

CUET-UG Business Studies Sample Paper-17

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 characteristic of coordination is represented when it is described as the "thread that runs through all management activities"?

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

Q2. In a large manufacturing plant, the "Repair Boss" ensures that all tools and machinery are in working condition. This role is a specific component of:

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

Q3. A purchase manager is responsible for procuring raw materials for the production department. At which level of management does he typically function?

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



- Q4.** A CEO believes that every employee should be given a specific place to work and all materials should be kept in their designated areas to avoid wastage of time. Which principle of Fayol is being applied?
- (A) Equity
 - (B) Order
 - (C) Discipline
 - (D) Scalar Chain
- Q5.** Taylor's "Mental Revolution" concept primarily emphasizes a change in the attitude of:
- (A) Workers towards the management
 - (B) Management towards the workers
 - (C) Both workers and management toward each other
 - (D) Consumers towards the product
- Q6.** Which principle of management suggests that an organization should discourage "I" and promote "We" to foster team spirit?
- (A) Initiative
 - (B) Esprit de Corps
 - (C) Equity
 - (D) Unity of Direction
- Q7.** The "Make in India" initiative and the relaxation of Foreign Direct Investment (FDI) norms relate to which dimension of the business environment?
- (A) Social and Legal
 - (B) Economic and Political
 - (C) Technological and Social
 - (D) Legal and Technological



- Q8.** If a company fails to adapt to the new legal regulations regarding environmental pollution, which dimension of the environment is it ignoring?
- (A) Social Environment
 - (B) Legal Environment
 - (C) Economic Environment
 - (D) Political Environment
- Q9.** Identify the correct sequence of the first three steps in the Planning Process:
- (A) Developing Premises → Setting Objectives → Identifying Alternatives
 - (B) Setting Objectives → Developing Premises → Identifying Alternatives
 - (C) Identifying Alternatives → Setting Objectives → Evaluating Alternatives
 - (D) Setting Objectives → Identifying Alternatives → Developing Premises
- Q10.** Which type of plan is generally a "Single-use plan" designed to achieve a specific, non-recurring goal?
- (A) Policy
 - (B) Procedure
 - (C) Programme
 - (D) Rule
- Q11.** A statement that specifies what is to be done and what is not to be done in a specific situation, allowing no discretion, is a:
- (A) Policy
 - (B) Strategy
 - (C) Rule
 - (D) Method
- Q12.** Which organizational structure is most suitable for a firm that is diversifying into unrelated business lines like steel, cement, and electronics?



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

Q13. In a "Functional Structure," the primary basis of grouping activities is:

- (A) Products
- (B) Geographical territory
- (C) Functions or specialized skills
- (D) Customer types

Q14. "Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance." Which of these cannot be entirely delegated?

- (A) Authority
- (B) Responsibility
- (C) Accountability
- (D) Duty

Q15. Which concept refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points?

- (A) Delegation
- (B) Centralization
- (C) Decentralization
- (D) Span of Management

Q16. Which selection test helps in measuring the level of emotional stability and value systems of a candidate?

- (A) Personality Test



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

Q17. Which of the following is a disadvantage of internal sources of recruitment?

- (A) It is more expensive
- (B) It stops the entry of "fresh blood" or new talent
- (C) It reduces the morale of existing employees
- (D) It requires a long induction period

Q18. The process of introducing a new employee to the organization, their colleagues, and the rules of the company is known as:

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

Q19. Vestibule training is a type of:

- (A) On-the-job training
- (B) Off-the-job training
- (C) Internship training
- (D) Apprenticeship training

Q20. According to Maslow's Hierarchy, "Job Title" and "Recognition" fall under which category of needs?

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



- Q21.** Which leadership style is also known as "Free-rein leadership"?
- (A) Autocratic
 - (B) Democratic
 - (C) Laissez-faire
 - (D) Paternalistic
- Q22.** "Lack of attention" or "Premature evaluation" by a listener are examples of which type of communication barrier?
- (A) Semantic Barrier
 - (B) Psychological Barrier
 - (C) Organizational Barrier
 - (D) Personal Barrier
- Q23.** Which non-financial incentive involves giving more autonomy and variety of work to an employee to make the job more challenging?
- (A) Job Security
 - (B) Job Enrichment
 - (C) Employee Empowerment
 - (D) Career Advancement
- Q24.** The process of converting a message into communication symbols (like words or pictures) is called:
- (A) Decoding
 - (B) Encoding
 - (C) Feedback
 - (D) Media selection
- Q25.** Which element of the directing function involves the process of influencing the behavior of people to achieve goals?



