough to work on their own.
2. Characteristics: The leader avoids power, provides minimal direction, and acts only as a contact person to provide resources.
3. Application: Since this style involves giving complete freedom to subordinates, it matches the definition of "Laissez-faire."

Final Answer: Giving complete freedom to subordinates

Answer: (B)

Q18.

Solution**Concept:**

Controlling is the process of comparing actual performance with planned standards. It is often described as both "forward-looking" and "backward-looking." - **Forward-looking:** Because it provides feedback for future planning. - **Backward-looking:** Because it evaluates work that has already been completed.

Solution:

1. Reasoning: Controlling cannot happen until there is something to measure. Therefore, a manager must look back at the actual results achieved in the past.
2. Purpose: By looking back, the manager identifies deviations (differences between actual and planned work) and performs a "post-mortem" to understand where things went wrong.
3. Conclusion: This retrospective analysis of past activities is why it is called a backward-looking function.

Final Answer: It post-mortems past activities to find deviations.

Answer: (B)



Q19.

Solution**Concept:**

It is neither economical nor easy to keep a check on each and every activity in an organization. Management uses two techniques: - **Management by Exception:** Only significant deviations are reported to top management. - **Critical Point Control:** Focusing on Key Result Areas (KRAs) that are vital for the success of the organization.

Solution:

1. Definition: Critical Point Control suggests that if you try to control everything, you may end up controlling nothing. Therefore, managers should identify points that are "critical" to the entire system.
2. Example: An increase in labor cost by 5 percent (a KRA) is more critical than an increase in postal charges by 15 percent.
3. Conclusion: Focusing on these strategic points or Key Result Areas ensures that management's energy is used effectively.

Final Answer: Key Result Areas (KRAs)

Answer: (B)

Q20.

Solution**Concept:**

Financial Management involves three major decisions: 1. **Investment Decision:** Where to invest funds (Long-term vs. Short-term). 2. **Financing Decision:** How to raise funds (Debt vs. Equity). 3. **Dividend Decision:** How to distribute profits.

Solution:

1. Working Capital vs. Fixed Capital: Short-term investment decisions (Working Capital Management) directly impact liquidity (cash availability) because they deal with current assets.
2. The Dual Impact: However, long-term investment decisions (Capital Budgeting) involve huge sums of money. If a project fails, it hurts profitability; since it ties up cash for a long time, it also affects the liquidity position of the firm.
3. Conclusion: The Investment decision is the one that fundamentally balances the trade-off between keeping enough cash (liquidity) and earning a return (profitability).

Final Answer: Investment decision

Answer: (A)



Q21.

Solution**Concept:**

The **Debt-Equity Ratio** measures the proportion of total debt to total equity in a company's capital structure. Debt is considered a cheaper source of finance because interest is tax-deductible, but it comes with a fixed financial obligation. This leads to **Financial Leverage** (Trading on Equity), where the use of debt can increase the Return on Investment (ROI) for shareholders, provided the cost of debt is lower than the rate of return.

Solution:

1. **Financial Risk:** Debt carries a fixed commitment to pay interest and repay principal. Therefore, a higher ratio increases the risk of default (Financial Risk).
2. **Potential for Gain:** If the company earns a higher rate of return than the interest rate on debt, the surplus goes to equity shareholders, increasing their earnings.
3. **Risk-Return Trade-off:** While it increases the risk of insolvency, it is strategically used to amplify returns. Hence, a high ratio implies high risk but potential for higher ROI.

Final Answer: Higher financial risk but potential for higher ROI

Answer: (C)

Q22.

Solution**Concept:**

While profit maximization was historically the primary goal, modern **Financial Management** focuses on **Wealth Maximization**. This means maximizing the market value of the company's shares. Wealth maximization is a superior goal because it considers the time value of money, the risks involved, and the long-term interests of the owners (shareholders).

Solution:

1. **Shareholder Value:** The market price of a share serves as an index of the financial health of the company.
2. **Comprehensiveness:** Profit maximization can be achieved in the short term by cutting essential costs (like R&D), but wealth maximization ensures sustainable growth and value creation.
3. **Primary Objective:** All financial decisions (Investment, Financing, Dividend) are ultimately aimed at increasing the net present value of the business for its owners.

