

CUET UG Business Studies Sample Paper - 18

Duration: 1 Hour

Maximum Marks: 250

Instructions

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

Q1. The Production Manager of 'Alpha Ltd' is responsible for implementing the plans and policies developed by the CEO. At which level of management does he work?

- (A) Top Level
- (B) Middle Level
- (C) Lower Level
- (D) Administrative Level

Q2. Management is considered a 'Social Process' because:

- (A) It deals with the production of goods.
- (B) It involves dealing with people in society.
- (C) It is concerned with profit maximization.
- (D) It is an intangible force.

Q3. Which characteristic of coordination is highlighted when a manager ensures that all departments work in harmony to achieve the organizational goal?

- (A) Continuous process
- (B) Unity of action
- (C) Responsibility of all managers



(D) All-pervasive

Q4. Identify the technique of Scientific Management where a specialist is assigned to supervise each of the eight specific functions of a worker.

(A) Method Study

(B) Fatigue Study

(C) Functional Foremanship

(D) Standardization

Q5. A salesperson is asked by the Marketing Manager to give a 10% discount, but the Finance Manager forbids any discount. Which principle of Fayol is violated?

(A) Unity of Direction

(B) Scalar Chain

(C) Unity of Command

(D) Order

Q6. Under 'Differential Piece Wage System', Taylor wanted to:

(A) Punish inefficient workers.

(B) Reward efficient workers and motivate others.

(C) Equalize wages for everyone.

(D) Minimize the role of supervisors.

Q7. The principle of 'Espirit de Corps' emphasizes:

(A) Division of work.

(B) Team spirit and harmony.

(C) Individual interest over organizational interest.

(D) Hierarchical communication.

Q8. The shift in consumer preference towards organic food due to health awareness represents which dimension of the business environment?



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

Q9. The 'Ease of Doing Business' initiative by the Government of India is an example of:

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

Q10. Arrange the following steps of the Planning Process in the correct sequence:

- i. Evaluating alternative courses.
- ii. Setting objectives.
- iii. Developing premises.
- iv. Selecting an alternative.

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

Q11. A 'Rule' is different from a 'Policy' because:

- (A) Rule is a general guide, Policy is specific.
- (B) Rule allows for discretion, Policy does not.
- (C) Rule is specific and rigid, Policy is a general guide to thinking.
- (D) Both are exactly the same.

Q12. Which of the following is a limitation of planning?

- (A) It reduces overlapping.



- (B) It leads to rigidity.
- (C) It promotes innovative ideas.
- (D) It establishes standards for controlling.

Q13. 'Z-Tech Ltd' manufactures electronics, textiles, and cosmetics. Which organizational structure is most suitable for them?

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

Q14. Delegation is _____, whereas Decentralization is _____.

- (A) Optional; Compulsory
- (B) Compulsory; Optional
- (C) Narrow; Narrow
- (D) Philosophy; Technique

Q15. In a Functional Structure, the basis of grouping jobs is:

- (A) Products
- (B) Functions
- (C) Regions
- (D) Customer type

Q16. Centralization refers to:

- (A) Retention of decision-making authority.
- (B) Dispersal of authority to the lowest level.
- (C) Creating more departments.
- (D) Hiring more staff.



- Q17.** Which of the following is an internal source of recruitment?
- (A) Campus Placement
 - (B) Promotions
 - (C) Casual Callers
 - (D) Advertising on Television
- Q18.** The 'Selection Test' designed to measure the individual's potential for learning new skills is:
- (A) Personality Test
 - (B) Intelligence Test
 - (C) Aptitude Test
 - (D) Interest Test
- Q19.** Identify the correct sequence of the Selection Process:
- i. Selection Decision
 - ii. Employment Interview
 - iii. Reference and Background Checks
 - iv. Medical Examination
- (A) ii, i, iii, iv
 - (B) ii, iii, i, iv
 - (C) i, ii, iii, iv
 - (D) iii, ii, i, iv
- Q20.** Off-the-job training method includes:
- (A) Apprenticeship Training
 - (B) Vestibule Training
 - (C) Internship Training
 - (D) Job Rotation



- Q21.** According to Maslow's Hierarchy, which need is satisfied by providing job security and pension plans?
- (A) Basic Physiological Needs
 - (B) Safety/Security Needs
 - (C) Affiliation Needs
 - (D) Esteem Needs
- Q22.** The leadership style where a leader gives orders and expects subordinates to obey without question is:
- (A) Democratic
 - (B) Laissez-faire
 - (C) Autocratic
 - (D) Paternalistic
- Q23.** Poor lighting or loud noise during a presentation is an example of which communication barrier?
- (A) Semantic Barrier
 - (B) Psychological Barrier
 - (C) Organizational Barrier
 - (D) Physical/Environmental Barrier
- Q24.** 'Grapevine' is a term associated with:
- (A) Formal Communication
 - (B) Informal Communication
 - (C) Written Communication
 - (D) Upward Communication
- Q25.** The process of stimulating people to action to accomplish desired goals is called:
- (A) Supervision



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

Q26. 'Management by Exception' suggests that:

- (A) Managers should control everything.
- (B) Only significant deviations should be brought to the notice of top management.
- (C) Employees should be given complete freedom.
- (D) Deviations should be ignored.