- (A) Supervision
- (B) Motivation
- (C) Leadership
- (D) Communication

Q26. "Planning is meaningless without Controlling, and Controlling is blind without Planning." This statement implies that:

- (A) Planning and Controlling are independent
- (B) Planning and Controlling are interrelated and interdependent
- (C) Controlling comes before Planning
- (D) Planning is a physical process while Controlling is mental

Q27. Identify the final step in the Controlling Process:

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

Q28. Financial Management aims at:

- (A) Maximizing sales
- (B) Maximizing market share
- (C) Maximizing shareholders' wealth
- (D) Minimizing labor turnover

Q29. The decision that determines the overall cost of capital and the financial risk of the enterprise is the:

- (A) Investment Decision
- (B) Financing Decision
- (C) Dividend Decision



(D) Liquidity Decision

Q30. Which of the following is a "Capital Budgeting" decision?

- (A) Buying new inventory
- (B) Opening a new branch office
- (C) Paying monthly salaries
- (D) Managing cash in hand

Q31. "Trading on Equity" is profitable for a company only when:

- (A) Rate of Return on Investment $>$ Rate of Interest on Debt
- (B) Rate of Return on Investment $<$ Rate of Interest on Debt
- (C) The company has no debt
- (D) Tax rates are very low

Q32. Fixed capital requirements are generally higher in which of the following cases?

- (A) A trading concern
- (B) A manufacturing concern
- (C) A service provider with low technology
- (D) A business with a high inventory turnover ratio

Q33. Which money market instrument is also called "Call Money"?

- (A) Short-term loans for 1 to 14 days between banks
- (B) Unsecured promissory notes issued by companies
- (C) Discounted instruments issued by RBI
- (D) Fixed deposits in a bank

Q34. The "Commercial Paper" is usually issued by:

- (A) Small-scale industries
- (B) Highly rated and creditworthy corporations



- (C) The Government of India
- (D) Commercial Banks to the public

Q35. SEBI was established as a statutory body in the year:

- (A) 1988
- (B) 1992
- (C) 2000
- (D) 1995

Q36. The process by which physical share certificates are converted into electronic form is:

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

Q37. Which function of SEBI involves "Prohibiting insider trading and fraudulent trade practices"?

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

Q38. In a Stock Exchange, the person who buys and sells securities on behalf of the investor is the:

- (A) Jobber
- (B) Broker
- (C) Underwriter
- (D) Depository Participant



- Q39.** Which marketing philosophy suggests that "Consumers will favor products that offer the most quality, performance, and features"?
- (A) Production Concept
 - (B) Product Concept
 - (C) Selling Concept
 - (D) Marketing Concept
- Q40.** The "Marketing Mix" element that includes activities like advertising, personal selling, and public relations is:
- (A) Product
 - (B) Price
 - (C) Place
 - (D) Promotion
- Q41.** A company sells its products through its own retail outlets. This is an example of:
- (A) Zero-level channel
 - (B) One-level channel
 - (C) Two-level channel
 - (D) Three-level channel
- Q42.** Which component of "Product Mix" helps in the identification and provides information about the product's contents?
- (A) Branding
 - (B) Packaging
 - (C) Labeling
 - (D) Grading
- Q43.** The "Production Concept" focuses on:



- (A) High quality of the product
- (B) Large-scale production and low cost
- (C) Aggressive selling techniques
- (D) Customer satisfaction

Q44. Which tool of promotion is an "unpaid" and "non-personal" form of communication?

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

Q45. "Standardization and Grading" is a function of:

- (A) Financing
- (B) Marketing
- (C) Production
- (D) Personnel management

Q46. Which element of the Marketing Mix is the only one that generates revenue?

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

Q47. Under the Consumer Protection Act, 2019, the "Right to be Informed" means the consumer has the right to know about:

- (A) The manufacturer's profit margin
- (B) The price, ingredients, and date of manufacture
- (C) The private life of the CEO



(D) The company's future expansion plans

Q48. A consumer can file a complaint directly in the National Commission if the value of the claim exceeds:

- (A) ₹ 1 Crore
- (B) ₹ 5 Crores
- (C) ₹ 10 Crores
- (D) ₹ 2 Crores

Q49. The "Right to seek Redressal" includes the right to:

- (A) Get a replacement or refund for a defective product
- (B) File a case against any shopkeeper for personal reasons
- (C) Receive free products for life
- (D) Protest without a valid reason

Q50. Which organization provides relief to consumers in the form of "Removal of defects" or "Discontinuance of unfair trade practices"?