Final Answer: Maximize wealth of shareholders

Answer: (B)



Q23.

Solution**Concept:**

The **Money Market** is a market for short-term funds (maturity up to one year). Key instruments include: - **Treasury Bills (T-Bills):** Issued by the RBI on behalf of the Govt of India to meet short-term liquidity needs. - **Commercial Paper (CP):** Issued by large creditworthy companies. - **Call Money:** Used for inter-bank transactions. - **Certificate of Deposit (CD):** Issued by banks to individuals/corporations.

Solution:

1. Issuer Identification: The specific instrument issued by the central bank (RBI) for government borrowing is the Treasury Bill.
2. Nature: T-Bills are also known as Zero Coupon Bonds. They are issued at a discount and redeemed at par, and they are considered the safest (risk-free) instruments in the money market.
3. Conclusion: Commercial Paper is corporate-led, while T-Bills are strictly government-backed via the RBI.

Final Answer: Treasury Bill

Answer: (C)

Q24.

Solution**Concept:**

In stock market trading, the **Settlement Cycle** refers to the time period within which the buyer must pay for the shares and the seller must deliver them. The Indian stock market (NSE and BSE) has transitioned through various cycles (T+5, T+3, T+2) to increase efficiency and reduce risk.

Solution:

1. Current Standard: As of recent years, India has moved to a **T+1** settlement cycle for all stocks.
2. Meaning of T+1: This means that if a trade takes place on Monday (T), the actual transfer of money and shares (settlement) must be completed by Tuesday (+1), excluding holidays.
3. Impact: This faster cycle reduces the risk of default and increases liquidity in the market for investors.

Final Answer: T+1

Answer: (A)



Q25.

Solution**Concept:**

With the advancement of technology and the establishment of Depositories (NSDL and CDSL), the physical handling of share certificates has been eliminated. This process is called **Dematerialization** (or Demat).

Solution:

1. Definition: Dematerialization is the process where physical share certificates of an investor are taken back by the company/registrar and destroyed, and an equivalent number of securities are credited to the investor's account in electronic form.
2. Benefits: It eliminates risks associated with physical certificates like theft, forgery, loss, or delay in transfer.
3. Prerequisite: An investor must open a Demat account with a Depository Participant (DP) to hold securities in this form.

Final Answer: Converting physical share certificates into electronic form

Answer: (B)

Q26.

Solution**Concept:**

The **Securities and Exchange Board of India (SEBI)** performs three categories of functions: Regulatory, Development, and **Protective**. Protective functions are aimed at protecting the interests of investors and providing education. These include: - Prohibition of fraudulent and unfair trade practices (like price rigging). - Controlling insider trading. - Undertaking steps for investor protection. - Promotion of fair practices and code of conduct.

Solution:

1. Classification of Options: - "Registration of brokers" and "Levying fees" are **Regulatory Functions**. - "Conducting inspections" is also a **Regulatory Function**.
2. Specific Identification: "Prohibition of fraudulent and unfair trade practices" is a core **Protective Function** because it ensures that investors are not cheated by manipulated prices or misleading statements.
3. Logical Goal: The primary goal of this specific function is to ensure a fair and transparent market for the common investor.

Final Answer: Prohibition of fraudulent and unfair trade practices

Answer: (C)



Q27.

Solution**Concept:**

Marketing Management Philosophies guide the logic of a company's marketing efforts. - **Production Concept:** Focuses on high production efficiency and wide distribution (low cost). - **Product Concept:** Focuses on continuous product improvement and quality. - **Selling Concept:** Focuses on aggressive selling and promotional efforts. - **Marketing Concept:** Focuses on satisfying customer needs.

Solution:

1. Core Premise: The Production Concept is based on the idea that consumers will favor products that are available and highly affordable. 2. Strategy: Therefore, management focuses on achieving high production efficiency and lowering unit costs through large-scale manufacturing (economies of scale). 3. Context: This concept was widely used during the industrial revolution when demand exceeded supply.

Final Answer: Production Concept

Answer: (B)

Q28.