Q27. Relationship between Planning and Controlling is:

- (A) Planning is looking backward; Controlling is looking forward.
- (B) Planning is the basis for Controlling; Controlling is the evaluation of Planning.
- (C) They are independent of each other.
- (D) Planning is a physical process; Controlling is a mental process.

Q28. The decision regarding how much profit is to be retained in the business is called:

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

Q29. Which of the following increases the 'Financial Risk' of a company?

- (A) Higher use of Equity
- (B) Higher use of Debt
- (C) Lower Fixed Operating Costs
- (D) Increasing Sales



- Q30.** Capital Structure refers to the mix between:
- (A) Current Assets and Fixed Assets
 - (B) Debt and Equity
 - (C) Sales and Profit
 - (D) Long-term and Short-term Debt
- Q31.** Factors affecting Fixed Capital requirements include:
- (A) Scale of operations
 - (B) Nature of business
 - (C) Technology upgradation
 - (D) All of the above
- Q32.** Working capital is calculated as:
- (A) Total Assets - Total Liabilities
 - (B) Current Assets - Current Liabilities
 - (C) Fixed Assets - Current Assets
 - (D) Debt + Equity
- Q33.** Which money market instrument is also known as a 'Zero-Coupon Bond'?
- (A) Commercial Paper
 - (B) Call Money
 - (C) Treasury Bill (T-Bill)
 - (D) Certificate of Deposit
- Q34.** The regulatory body for the securities market in India is:
- (A) RBI
 - (B) SEBI
 - (C) NABARD



(D) IRDAI

Q35. The process of holding securities in electronic form is called:

- (A) Listing
- (B) Dematerialization (Demat)
- (C) Mutual Fund
- (D) Speculation

Q36. 'Call Money' is used by banks to maintain:

- (A) Profitability
- (B) Cash Reserve Ratio (CRR)
- (C) Fixed Assets
- (D) Employee Salaries

Q37. A 'Bear' in the stock market is a person who:

- (A) Expects prices to rise.
- (B) Expects prices to fall.
- (C) Is a long-term investor.
- (D) Is a government regulator.

Q38. The Primary Market is also known as:

- (A) Stock Exchange
- (B) New Issue Market
- (C) After Market
- (D) Money Market

Q39. Which marketing philosophy focuses on 'high-scale production to reduce costs and make products available everywhere'?

- (A) Product Concept



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

Q40. The '4Ps' of the Marketing Mix are:

- (A) Product, Price, People, Promotion
- (B) Product, Price, Place, Promotion
- (C) Plan, Price, Place, Promotion
- (D) Product, Premium, Place, Promotion

Q41. The 'label' on a product provides information about its:

- (A) Price and expiry date.
- (B) Contents and ingredients.
- (C) Instructions for use.
- (D) All of the above.

Q42. Identify the 'Promotion' tool which is a paid, non-personal form of communication:

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

Q43. Which channel of distribution is used when a manufacturer sells goods directly to the consumer through its own website?

- (A) One-level Channel
- (B) Two-level Channel
- (C) Zero-level Channel
- (D) Three-level Channel



- Q44.** 'Skimming Pricing' strategy involves:
- (A) Setting a low initial price.
 - (B) Setting a high initial price to target the elite class.
 - (C) Setting price equal to competitors.
 - (D) Selling at a loss.
- Q45.** The concept that emphasizes 'customer satisfaction' as the key to achieving organizational goals is:
- (A) Selling Concept
 - (B) Marketing Concept
 - (C) Product Concept
 - (D) Production Concept
- Q46.** What is 'Public Relations'?
- (A) Creating a positive image of the company.
 - (B) Direct face-to-face selling.
 - (C) Offering discounts.
 - (D) Packaging the product.
- Q47.** Under the Consumer Protection Act 2019, a consumer can file a complaint in the 'District Commission' if the value of goods/services does not exceed:
- (A) 20 Lak
 - (B) 50 Lakh
 - (C) 1 Crore
 - (D) 10 Crore
- Q48.** Which consumer right gives the consumer the right to be protected against goods which are hazardous to life and health?
- (A) Right to be Informed



- (B) Right to Safety
- (C) Right to Choose
- (D) Right to be Heard

Q49. 'ISI mark' is found on which type of products?