- (A) Trade Unions
- (B) Consumer Redressal Agencies
- (C) Political Parties
- (D) SEBI



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

Concept: Coordination is the force that binds all other functions of management. It is often called the "essence of management" because it is required at every level and in every department. When it is described as the "thread," it signifies that no management activity—be it planning, organizing, or controlling—can be performed effectively without it.

Solution: The characteristic that describes coordination as being required across all levels of management and in all departments (Production, Sales, Finance, etc.) is that ****Coordination is an all-pervasive function****. It is not a separate function but a requirement that permeates every activity within the organization to ensure that the work of diverse groups is synchronized.

Final Answer: Coordination is an all-pervasive function

Answer: (B)

Q2.**Solution**

Concept: F.W. Taylor developed the technique of ****Functional Foremanship**** to extend the principle of specialization to the shop floor. He suggested that a single supervisor cannot be an expert in every aspect of work, so he proposed eight specialist foremen: four for planning and four for execution.

Solution: The ****Repair Boss**** is one of the four foremen under the ****Production (Execution) Incharge****. His primary responsibility is to maintain the machinery and tools in proper working condition so that production is not interrupted by equipment failure. This role ensures that workers don't lose time due to broken or malfunctioning tools, which is a core part of the ****Functional Foremanship**** technique.

Final Answer: Functional Foremanship

Answer: (B)



Q3.

Solution

Concept: Management is structured into three distinct levels: Top, Middle, and Operational (Supervisory). **Middle-level management** acts as a bridge between the top-level executives and the first-line supervisors. This level primarily consists of **departmental heads** who are responsible for implementing the policies framed by top management and coordinating the activities of their specific departments.

Solution: A **Purchase Manager** is a functional or departmental head. Their role involves interpreting policies, ensuring their department has the necessary personnel, and cooperating with other departments (like production) to ensure smooth operations. Because they head a specific function rather than the whole organization or the shop-floor workers, they operate at the **Middle Level**.

Final Answer: Middle Level

Answer: (B)

Q4.

Solution

Concept: Henri Fayol's principle of **Order** is not about barking commands; it is about systematic arrangement. It states that there should be a fixed place for everything (physical resources) and everyone (human resources) in an organization. This ensures that no time is wasted searching for materials or people when they are needed.

Solution: The CEO's insistence that every employee has a "specific place to work" and all materials are "kept in their designated areas" is a direct application of the principle of **Order**. The slogan often associated with this is: "A place for everything (everyone) and everything (everyone) in its place." This leads to increased efficiency and a smooth workflow.

Final Answer: Order

Answer: (B)

Q5.

Solution

Concept: The **Mental Revolution** is the psychological foundation of Scientific Management. Taylor argued that instead of quarreling over the division of surplus (profits), management and workers should focus on increasing the size of the surplus through cooperation and scientific methods.

Solution: Mental Revolution emphasizes a complete **change in the attitude of both workers and management toward each other**. * Management should share gains with workers. * Workers should put in their best effort to increase productivity. This shift from "conflict" to "cooperation" ensures that both parties realize their interdependence.

Final Answer: Both workers and management toward each other

Answer: (C)



Q6.

Solution

Concept: **Esprit de Corps** is the French term for "team spirit." Fayol suggested that management should take steps to promote a sense of belonging and mutual trust among employees. A manager should replace "I" with "We" in all conversations with subordinates to foster a sense of collective responsibility.

Solution: The principle that suggests an organization should discourage individualistic "I" and promote the collective "We" is **Esprit de Corps**. This leads to a atmosphere of harmony and unity, reducing the need for formal penalties and increasing employee morale.

Final Answer: Esprit de Corps

Answer: (B)

Q7.

Solution

Concept: The **Business Environment** consists of various dimensions. The **Economic Environment** includes factors like interest rates, inflation, and changes in disposable income or FDI norms. The **Political Environment** includes political conditions such as stability, peace, and specific government initiatives or ideologies toward business.

Solution: The relaxation of **Foreign Direct Investment (FDI)** norms is a significant economic policy change that impacts capital inflow and the economy, placing it in the **Economic Environment**. The **"Make in India"** initiative is a flagship program and a specific policy stance taken by the government to promote manufacturing, which falls under the **Political Environment**. Together, they represent a combination of economic and political factors.