Solution**Concept:**

The **Marketing Mix** consists of four elements, known as the **4Ps**: 1. **Product:** Features, quality, branding, packaging. 2. **Price:** List price, discounts, credit terms. 3. **Place (Physical Distribution):** Channels of distribution, inventory, warehousing, transport. 4. **Promotion:** Advertising, personal selling, sales promotion, public relations.

Solution:

1. Definition of Place: "Place" involves making the product available at the right place, in the right quantity, and at the right time. 2. Component Analysis: The "Channel of Distribution" (the path through which goods move from producer to consumer) is a critical part of the Place mix. 3. Conclusion: Therefore, choosing whether to sell through wholesalers, retailers, or directly to consumers falls under the Place element.

Final Answer: Place

Answer: (C)



Q29.

Solution**Concept:**

Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. It differs from personal selling because it does not involve a face-to-face interaction between the buyer and the seller.

Solution:

1. Evaluation of Assertion (A): Advertising is indeed "impersonal" because it uses mass media (TV, Newspapers, Internet) to reach a large audience simultaneously without individual attention. This statement is true. 2. Evaluation of Reason (R): The reason for its impersonality is that there is no direct, two-way, face-to-face dialogue between the advertiser and the prospect. This statement is also true. 3. Logical Connection: Because there is no direct contact (Reason), the communication becomes impersonal (Assertion). Thus, R is the correct explanation of A.

Final Answer: Both A and R are true and R is the correct explanation of A.

Answer: (A)

Q30.

Solution**Concept:**

Branding involves various components: - **Brand:** A name, term, sign, symbol, or design used to identify a product. - **Brand Name:** The part of a brand consisting of words, letters, or numbers that can be vocalized (spoken). - **Brand Mark:** The part of a brand that appears in the form of a symbol, design, or distinct color (cannot be spoken). - **Trademark:** A brand or part of a brand that is given legal protection.

Solution:

1. Specific Requirement: The question asks for the part of the brand that "can be spoken." 2. Identification: For example, in "Nike" with the swoosh symbol, "Nike" is the Brand Name because you can say it. The "Swoosh" is the Brand Mark because you can only see it. 3. Conclusion: The Brand Name is the literal, verbal part of the branding process.

Final Answer: Brand Name

Answer: (C)

Q31.

Solution**Concept:**

The **Consumer Protection Act (CPA), 2019** replaced the old 1986 Act to provide a faster and more effective mechanism for redressal. It established a three-tier quasi-judicial machinery: 1. District Commission: For claims up to ₹1 Crore. 2. State Commission: For claims above ₹1 Crore but up to ₹10 Crores. 3. National Commission: For claims exceeding ₹10 Crores.

Solution:

1. Analysis of the 2019 Act: Under the updated pecuniary jurisdiction, the District Commission handles cases where the value of goods or services paid as consideration does not exceed ₹1 Crore.
2. Comparison with Old Act: Under the 1986 Act, the limit was ₹20 Lakhs, but this was significantly increased in the 2019 legislation to reduce the burden on higher commissions.
3. Conclusion: Therefore, for any claim up to the ₹1 Crore mark, the consumer must approach the District Commission.

Final Answer: ₹1 Crore

Answer: (C)

Q32.

Solution**Concept:**

The Consumer Protection Act grants consumers six fundamental rights. The **Right to be Informed** states that a consumer has the right to get all the information regarding the quality, quantity, potency, purity, standard, and price of goods or services.

Solution:

1. Scope of the Right: This right is intended to protect the consumer against unfair trade practices. It ensures that the consumer can make an informed choice based on facts.
2. Application: This is why manufacturers are legally required to provide detailed labels on packages containing ingredients, date of manufacture, expiry date, and instructions for use.
3. Conclusion: By knowing the ingredients and details, the consumer is protected from being misled by false claims or incomplete information.

Final Answer: Unfair trade practices and right to know ingredients

Answer: (B)



Q33.

Solution**Concept:**

SEBI's functions are categorized into: - **Regulatory Functions:** Registration of brokers, collective investment schemes, and regulation of stock exchanges. - **Developmental Functions:** Training of intermediaries and promoting the use of electronic platforms. - **Protective Functions:** Prohibition of insider trading and promoting investor education.