- (A) Agricultural products
- (B) Food products
- (C) Electrical and Industrial goods
- (D) Jewelry

Q50. Who can file a complaint under the Consumer Protection Act?

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



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

Concept: The levels of management are typically divided into three categories:

- **Top Level:** Responsible for framing overall policies and goals (e.g., CEO, Board of Directors).
- **Middle Level:** Heads of departments responsible for implementing policies and coordinating between top and lower levels (e.g., Production Manager, Marketing Manager).
- **Lower Level:** First-line managers who supervise the actual workforce (e.g., Foremen, Supervisors).

Solution: Since the Production Manager is responsible for **implementing** the plans and policies developed by the CEO (Top Level), they act as a link between top-level management and the first-line managers. Therefore, the Production Manager belongs to the **Middle Level** of management.

Answer: (B)

Q2.**Solution**

Concept: Management is described as a **Social Process** because it is primarily concerned with the human element within an organization. Unlike purely technical processes, it focuses on:

- Organizing and directing the efforts of individuals.
- Building relationships between people to achieve common goals.
- Interacting with the external society (customers, suppliers, and the community).

Solution: Management is not just about machines or money; it is the process of getting things done through and with **people**. Since its success depends on understanding human behavior and social interactions, it is fundamentally a process of **dealing with people in society**.

Answer: (B)



Q3.

Solution

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

- **Integrates Group Effort:** Unifies diverse interests into purposeful work activity.
- **Unity of Action:** Serves as the binding force between departments to ensure that all efforts are focused toward achieving common goals.
- **Continuous Process:** It is not a one-time function but begins at the planning stage and continues until controlling.

Solution: When a manager ensures that different departments (such as Production, Sales, and Finance) work in **harmony** and align their efforts, they are performing the characteristic of **Unity of Action**. This prevents conflicting interests and ensures that the organization moves in a single, cohesive direction.

Answer: (B)

Q4.

Solution

Concept: F.W. Taylor proposed the technique of **Functional Foremanship** to extend the principle of specialization to the shop floor. Since it is difficult to find all qualities in one supervisor, he suggested dividing the work of a factory manager into two departments:

- **Planning Incharge:** Instruction Card Clerk, Route Clerk, Time and Cost Clerk, and Disciplinary.
- **Production Incharge:** Speed Boss, Gang Boss, Repair Boss, and Inspector.

Solution: Under **Functional Foremanship**, each worker is supervised by **eight specialists** (four in planning and four in execution). This technique ensures that workers receive specialized instructions for every aspect of their job, thereby increasing efficiency and quality.

Answer: (C)



Q5.

Solution

Concept: Henri Fayol's principles of management serve as guidelines for decision-making and management actions. One of the core principles is **Unity of Command**, which states that each participant in a formal organization should receive orders from, and be responsible to, only one superior.

Solution: In this scenario, the salesperson is receiving conflicting instructions from two different superiors (the Marketing Manager and the Finance Manager). This creates confusion and dual subordination, which is a direct violation of the principle of **Unity of Command**.

Answer: (C)

Q6.

Solution

Concept: The **Differential Piece Wage System** is a technique of scientific management developed by F.W. Taylor. It aims to differentiate between efficient and inefficient workers by linking wages directly to the level of output produced.

Solution: Taylor's objective was to **reward efficient workers** with a higher wage rate for meeting or exceeding the standard output, while paying a lower rate to those who failed to meet the standard. This serves as a financial incentive to motivate inefficient workers to improve their performance.

Answer: (B)

Q7.

Solution

Concept: **Espirit de Corps** is one of Fayol's 14 principles of management. It is based on the idea that management should promote a sense of unity and team spirit among its employees to ensure the smooth functioning of the organization.

Solution: The principle of 'Espirit de Corps' emphasizes **team spirit and harmony**. It suggests that managers should replace the use of 'I' with 'We' in their conversations with workers to foster mutual trust and a sense of belonging, which is essential for achieving group goals.

Answer: (B)

Q8.

Solution

Concept: The **Social Environment** of business includes the customs, traditions, values, social trends, and expectations of society. Changes in these social factors, such as shifts in lifestyle or health consciousness, directly influence the demand for products and services.

Solution: The preference for organic food is driven by a change in **health awareness and lifestyle trends** within society. Since these are behavioral and cultural shifts among consumers, it represents the **Social Environment** dimension of the business environment.

Answer: (C)

Q9.

Solution

Concept: The **Political Environment** comprises political conditions such as stability, peace, and the specific attitudes that elected government representatives hold toward business activities. It includes government initiatives, ideologies of the ruling party, and administrative policies.

Solution: The 'Ease of Doing Business' initiative is a **policy framework and specific intent** of the government to improve the business climate. As it stems from the government's political will and administrative agenda to promote entrepreneurship, it is an example of the **Political Environment**.