Final Answer: Economic and Political

Answer: (B)



Q8.

Solution

Concept: The business environment consists of various dimensions such as economic, social, political, and legal. The *legal environment* specifically refers to laws, rules, and regulations enacted by the government that guide, control, and regulate business activities.

Solution: Environmental pollution regulations are laws framed by the government to protect the environment and ensure sustainable business practices. These laws define what businesses can or cannot do regarding emissions, waste disposal, and environmental impact.

If a company fails to adapt to these regulations, it means the company is not complying with legally binding rules. This non-compliance reflects ignorance of the legal framework within which businesses are required to operate.

Other options are incorrect because:

- Social environment relates to values, beliefs, and customs of society.
- Economic environment deals with economic factors like inflation, interest rates, etc.
- Political environment involves government policies and political stability.

Final Answer: Legal Environment

Answer: (B)

Q9.

Solution

Concept: Planning is a process that involves a series of logical steps to bridge the gap between where we are and where we want to go. It begins with the determination of the end result and moves toward identifying the means to achieve it.

Solution: The correct sequence for the first three steps in the **Planning Process** is: 1. **Setting Objectives:** Specifying what the organization wants to achieve. 2. **Developing Premises:** Making assumptions about the future environment (internal and external). 3. **Identifying Alternative Courses of Action:** Listing the various ways in which the objective can be achieved.

Final Answer: Setting Objectives → Developing Premises → Identifying Alternatives

Answer: (B)



Q10.

Solution

Concept: Plans can be classified into "Standing Plans" (used for activities that occur regularly) and "***Single-use Plans***" (developed for one-time events or specific projects that are not likely to be repeated in the same form).

Solution: A **Programme** is a detailed statement about a project which outlines the objectives, policies, procedures, rules, and resources required to implement a specific course of action. Because a programme is designed to achieve a **specific, non-recurring goal** (like the construction of a shopping mall or a specific research project), it is classified as a single-use plan.

Final Answer: Programme

Answer: (C)

Q11.

Solution

Concept: Among the various types of plans, some are broad guidelines while others are very specific. A plan that is rigid and provides no room for interpretation is essential for maintaining discipline and standardized behavior.

Solution: A **Rule** is a specific statement that informs what is to be done and what is not to be done. It is the simplest type of plan because there is **no discretion** involved; employees must follow it exactly as stated. For example, a "No Smoking" rule in a factory is an absolute instruction that allows for no flexibility.

Final Answer: Rule

Answer: (C)

Q12.

Solution

Concept: A **Divisional Structure** is an organizational design where the company is organized into separate business units or divisions, each focusing on a specific product line or market. Each division is self-contained and has its own functional departments like production, marketing, and finance.

Solution: For a firm diversifying into unrelated business lines such as **steel, cement, and electronics**, a **Divisional Structure** is most suitable. This is because each product line has unique manufacturing processes, market dynamics, and competitors. In a divisional structure, each unit functions as a separate profit center, allowing for better focus, faster decision-making, and clear accountability for each specific business.

Final Answer: Divisional Structure

Answer: (B)



Q13.

Solution

Concept: The **Functional Structure** is the most common form of organizational design where similar or related activities are grouped together. It is based on the principle of occupational specialization, where employees are grouped based on the specific tasks they perform.

Solution: In a Functional Structure, the primary basis of grouping activities is **functions or specialized skills**. For example, all tasks related to manufacturing are grouped into a Production Department, and all tasks related to selling are grouped into a Marketing Department. This promotes efficiency through specialization and minimizes duplication of effort.

Final Answer: Functions or specialized skills

Answer: (C)

Q14.

Solution

Concept: Delegation involves three elements: authority, responsibility, and accountability. While authority and responsibility can be delegated to subordinates, accountability remains with the superior.

Solution: When a manager delegates a task, they transfer the authority to make decisions and the responsibility to perform the task. However, the ultimate answerability for the outcome (accountability) cannot be transferred. The superior remains accountable to higher authorities for the performance of the delegated task.

Thus:

- Authority – can be delegated
- Responsibility – can be delegated (to an extent)
- Accountability – **cannot be delegated**

Final Answer: Accountability

Answer: (C)



Q15.

Solution

Concept: While delegation is a technique used between a superior and a subordinate, **Decentralization** is a philosophical approach to the distribution of authority throughout the entire organization.