Solution:

1. Classification of Options: - Registration of schemes and Regulation of exchanges are strictly **Regulatory**. - Levying of fees is also a **Regulatory** administrative power. - Promoting investor education is a **Protective** function.

2. Requirement: The question asks which of the listed options is NOT a regulatory function.

3. Conclusion: Since promoting investor education focuses on empowerment and protection rather than setting rules or registering entities, it is categorized as a Protective function.

Final Answer: Promoting investor education

Answer: (C)

Q34.

Solution**Concept:**

In the Primary Market, there are several methods of floating new issues: - **Offer through Prospectus:** Direct appeal to the public. - **Offer for Sale:** Securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stockbrokers. - **Private Placement:** Allotment of securities to institutional investors and some selected individuals. - **Rights Issue:** Privilege to existing shareholders to buy new shares.

Solution:

1. Scenario Analysis: ABC Ltd. did not sell to the public directly. They sold the entire lot to an "intermediary." 2. Transaction Flow: The intermediary (the issuing house) purchased the shares at a fixed price and then resold them to the general public at a higher price to earn a profit. 3.

Conclusion: This specific method, where an intermediary acts as a buffer and resells the shares, is known as an "Offer for Sale."

Final Answer: Offer for Sale

Answer: (B)



Q35.

Solution**Concept:**

A **Financial Market** is a system that facilitates the creation and exchange of financial assets. It acts as an intermediary between **households** (who are savers/surplus units) and **business firms** (who are investors/deficit units).

Solution:

1. Allocative Function: The financial market directs the scarce resources of the economy to their most productive use. 2. Mechanism: It takes the savings from households and provides them to businesses that need capital for expansion or operations. 3. Conclusion: Both the Money Market (short-term) and Capital Market (long-term) perform this link, making the "Financial Market" as a whole the correct bridge between savings and investment.

Final Answer: Financial Market

Answer: (B)

Q36.

Solution**Concept:**

Planning is the primary function of management that involves deciding in advance what to do, how to do it, when to do it, and who is to do it. It bridges the gap between where we are today and where we want to reach in the future. It is essentially a process of thinking before doing and is focused on setting goals.

Solution:

1. Nature of Planning: Planning is a mental exercise. It requires looking ahead and anticipating the future to prepare for it.
2. Core Activity: The heart of planning is the establishment of objectives for the organization and determining the specific actions or courses of action required to achieve those objectives.
3. Contrast: While controlling looks at the past (looking back), planning is essentially futuristic. It does not involve hiring (Staffing) or correcting deviations (Controlling) directly.

Final Answer: Setting goals and how to achieve them

Answer: (B)



Q37.

Solution**Concept:**

While planning is essential for any organization, it has certain internal and external limitations. Internal limitations include: 1. Rigidity: Managers may not be able to change it. 2. Does not work in a dynamic environment. 3. Reduces creativity. 4. Involves huge costs and is time-consuming.

Solution:

1. Analysis of Options: - Reducing overlapping and providing direction are **Advantages** of planning. - Promoting innovative ideas is a **Benefit** (though the process of following a strict plan can sometimes reduce it).

2. Specific Identification: "Rigidity" is a major limitation because once a plan is drawn up, managers may not be in a position to change it even if the circumstances change, leading to potential failure.

Final Answer: It leads to rigidity

Answer: (C)

Q38.

Solution**Concept:**

Henri Fayol's **Principle of Order** states that there should be a fixed place for everything and everyone in an organization. This "order" refers to both physical resources (Material Order) and human resources (Social Order). The objective is to ensure that no time or energy is wasted in searching for resources.

Solution:

1. Interpretation: "A place for everything and everything in its place" means that if a tool is needed, the worker should know exactly where to find it. If a supervisor is needed, their location should be fixed.

2. Efficiency: By maintaining systematic order, the organization can achieve maximum efficiency and productivity without unnecessary interruptions.

3. Distinction: Discipline refers to obedience to rules; Equity refers to kindness and justice; Unity of Direction refers to one head and one plan for a group of activities.