Answer: (B)

Q10.

Solution

Concept: Planning is a systematic process that involves several logical steps to reach a specific goal. The standard sequence is:

- (a) **Setting Objectives:** Defining what the organization wants to achieve.
- (b) **Developing Premises:** Making assumptions about the future environment.
- (c) **Identifying Alternative Courses of Action:** Finding various ways to achieve objectives.
- (d) **Evaluating Alternative Courses:** Weighing the pros and cons of each option.
- (e) **Selecting an Alternative:** Choosing the best plan.

Solution: Based on the logical flow of management functions, the correct sequence for the provided steps is:

- **ii.** Setting objectives
- **iii.** Developing premises
- **i.** Evaluating alternative courses
- **iv.** Selecting an alternative

This corresponds to the sequence **ii, iii, i, iv**.

Answer: (A)

Q11.

Solution

Concept: In the planning process, managers develop different types of plans to guide the organization:

- **Policy:** A general statement that guides thinking or channelizes energy toward a particular direction. It provides a broad parameters within which a manager may use discretion.
- **Rule:** A specific statement that informs what is to be done or not done. It is rigid and allows for no compromise or discretion.

Solution: A **Rule** is different from a **Policy** because a Rule is **specific and rigid**, prescribing exactly what should happen (e.g., "No smoking"), whereas a Policy is a **general guide to thinking** that allows for interpretation in decision-making (e.g., "Recruitment policy").

Answer: (C)



Q12.

Solution

Concept: While planning is essential for any organization, it has certain inherent **limitations** that can hinder its effectiveness. These include:

- **Rigidity:** Once a plan is drawn, managers may not be in a position to change it.
- **Time-consuming:** It requires a lot of time to collect data and analyze it.
- **Huge costs:** Involves professional experts and detailed research.
- **False sense of security:** Success in the past does not guarantee success in the future.

Solution: Among the options provided, the fact that planning **leads to rigidity** is a major limitation. Options A, C, and D are actually advantages or features of planning, not limitations.

Answer: (B)

Q13.

Solution

Concept: Organizations choose structures based on their size and product range:

- **Functional Structure:** Grouping jobs based on functions (e.g., HR, Sales). Best for single-product firms.
- **Divisional Structure:** Grouping jobs based on product lines. Each division functions as a semi-autonomous unit.

Solution: Since 'Z-Tech Ltd' is a **multi-product organization** (electronics, textiles, and cosmetics), a **Divisional Structure** is most suitable. It allows for product specialization, faster decision-making, and clear accountability for the profits or losses of each individual product line.

Answer: (B)



Q14.

Solution

Concept: While both involve the transfer of authority, they differ in nature:

- **Delegation:** The act of a manager sharing their workload with immediate subordinates. It is a physical necessity.
- **Decentralization:** An optional policy decision by top management to disperse authority throughout all levels.

Solution: Delegation is **Compulsory** because no manager can perform all tasks personally. In contrast, Decentralization is **Optional** as it depends on the philosophy and discretion of the top-level management regarding how much power they wish to distribute across the organization.

Answer: (B)

Q15.

Solution

Concept: In a **Functional Structure**, the entire organization is divided into major departments based on the specialized activities or "functions" performed.

Solution: In a functional structure, the basis of grouping jobs is **Functions** (such as Production, Marketing, Finance, and HR). This promotes efficiency by ensuring that employees perform specialized tasks within their specific area of expertise.

Answer: (B)

Q16.

Solution

Concept: These terms describe the location of decision-making authority within the hierarchy:

- **Centralization:** Concentration of authority at the top level.
- **Decentralization:** Systematic delegation of authority to the lower levels.

Solution: **Centralization** refers to the **retention of decision-making authority** at the highest level of the management hierarchy. This ensures strict control and uniformity in decision-making across the enterprise.

Answer: (A)



Q17.

Solution

Concept: Recruitment sources are categorized based on whether the candidates are sourced from within the organization or from the external labor market:

- **Internal Sources:** Filling vacancies from the existing workforce (e.g., **Promotions** and **Transfers**). These are cost-effective and boost employee morale.
- **External Sources:** Bringing in new talent from outside (e.g., Campus Placement, Advertising, Employment Exchanges).

Solution: Among the given options, ****Promotions**** is an internal source. It involves moving an employee to a higher position with increased responsibilities and pay. Options A, C, and D require looking outside the organization's current payroll.

Answer: (B)

Q18.

Solution

Concept: Selection tests are used to objectively measure the various characteristics and qualities of a candidate. In management and psychology, these are classified into several types:

- **Intelligence Test:** Used to measure the level of intelligence quotient (IQ) and a person's ability to make decisions and judgments.
- **Aptitude Test:** A measure of a person's capacity or **potential** to learn new skills. It serves as an index of how well a candidate can adapt to training.
- **Personality Test:** Probes the overall personality of the individual, including emotions, maturity, and value systems.
- **Interest Test:** Used to identify the areas of involvement or specific interests of the candidate.