Solution: The systematic effort to delegate authority to the **lowest levels** of the hierarchy (except for that which must be held by top management for strategic reasons) is known as **Decentralization**. It empowers lower-level managers, speeds up decision-making, and allows top management to focus on long-term strategy.

Final Answer: Decentralization

Answer: (C)

Q16.

Solution

Concept: Different selection tests are used to assess various attributes of candidates. A personality test evaluates traits such as emotional stability, values, attitudes, and behavior patterns.

Solution: Emotional stability and value systems are part of an individual's personality. Personality tests are specifically designed to measure these characteristics, helping employers understand how a candidate may behave in different situations.

Other options are incorrect because:

- Intelligence tests measure mental ability and reasoning.
- Aptitude tests assess potential to learn new skills.
- Trade tests evaluate specific job-related skills.

Final Answer: Personality Test

Answer: (A)



Q17.

Solution**Concept:**

Internal sources of recruitment involve filling job vacancies from within the existing workforce of the organization through promotions or transfers. While this is cost-effective and motivating for current staff, it limits the organization's exposure to the outside world.

Solution:

A major disadvantage of internal recruitment is that it stops the entry of "fresh blood" or new talent. By relying only on existing employees, the organization may become "inbred," lacking innovative ideas and new perspectives that external candidates would bring. It can also lead to lethargy among employees who know they will be promoted regardless of extraordinary effort.

Final Answer:

It stops the entry of "fresh blood" or new talent

Answer: (B)

Q18.

Solution**Concept:**

Once a candidate is selected and reports for duty, the organization must help them settle in. This is the final stage of the integration process in staffing.

Solution:

Orientation (also known as Induction) is the process of introducing a new employee to the organization, their colleagues, and the rules and regulations of the company. The objective is to make the new entrant feel at home, reduce their initial anxiety, and provide them with the basic information needed to function effectively.

Final Answer:

Orientation

Answer: (C)



Q19.

Solution**Concept:**

Training methods are categorized based on whether the learning happens at the actual workplace or away from it. Off-the-job training allows employees to learn in an environment that simulates the workplace without the pressure of actual production.

Solution:

Vestibule training is a type of off-the-job training. It involves creating a separate training center (a vestibule) that uses equipment and machines identical to those used on the shop floor. This allows workers to gain proficiency on sophisticated machinery without the risk of damaging expensive equipment or disrupting the actual production process.

Final Answer:

Off-the-job training

Answer: (B)

Q20.

Solution**Concept:**

Maslow's Need Hierarchy Theory suggests that human needs follow a specific order. Once basic physiological, safety, and social needs are met, individuals seek to satisfy higher-level psychological needs related to their standing in society and the organization.

Solution:

"Job Title" and "Recognition" fall under Esteem Needs. These needs are concerned with self-respect, autonomy, status, recognition, and attention. In an organizational context, an impressive job title or a public award for performance serves to satisfy the employee's ego and desire for prestige.

Maslow pyramid of needs

Final Answer:

Esteem Needs

Answer: (C)



Q21.

Solution

Concept: Leadership styles refer to the manner in which a leader influences, guides, and directs subordinates. One such style is the *Laissez-faire leadership*, also known as free-rein leadership, where subordinates are given complete freedom to make decisions.

Solution: In Laissez-faire leadership, the leader provides minimal supervision and allows employees to take initiative, set goals, and make decisions independently. The leader acts more as a facilitator rather than a controller.

This style is suitable when employees are highly skilled, competent, and self-motivated. Since the leader gives "free rein" (full freedom) to subordinates, this style is commonly referred to as free-rein leadership.

Other options are incorrect because:

- Autocratic leadership involves centralized decision-making with little employee participation.
- Democratic leadership involves participation of employees in decision-making.
- Paternalistic leadership involves a father-like approach with care and protection but limited freedom.

Final Answer: Laissez-faire

Answer: (C)

Q22.

Solution

Concept: Psychological barriers arise due to the mental state, emotions, or attitudes of individuals, affecting effective communication.

Solution: "Lack of attention" and "Premature evaluation" occur due to a listener's mindset and emotional state, which are internal psychological factors.

Final Answer: Psychological Barrier

Answer: (B)



Q23.

Solution

Concept: Non-financial incentives are rewards other than money that motivate employees. *Job enrichment* is a technique that improves the content of a job by adding more responsibility, autonomy, and variety.