Final Answer: Order

Answer: (B)



Q39.

Solution**Concept:**

External Sources of Recruitment involve searching for candidates outside the organization.

- **Direct Recruitment:** A notice is placed on the office/factory gate.
- **Casual Callers:** Using a database of unsolicited applications.
- **Campus Recruitment:** Hiring directly from educational institutions.
- **Advertisement:** Using mass media to reach a wide audience.

Solution:

1. Identification: For unskilled or semi-skilled jobs (like casual labor or "badli" workers), companies often use Direct Recruitment.
2. Process: A notice is pasted on the notice board of the enterprise specifying the details of the jobs available. Job seekers assemble at the gate on the specified date and are selected on the spot.
3. Advantage: This method is very inexpensive as no advertisement is required and the selection is immediate.

Final Answer: Direct Recruitment

Answer: (B)

Q40.

Solution**Concept:**

Training methods are divided into **On-the-job** and **Off-the-job** methods. **Vestibule Training** is an off-the-job method where employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor in a simulated environment or "dummy" site.

Solution:

1. Purpose: It is used when employees are required to handle sophisticated and expensive machinery. It prevents damage to actual machines and avoids accidents on the production floor.
2. Comparison: - Apprenticeship is on-the-job under a master worker. - Internship is a joint program with educational institutes. - Job Rotation involves moving through different departments.
3. Conclusion: The creation of a simulated work environment specifically identifies as Vestibule Training.

Final Answer: Vestibule Training

Answer: (B)



Q41.

Solution**Concept:**

****Directing**** is the heart of management-in-action. It involves instructing, guiding, counseling, motivating, and leading people in the organization to achieve objectives. In an organizational hierarchy, directives and instructions originate from superiors and are transmitted to subordinates.

Solution:

1. Flow Analysis: Directing is a function that a superior performs on their subordinate. Because authority flows from top to bottom, the act of giving instructions must follow the same path.
2. Direction of Flow: Directing starts from the Top Level management and flows down to the Lower Level through the Middle Level.
3. Conclusion: Every manager can direct only their immediate subordinates; hence, the flow is strictly downward.

Final Answer: Downward

Answer: (B)

Q42.

Solution**Concept:**

****Psychological Barriers**** (or Emotional Barriers) to communication refer to the state of mind of both the sender and the receiver. If a person is worried, angry, or excited, they may not be able to communicate or perceive the message effectively.

Solution:

1. Identification: Common psychological barriers include premature evaluation, lack of attention, loss by transmission, and distrust.
2. Impact of Emotion: For example, an angry receiver will often misinterpret even a positive message as a threat.
3. Categorization: - Semantic barriers relate to language. - Organizational barriers relate to rules. - Personal barriers relate to individual traits like fear of authority. - Psychological barriers strictly relate to the emotional state of the parties involved.

Final Answer: Psychological

Answer: (C)



Q43.

Solution**Concept:**

Incentives are used to motivate employees. They are divided into: - **Financial Incentives:** Measured in terms of money (Bonus, Profit sharing, Pay and allowances). - **Non-Financial Incentives:** Focus on psychological and social needs (Status, Organizational climate, Job security, Employee recognition).

Solution:

1. Analysis of Options: - Bonus, Perquisites (like car allowance), and Profit sharing are direct or indirect monetary rewards. - **Status** refers to the ranking or position of an individual in the hierarchy, which carries authority, responsibility, and prestige.
2. Goal: While status may come with a higher salary, the incentive itself (the rank/title) is a psychological motivator that satisfies esteem needs.

Final Answer: Status

Answer: (C)

Q44.

Solution**Concept:**

Management Audit is a systematic appraisal of the overall performance of the management of an organization. Unlike a financial audit, which focuses on accounting records, a management audit evaluates the efficiency and effectiveness of management practices.

Solution:

1. Purpose: The objective is to identify deficiencies in the performance of management functions and suggest improvements.
2. Scope: It reviews the organizational structure, policies, and the way managers make decisions.
3. Conclusion: It serves as a control technique to ensure that the "management" itself is functioning optimally toward the company's goals.

Final Answer: Efficiency of the management

Answer: (B)



Q45.