Solution: The test specifically designed to gauge an individual's "learnability" and their inherent potential for future growth and skill acquisition is the **Aptitude Test**. While a trade test measures current skills, the aptitude test predicts future performance.

Answer: (C)



Q19.

Solution

Concept: The Selection Process consists of a series of steps to evaluate candidates and identify the most suitable person for a specific job. The logical flow ensures that candidates are screened progressively:

- (a) **Preliminary Screening:** Eliminating unqualified candidates.
- (b) **Selection Tests:** Measuring skills and abilities.
- (c) **Employment Interview:** Assessing suitability through face-to-face interaction.
- (d) **Reference and Background Checks:** Verifying the accuracy of information provided.
- (e) **Selection Decision:** Choosing the final candidate based on previous steps.
- (f) **Medical Examination:** Checking physical fitness for the role.
- (g) **Job Offer and Contract of Employment.**

Solution: Based on the standard management procedure, the steps provided should be arranged as follows:

- **ii. Employment Interview:** Conducted after tests but before final checks.
- **iii. Reference and Background Checks:** Performed to validate the candidate's history before the final choice.
- **i. Selection Decision:** The manager makes the final pick from the list of those who cleared the interview and checks.
- **iv. Medical Examination:** Usually the final step before the formal job offer to ensure the candidate is healthy enough for the duties.

The correct sequence is therefore ****ii, iii, i, iv****.

Answer: (B)



Q20.

Solution

Concept: Training methods are broadly classified into two categories based on where the learning takes place:

- **On-the-job Training:** Learning while doing the actual work in the actual workplace (e.g., Apprenticeship, Internship, Job Rotation).
- **Off-the-job Training:** Learning away from the actual work floor, often in a simulated environment to avoid risks or distractions.

Solution: Among the options, **Vestibule Training** is an off-the-job method. It involves creating a specialized training center (a "vestibule") that duplicates the actual work environment with the same machinery and tools. This allows employees to learn the technicalities of the job without the pressure of actual production or the risk of damaging expensive equipment on the main floor.

Answer: (B)

Q21.

Solution

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

- **Basic Physiological Needs:** Hunger, thirst, and basic survival.
- **Safety/Security Needs:** Protection from physical and emotional harm, and assurance of future stability.
- **Affiliation/Social Needs:** Sense of belongingness, friendship, and acceptance.
- **Esteem Needs:** Self-respect, autonomy status, and recognition.
- **Self-Actualization Needs:** The drive to become what one is capable of becoming.

Solution: Job security and pension plans are designed to provide an individual with protection against future economic and physical risks. Since these factors offer a sense of stability and certainty for the future, they satisfy the **Safety/Security Needs** of an employee.

Answer: (B)



Q22.

Solution

Concept: Leadership styles define how a manager directs and influences subordinates. The three primary styles are:

- **Autocratic (Authoritarian):** Centralizes authority and focuses on task completion. The leader gives orders and expects immediate compliance.
- **Democratic (Participative):** Encourages subordinates to participate in decision-making.
- **Laissez-faire (Free-rein):** Gives complete freedom to subordinates to make decisions and set goals.

Solution: The style characterized by one-way communication and absolute obedience is the **Autocratic** leadership style. In this mode, the leader does not consult the group and maintains full control over the work process.

Answer: (C)

Q23.

Solution

Concept: Communication barriers prevent the receiver from understanding the message as intended. Categories include:

- **Semantic Barriers:** Problems related to language, symbols, or faulty translations.
- **Psychological Barriers:** State of mind, such as premature evaluation or lack of attention.
- **Organizational Barriers:** Factors like rigid rules, hierarchy, or status.
- **Physical/Environmental Barriers:** Tangible obstacles in the environment that distract or interfere with the message.

Solution: Poor lighting, technical glitches, and loud noise are external factors that interfere with the transmission of information. These are classic examples of **Physical/Environmental Barriers** (often simply referred to as "Noise" in the communication process).

Answer: (D)



Q24.

Solution

Concept: Communication in an organization is classified based on the channel or relationship:

- **Formal Communication:** Follows the official chain of command (e.g., memos, official meetings).
- **Informal Communication:** Arises out of social interactions among employees without following any rigid path. This is commonly referred to as the '**Grapevine**'.

Solution: The term **'Grapevine'** is associated with **Informal Communication**. It is called so because it spreads in all directions throughout the organization, much like the irregular branches of a grapevine, without following any official hierarchy. While it is fast, it is also prone to spreading rumors and distorted information.

Answer: (B)

Q25.