Solution: Job enrichment involves redesigning jobs to make them more interesting and challenging. It gives employees greater control over their work, increases responsibility, and introduces variety in tasks. This enhances motivation, satisfaction, and performance.

In the given question, the key elements are *more autonomy* and *variety of work*, which directly describe job enrichment.

Other options are incorrect because:

- Job security refers to assurance of continued employment.
- Employee empowerment gives authority but does not necessarily increase job variety or challenge.
- Career advancement refers to promotion and growth opportunities.

Final Answer: Job Enrichment

Answer: (B)

Q24.

Solution

Concept: Encoding is the process of converting ideas or messages into symbols such as words, signs, or images for communication.

Solution: Before sending a message, the sender transforms thoughts into communicable form. This process is called encoding.

Final Answer: Encoding

Answer: (B)

Q25.

Solution

Concept: Leadership is the process of influencing the behavior of individuals to achieve organizational goals.

Solution: Among the elements of directing, leadership specifically focuses on guiding and influencing people to work towards goals effectively.

Final Answer: Leadership

Answer: (C)



Q26.

Solution

Concept: Planning and controlling are two closely linked functions of management. Planning involves setting objectives and standards, while controlling ensures that actual performance conforms to these standards.

Solution: The statement highlights the mutual dependence between planning and controlling:

- **Planning is meaningless without controlling:** If there is no controlling, managers cannot verify whether the plans are being implemented properly or not. Hence, planning loses its effectiveness.
- **Controlling is blind without planning:** Controlling requires standards or benchmarks to compare actual performance. These standards are set during planning. Without planning, there would be nothing to measure performance against.

Thus, both functions are interconnected and cannot be separated. They complement each other and work together to achieve organizational goals.

Other options are incorrect because:

- They are not independent functions.
- Planning always precedes controlling.
- Both are mental processes, not physical vs mental.

Final Answer: Planning and Controlling are interrelated and interdependent

Answer: (B)

Q27.

Solution

Concept: The controlling process involves setting standards, measuring performance, comparing it with standards, and taking corrective action.

Solution: After identifying deviations, the final step is to take corrective action to ensure that future performance aligns with planned standards.

Final Answer: Taking corrective action

Answer: (C)



Q28.

Solution

Concept: The primary objective of financial management is to maximize the wealth of shareholders.

Solution: Financial decisions are made in a way that increases the value of the firm and ensures higher returns to shareholders.

Final Answer: Maximizing shareholders' wealth

Answer: (C)

Q29.

Solution

Concept: Financial management involves three key decisions: investment, financing, and dividend decisions. The *financing decision* determines the mix of debt and equity used by a firm, which directly affects both the cost of capital and financial risk.

Solution: The financing decision deals with selecting the sources of funds (equity, debt, or a combination of both).

- **Cost of Capital:** Different sources of finance have different costs. Debt is usually cheaper due to tax benefits, while equity is more expensive. The proportion of each source determines the overall cost of capital.
- **Financial Risk:** Higher use of debt increases financial risk because the company must pay fixed interest regardless of profits. This increases the risk of default.

Thus, the financing decision directly influences both the cost of capital and the financial risk of the enterprise.

Other options are incorrect because:

- Investment decision relates to selection of assets.
- Dividend decision relates to distribution of profits.
- Liquidity decision deals with short-term cash management.

Final Answer: Financing Decision

Answer: (B)



Q30.

Solution

Concept: Capital budgeting decisions involve long-term investments in fixed assets that yield benefits over time.

Solution: Opening a new branch office is a long-term investment decision involving significant capital expenditure, hence it is a capital budgeting decision.

Final Answer: Opening a new branch office

Answer: (B)

Q31.

Solution

Concept: Trading on equity refers to the use of debt in capital structure to increase returns to equity shareholders.

Solution: It is beneficial only when the return earned on investment is greater than the cost of debt (interest). Otherwise, it reduces shareholders' earnings.

Final Answer: Rate of Return on Investment > Rate of Interest on Debt

Answer: (A)

Q32.

Solution

Concept: Fixed capital refers to the funds invested in long-term assets such as land, buildings, machinery, and equipment. The requirement of fixed capital depends on the nature and scale of business operations.

Solution: Manufacturing concerns require heavy investment in fixed assets like plant, machinery, factory buildings, and equipment. These assets are essential for production processes and are long-term in nature.