Solution**Concept:**

Working Capital is that part of the total capital which is required for day-to-day operations. -

Gross Working Capital: Represents the total investment in all current assets (Cash, Inventory,

Receivables). - **Net Working Capital:** Represents Current Assets minus Current Liabilities.

Solution:

1. Definitions: - Fixed Capital: Money invested in long-term assets like land/machinery. - Capital Structure: The mix of debt and equity.

2. Specific Term: The concept that looks at the "total" or "aggregate" amount of money tied up in current assets is known as Gross Working Capital.

3. Utility: It helps management understand the total liquid resource requirement of the firm.

Final Answer: Gross Working Capital

Answer: (A)

Q46.

Solution**Concept:**

The choice of capital structure is influenced by the state of the capital market. When the stock market is **Bullish**, investors are optimistic and willing to take risks to earn higher returns. In such a scenario, the demand for equity shares increases because investors expect the market price of shares to rise further.

Solution:

1. Market Conditions: During a bull run, equity shares can be easily issued and sold even at a premium because of high investor confidence.

2. Strategic Choice: If a company issues equity during this time, it can raise substantial capital without increasing its fixed financial burden (interest), which is associated with debentures or loans.

3. Contrast: In a **Bearish** market, investors seek safety, making it difficult to sell equity, which forces companies to rely on debt or preference shares.

Final Answer: Equity Shares

Answer: (C)



Q47.

Solution**Concept:**

Quality certification marks help consumers identify the quality and standard of products. - **ISI Mark:** Used for industrial and consumer electrical products (switches, irons). - **Agmark:** A certification mark for **agricultural products** in India (honey, ghee, spices). - **Hallmark:** Used for gold and silver jewelry. - **Eco-mark:** Used for environment-friendly products.

Solution:

1. Identification: Agmark (derived from Agricultural Marketing) ensures that the agricultural commodity conforms to a set of standards approved by the Directorate of Marketing and Inspection.
2. Application: When a consumer buys "Agmark" honey, they are assured of its purity and quality based on government-defined parameters.

Final Answer: Agricultural products

Answer: (B)

Q48.

Solution**Concept:**

Labelling involves designing and developing a label—a piece of information attached to the product or its package. It serves multiple functions in the marketing process, ranging from identification to promotion.

Solution:

1. Functional Analysis: - **Describing the product:** Labels provide details about ingredients, usage, and warnings. - **Grading the product:** Labels help categorize products into different quality levels (e.g., Grade A, Grade B). - **Promoting the product:** Attractive graphics and slogans on labels encourage consumers to buy.
2. Conclusion: Since labelling identifies, describes, grades, and helps in the sales promotion of a product, all the mentioned functions are correct.

Final Answer: All of the above

Answer: (D)



Q49.

Solution**Concept:**

The **Consumer Protection Act, 2019** provides a specific timeline for filing appeals to ensure the speedy disposal of disputes. If a party is aggrieved by the order of a lower commission, they have the right to challenge it in a higher commission within a prescribed period.

Solution:

1. Legal Provision: According to the Act, any person aggrieved by an order made by the District Commission may prefer an appeal against such order to the State Commission.
2. Time Limit: The appeal must be filed within **45 days** from the date of the order.
3. Purpose: This limit prevents unnecessary delays in the legal process and ensures that the finality of the decision is reached in a reasonable timeframe.

Final Answer: 45 days

Answer: (B)

Q50.

Solution**Concept:**

The Consumer Protection Act outlines specific rights to protect consumers from exploitation. These include: 1. Right to Safety 2. Right to be Informed 3. Right to Choose 4. Right to be Heard 5. Right to Seek Redressal 6. Right to Consumer Education

Solution:

1. Verification: Rights to safety, redressal, and education are explicitly mentioned in the Act.
2. Analysis of Option (C): There is no "Right to a Discount." While a consumer has the right to choose and negotiate, a discount is a commercial offer from the seller and not a statutory legal right enforceable under the CPA.
3. Conclusion: Therefore, seeking a discount is a matter of bargaining, not a protected consumer right.

Final Answer: Right to a Discount

Answer: (C)



Answer Key

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