Solution

Concept: Directing is a key function of management that involves instructing, guiding, and inspiring people. Within this function:

- **Supervision:** Overseeing the work of subordinates.
- **Communication:** Transferring information from one person to another.
- **Motivation:** The process of inducing people to act in a desired manner to achieve specific goals.
- **Leadership:** Influencing the behavior of others to work willingly toward objectives.

Solution: The specific process of **stimulating** or "inciting" people to take action to achieve a goal is called **Motivation**. It addresses the "inner state" of an individual (needs, desires, or drives) that energizes and directs their behavior toward a result.

Answer: (C)



Q26.

Solution

Concept: Management by Exception (MBE) is a control philosophy based on the belief that "an attempt to control everything results in controlling nothing." It involves:

- Setting predetermined standards or "norms."
- Monitoring performance and identifying deviations.
- Reporting only significant or critical deviations to higher authorities, while minor deviations are handled at lower levels.

Solution: The core idea is that top management's time is valuable and should not be wasted on routine problems. Therefore, ****only significant deviations**** that go beyond a specific range should be brought to their notice.

Answer: (B)

Q27.

Solution

Concept: Planning and Controlling are often described as the two sides of the same coin. Their relationship is characterized by:

- **Interdependence:** Planning provides the standards, while controlling provides the feedback for future plans.
- **Forward and Backward Looking:** Both are both. Planning looks forward to the future, while controlling looks backward at performance to improve the future.

Solution: Planning is the ****basis**** for controlling because without standards, controlling is impossible. Conversely, controlling is the ****evaluation**** of planning because it measures how far the pre-determined plans have been successfully implemented.

Answer: (B)



Q28.

Solution

Concept: Financial management involves three major types of decisions:

- **Investment Decision:** Where to invest funds (Long-term vs. Short-term).
- **Financing Decision:** From where to raise funds (Debt vs. Equity).
- **Dividend Decision:** How much of the earned profit should be distributed to shareholders as dividends and how much should be kept as **retained earnings**.

Solution: The decision concerning the appropriation of profits—specifically determining the portion to be distributed vs. the portion to be kept for reinvestment—is the **Dividend Decision**.

Answer: (C)

Q29.

Solution

Concept: Financial Risk refers to the risk that a company will not be able to meet its fixed financial obligations, such as interest payments and the repayment of principal amounts.

- **Debt:** Requires mandatory, fixed interest payments regardless of whether the company makes a profit or loss.
- **Equity:** Does not carry a fixed obligation to pay dividends; dividends are paid only out of profits at the discretion of the board.

Solution: A **higher use of Debt** increases financial risk because it raises the company's fixed financial burden. If the company's earnings fluctuate, it may struggle to cover these interest costs, potentially leading to insolvency.

Answer: (B)

Q30.

Solution

Concept: Capital Structure is a vital part of financial management that determines the long-term solvency and profitability of a firm. It involves deciding the proportion of various sources of long-term funds.

Solution: Capital Structure refers specifically to the mix or proportion between **Debt and Equity** used to finance the overall operations and growth of a company. It is often expressed as the Debt-Equity Ratio (D/E).

Answer: (B)



Q31.

Solution

Concept: Fixed Capital refers to the investment in long-term assets (like land, building, machinery, etc.) that stay in the business for more than one year. The requirement for this capital depends on:

- **Nature of Business:** A manufacturing firm needs more fixed capital than a trading firm.
- **Scale of Operations:** Larger organizations require more space and machinery.
- **Technology Upgradation:** Industries where technology becomes obsolete quickly need more funds to replace old machinery with new ones.

Solution: Since all the factors mentioned—Scale of operations, Nature of business, and Technology upgradation—directly influence how much money is blocked in long-term assets, the correct choice is ****All of the above****.

Answer: (D)

Q32.

Solution

Concept: Working Capital represents the funds required for the day-to-day operations of a business. It is usually discussed in two senses:

- **Gross Working Capital:** Total investment in current assets.
- **Net Working Capital:** The excess of current assets over current liabilities. It indicates the liquidity position of the firm.

Solution: In accounting and financial management, Net Working Capital is calculated using the formula:

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

This represents the margin of protection for short-term creditors.

Answer: (B)



Q33.

Solution

Concept: Money market instruments are short-term debt instruments with high liquidity. A **Treasury Bill (T-Bill)** is issued by the RBI on behalf of the Government of India.

- They are issued at a price lower than their face value (at a discount).
- They are redeemed at par (face value).
- No interest is paid periodically; the difference between the issue price and the face value is the return (the "interest").

Solution: Because it is issued at a discount and does not carry a specific coupon (interest) rate, the **Treasury Bill (T-Bill)** is also known as a **Zero-Coupon Bond**.

Answer: (C)

Q34.