In contrast:

- Trading concerns mainly deal with buying and selling goods and require less investment in fixed assets.
- Service providers with low technology need minimal equipment.
- A business with high inventory turnover focuses more on working capital rather than fixed capital.

Therefore, fixed capital requirements are highest in manufacturing concerns due to the need for extensive infrastructure and machinery.

Final Answer: A manufacturing concern

Answer: (B)



Q33.

Solution

Concept: Call money refers to very short-term funds borrowed and lent between financial institutions.

Solution: These are short-term loans ranging from 1 to 14 days, mainly between banks to manage liquidity.

Final Answer: Short-term loans for 1 to 14 days between banks

Answer: (A)

Q34.

Solution

Concept: Commercial Paper (CP) is an unsecured, short-term money market instrument issued by companies to raise funds for short-term needs such as working capital.

Solution: Since Commercial Paper is *unsecured* (i.e., not backed by any collateral), only companies with a high credit rating and strong financial position are allowed to issue it. Investors rely on the issuer's credibility and reputation for repayment.

Therefore, only **highly rated and creditworthy corporations** can issue Commercial Paper.

Other options are incorrect because:

- Small-scale industries generally do not have high credit ratings required for issuing CP.
- The Government of India issues treasury bills, not commercial paper.
- Commercial banks may invest in CP but do not issue it to the public in this context.

Final Answer: Highly rated and creditworthy corporations

Answer: (B)

Q35.

Solution

Concept: SEBI (Securities and Exchange Board of India) regulates the securities market in India.

Solution: SEBI was given statutory powers through the SEBI Act in 1992.

Final Answer: 1992

Answer: (B)



Q36.

Solution

Concept: Dematerialization is the process of converting physical share certificates into electronic form for easier and safer trading.

Solution: In modern stock markets, securities are held in electronic form to reduce risks like theft, loss, and forgery. This conversion process is called dematerialization.

Final Answer: Dematerialization

Answer: (C)

Q37.

Solution

Concept: SEBI (Securities and Exchange Board of India) performs three main functions: protective, regulatory, and developmental. The *protective function* focuses on safeguarding the interests of investors and preventing malpractices in the securities market.

Solution: Prohibiting insider trading and fraudulent trade practices is aimed at protecting investors from unfair and unethical activities in the stock market. Such practices can lead to losses for investors and distort market integrity.

Therefore, SEBI undertakes these actions as part of its **protective function**, ensuring transparency, fairness, and investor confidence in the market.

Other options are incorrect because:

- Regulatory functions involve framing rules and guidelines.
- Developmental functions promote growth of the securities market.
- Administrative functions relate to internal management and operations.

Final Answer: Protective Function

Answer: (C)

Q38.

Solution

Concept: A broker is an intermediary who buys and sells securities on behalf of investors in the stock exchange.

Solution: Investors cannot directly trade on stock exchanges; they require brokers who execute transactions for them.

Final Answer: Broker

Answer: (B)



Q39.

Solution

Concept: The product concept focuses on quality, performance, and innovative features of products.

Solution: According to this philosophy, consumers prefer products that offer superior quality and features.

Final Answer: Product Concept

Answer: (B)

Q40.

Solution

Concept: The marketing mix consists of four elements known as the 4Ps: Product, Price, Place, and Promotion. *Promotion* refers to all activities used to communicate with customers and persuade them to buy the product.

Solution: Activities such as advertising, personal selling, sales promotion, and public relations are all methods used to inform, persuade, and remind customers about a product or service. These activities are part of the **promotion** element of the marketing mix.

- **Advertising** – Paid, non-personal communication through media
- **Personal Selling** – Direct interaction with customers
- **Public Relations** – Maintaining a favorable public image

Other options are incorrect because:

- Product relates to design, features, and quality of goods.
- Price refers to the amount charged to customers.
- Place deals with distribution channels and availability.

Final Answer: Promotion

Answer: (D)



Q41.

Solution

Concept: A zero-level channel (direct channel) involves direct selling from producer to consumer without any intermediaries.

Solution: When a company sells through its own retail outlets, there are no intermediaries involved, making it a direct or zero-level channel.

Final Answer: Zero-level channel

Answer: (A)

Q42.

Solution

Concept: Product mix includes elements like branding, packaging, labeling, and grading. *Labeling* specifically refers to providing detailed information about the product such as contents, usage, ingredients, and other relevant details.