Solution

Concept: To ensure the orderly functioning of the financial markets and to protect the interests of investors, the government establishes regulatory bodies. In the Indian financial system:

- **RBI:** Regulates the banking sector and the money market.
- **SEBI:** Regulates the capital market (stock market) and its intermediaries.

Solution: The **Securities and Exchange Board of India (SEBI)** is the regulatory body for the securities market in India. It was established to prevent malpractices and to promote the development and regulation of the stock exchanges.

Answer: (B)

Q35.

Solution

Concept: In the modern stock market, physical certificates for shares and bonds have been replaced by electronic entries. This transition involves two key terms:

- **Dematerialization:** The process of converting physical certificates into electronic form.
- **Rematerialization:** The process of converting electronic holdings back into physical certificates.

Solution: The process of holding securities in an electronic format, similar to how money is held in a bank account, is called **Dematerialization (Demat)**. This makes trading faster, safer, and more convenient by eliminating the risks of theft, forgery, or physical damage.

Answer: (B)

Q36.

Solution

Concept: **Call Money** is a short-term finance method used by commercial banks to borrow from each other to manage their daily cash requirements. The interest rate paid on call money is known as the **Call Rate**.

Solution: Banks are required by the central bank (RBI) to maintain a certain minimum cash balance, known as the **Cash Reserve Ratio (CRR)**. Since this requirement fluctuates daily based on deposits and withdrawals, banks use 'Call Money' to borrow funds for a very short period (1 to 15 days) to ensure they meet the mandatory CRR levels.

Answer: (B)

Q37.

Solution

Concept: In the stock market, speculators are often categorized by their outlook on future price movements. The two most common terms are:

- **Bull:** An optimistic speculator who expects prices to rise and buys securities to sell them later at a profit.
- **Bear:** A pessimistic speculator who expects prices to fall and sells securities (often short-selling) with the intention of buying them back at a lower price.

Solution: A **'Bear'** is a person who **expects prices to fall**. This person anticipates a "bearish" trend (downward movement) in the market or a particular stock and acts accordingly to benefit from the decline.

Answer: (B)

Q38.

Solution

Concept: The capital market is divided into two main segments based on the nature of the securities being traded:

- **Primary Market:** Where fresh or new securities are issued for the first time by companies to raise capital directly from investors.
- **Secondary Market:** Also known as the Stock Exchange, where existing (second-hand) securities are traded between investors.

Solution: Because the **Primary Market** deals exclusively with the issuance of fresh securities that have never been traded before, it is also known as the **New Issue Market**.

Answer: (B)

Q39.

Solution

Concept: Marketing philosophies have evolved over time. The **Production Concept** is one of the oldest orientations in business. It is based on the idea that consumers will favor products that are widely available and highly affordable.

Solution: The philosophy that focuses on achieving high production efficiency, low costs, and mass distribution is the **Production Concept**. Management believes that by producing at a **high scale**, they can achieve economies of scale and reduce the unit cost, making the product accessible to everyone.

Answer: (B)

Q40.

Solution

Concept: The **Marketing Mix** consists of the set of marketing tools that a firm uses to pursue its marketing objectives in the target market. These were popularized by E. Jerome McCarthy as the **4Ps**:

- **Product:** The goods or services offered.
- **Price:** The amount the customer pays.
- **Place (Physical Distribution):** Making the product available at the right location.
- **Promotion:** Communicating the product's merits to customers.

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

Answer: (B)

Q41.

Solution

Concept: **Labelling** is the part of branding and packaging that involves designing the label—the carrier of information about the product. Its primary functions are to identify the product, describe it, and specify its contents.

Solution: A comprehensive label provides various types of essential information, including the **price**, **expiry date**, **contents/ingredients**, and specific **instructions for use** (as required by law and for consumer convenience). Therefore, the answer is **All of the above**.

Answer: (D)

Q42.

Solution

Concept: The promotion mix consists of several tools used to communicate with the target audience. Each has distinct characteristics:

- **Advertising:** A paid, non-personal communication by an identified sponsor.
- **Personal Selling:** Direct, face-to-face interaction between the seller and the buyer.
- **Sales Promotion:** Short-term incentives to encourage purchase (e.g., discounts, coupons).
- **Public Relations (PR):** Building a positive image and managing communication with the public.

Solution: The tool described as a ****paid, non-personal form of communication**** is ****Advertising****. It is "non-personal" because there is no direct face-to-face contact between the sponsor and the recipient, and it is "paid" because the sponsor must pay for the space or time used in the media (like TV, newspapers, or websites).

Answer: (C)

Q43.

Solution

Concept: Channels of distribution represent the path through which goods move from the producer to the consumer. They are classified based on the number of intermediaries:

- **Zero-level (Direct) Channel:** Manufacturer → Consumer. No intermediaries involved.
- **One-level Channel:** Manufacturer → Retailer → Consumer.
- **Two-level Channel:** Manufacturer → Wholesaler → Retailer → Consumer.

Solution: When a manufacturer sells goods directly to the consumer through their own website, retail outlets, or door-to-door selling, it is known as a ****Zero-level Channel****. Since there are no middlemen (like wholesalers or retailers) involved in the transaction, it is a direct link between the producer and the end-user.

Answer: (C)



Q44.

Solution

Concept: Pricing strategies are used by firms when launching a new product. The two most common strategies are:

- **Price Skimming:** Setting a high initial price to "skim the cream" from the top of the market before competitors enter. It targets early adopters and the elite class.
- **Penetration Pricing:** Setting a low initial price to capture a large market share quickly.

Solution: A **'Skimming Pricing'** strategy involves **setting a high initial price** for a product. This is typical for innovative or luxury goods (like high-end smartphones) where certain customers are willing to pay a premium to own the product first.

Answer: (B)

Q45.

Solution

Concept: The evolution of marketing philosophies led to the development of the **Marketing Concept**. This concept shifts the focus from the seller's needs to the buyer's needs. Its pillars are:

- (a) Identification of the target market.
- (b) Understanding customer needs and wants.
- (c) Developing products to satisfy those needs.
- (d) Satisfying needs better than competitors to earn profits.

Solution: The philosophy that emphasizes **customer satisfaction** as the fundamental key to achieving organizational goals is the **Marketing Concept**. Unlike the selling concept, which focuses on "pushing" existing products, the marketing concept focuses on "pulling" customers by delivering value.

Answer: (B)



Q46.

Solution

Concept: Public Relations (PR) is a strategic communication process used by organizations to build and maintain a favorable relationship with various "publics" (such as customers, employees, shareholders, the government, and the general community).

Unlike advertising, which is a "paid" form of communication to sell a product, PR is often "earned" media and focuses on the organization's reputation. It involves managing news releases, sponsorships, and handling unfavorable rumors to ensure the company maintains a positive standing in the eyes of the public.

Solution: The primary goal of Public Relations is **creating a positive image of the company** (Option A). The other options refer to different elements of the marketing mix: Option B is Personal Selling, Option C is Sales Promotion, and Option D is part of the Product element.

Answer: (A)

Q47.

Solution

Concept: The **Consumer Protection Act (CPA) 2019** revised the pecuniary (monetary) jurisdiction of the three-tier redressal machinery to handle the increasing volume and value of transactions. The current limits for filing a complaint are:

- **District Commission:** For claims where the value of goods or services paid does not exceed **1 Crore**.
- **State Commission:** For claims exceeding 1 Crore but not exceeding 10 Crore.
- **National Commission:** For claims exceeding 10 Crore.

Solution: Under the 2019 Act, a consumer can file a complaint in the **District Commission** if the value of goods or services does not exceed **1 Crore**.

Note: This is a significant increase from the 1986 Act, where the limit for the District Forum was only 20 Lakh.

Answer: (C)

Q48.

Solution

Concept: The Consumer Protection Act provides several fundamental rights to protect consumers from exploitation:

- **Right to Safety:** Protection against marketed goods and services that are hazardous to life and property.
- **Right to be Informed:** Right to be told about the quality, quantity, purity, and price of goods to protect against unfair trade practices.
- **Right to Choose:** Assurance of access to a variety of products at competitive prices.
- **Right to be Heard:** Right to have interest represented in appropriate forums.

Solution: The right that ensures consumers are protected against products (like adulterated food or defective electrical appliances) that are hazardous to life and health is the **Right to Safety**. This right often requires products to carry safety certifications like the ISI mark or Agmark.

Answer: (B)

Q49.

Solution

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Solution: Under the 2019 Act, a consumer can file a complaint in the **District Commission** if the value of goods or services does not exceed **1 Crore**.

Note: This is a significant increase from the 1986 Act, where the limit for the District Forum was only 20 Lakh.

Answer: (C)



Q50.

Solution

Concept: The **Consumer Protection Act** is designed to provide a broad legal framework so that aggrieved parties have easy access to justice. To ensure that consumers are not silenced by a lack of resources or legal knowledge, the Act allows various entities to initiate legal proceedings.

Solution: According to the Act, a complaint can be filed by:

- **Any consumer:** An individual who buys goods or hires services for consideration.
- **Any registered consumers' association:** A group representing the interests of consumers.
- **Central or State Government:** Acting in the public interest.
- **One or more consumers:** On behalf of numerous consumers having the same interest (Class action).
- **Legal heir or representative:** Of a deceased consumer.

Since all the provided options are legally eligible to file a complaint, the correct answer is ****All of the above****.

Answer: (D)



Answer Key

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