Solution: Labels are attached to the product or its package and serve two important purposes:

- **Identification:** Helps in recognizing the product and distinguishing it from others.
- **Information:** Provides details like ingredients, manufacturing date, expiry date, instructions for use, and precautions.

Thus, labeling directly helps consumers understand what the product contains and how to use it. Other options are incorrect because:

- Branding gives a unique name or identity but does not provide detailed information.
- Packaging focuses on protection and convenience.
- Grading classifies products based on quality standards.

Final Answer: Labeling

Answer: (C)

Q43.

Solution

Concept: The production concept emphasizes efficiency in production, mass production, and cost minimization.

Solution: It assumes that consumers prefer products that are widely available and affordable, focusing on large-scale production and low costs.

Final Answer: Large-scale production and low cost

Answer: (B)



Q44.

Solution

Concept: Publicity is a non-paid form of promotion that provides information through media without direct payment.

Solution: Unlike advertising, publicity is unpaid and non-personal, often in the form of news, articles, or media coverage.

Final Answer: Publicity

Answer: (C)

Q45.

Solution

Concept: Marketing functions include activities that facilitate the exchange of goods and services. *Standardization* and *grading* are important marketing functions that ensure uniformity and classification of products.

Solution: **Standardization** involves setting standards for products to ensure uniform quality, size, and characteristics. **Grading** means classifying products into different categories based on quality standards (e.g., Grade A, B, C).

These activities:

- Help buyers make informed decisions
- Facilitate easy comparison of products
- Build trust and confidence among consumers

Since these functions are directly related to facilitating buying and selling, they fall under the **marketing function**.

Other options are incorrect because:

- Financing deals with arranging funds.
- Production focuses on manufacturing goods.
- Personnel management relates to managing human resources.

Final Answer: Marketing

Answer: (B)



Q46.

Solution

Concept: Among the elements of the marketing mix (Product, Price, Place, Promotion), only price directly generates revenue for the firm.

Solution: All other elements involve costs, but price is what customers pay, making it the sole revenue-generating component.

Final Answer: Price

Answer: (B)

Q47.

Solution

Concept: Under the Consumer Protection Act, 2019, the *Right to be Informed* ensures that consumers are provided with complete and accurate information about the product so that they can make informed purchasing decisions.

Solution: This right protects consumers against unfair trade practices such as misleading advertisements, false claims, or incomplete disclosure of product details.

Consumers have the right to know important information such as:

- Price of the product
- Ingredients or contents
- Date of manufacture and expiry
- Instructions for use and potential risks

This information helps consumers evaluate the product properly and avoid any harm or loss.

Other options are incorrect because:

- Manufacturer's profit margin is not a consumer right.
- Private life of the CEO is irrelevant to the product.
- Company's expansion plans are not related to consumer protection.

Final Answer: The price, ingredients, and date of manufacture

Answer: (B)



Q48.

Solution

Concept: Under the Consumer Protection Act, 2019, jurisdiction of consumer commissions is based on the value of the claim.

Solution: The National Commission handles cases where the claim exceeds ₹ 10 crores.

Final Answer: ₹ 10 Crores

Answer: (C)

Q49.

Solution

Concept: The *Right to seek Redressal* under the Consumer Protection Act, 2019 provides consumers the right to obtain relief against unfair trade practices or exploitation.

Solution: This right ensures that if a consumer suffers due to defective goods or deficient services, they can seek remedies such as:

- Replacement of defective goods
- Repair of products
- Refund of the price paid
- Compensation for loss or injury

Thus, the right specifically includes getting a replacement or refund for defective products.

Other options are incorrect because:

- Complaints must be valid and justified, not personal.
- Consumers are not entitled to free products for life.
- Protest must have a valid reason and legal basis.

Final Answer: Get a replacement or refund for a defective product

Answer: (A)



Q50.

Solution

Concept: Consumer Redressal Agencies are quasi-judicial bodies established under the Consumer Protection Act to resolve consumer disputes and provide remedies.

Solution: These agencies (District, State, and National Commissions) are empowered to:

- Order removal of defects in goods
- Replace defective goods
- Refund the price
- Award compensation
- Discontinue unfair trade practices

Therefore, they provide direct relief to consumers in cases of grievances.

Other options are incorrect because:

- Trade unions represent workers, not consumers.
- Political parties are not dispute resolution bodies.
- SEBI regulates the securities market, not general consumer complaints.

Final Answer: Consumer Redressal Agencies

Answer: (B)



Answer Key

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

