

CUET UG Business Studies Sample Paper-I

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 level of management is responsible for implementing policies and plans formulated by top management?

- (A) Top level management
- (B) Middle level management
- (C) Lower level management
- (D) Supervisory management

Q2. Coordination ensures unity of action by:

- (A) Separating individual efforts
- (B) Integrating group efforts
- (C) Eliminating planning
- (D) Ignoring organizational goals

Q3. Which principle of Fayol states that a subordinate should receive orders from only one superior?

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



- Q4.** Identify the principle: “Each group of activities with the same objective must have one head and one plan.”
- (A) Unity of Command
 - (B) Unity of Direction
 - (C) Scalar Chain
 - (D) Equity
- Q5.** In a factory, a worker receives instructions from multiple supervisors for different tasks like quality, speed, and maintenance. This technique is known as:
- (A) Unity of Command
 - (B) Functional Foremanship
 - (C) Division of Work
 - (D) Discipline
- Q6.** “A manager emphasizes that employees should be treated with kindness and justice.” Identify the principle of Fayol applied here.
- (A) Discipline
 - (B) Equity
 - (C) Stability of Tenure
 - (D) Initiative
- Q7.** Which dimension of business environment includes changes in GDP, inflation, and interest rates?
- (A) Social environment
 - (B) Economic environment
 - (C) Legal environment
 - (D) Political environment
- Q8.** The government introduces a new tax policy that increases the cost of production for companies. This is an example of:



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

Q9. What is the first step in the planning process?

- (A) Identifying alternatives
- (B) Setting objectives
- (C) Evaluating alternatives
- (D) Implementing plans

Q10. Identify the correct sequence of planning process:

- (A) Setting objectives → Developing premises → Identifying alternatives → Evaluating alternatives
- (B) Identifying alternatives → Setting objectives → Evaluating alternatives → Implementation
- (C) Developing premises → Setting objectives → Evaluating alternatives → Identifying alternatives
- (D) Evaluating alternatives → Setting objectives → Developing premises → Implementation

Q11. A company has a guideline that “Employees must follow ethical practices while dealing with customers.” This is an example of:

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

Q12. Which organizational structure is best suited for a company producing multiple product lines?



- (A) Functional structure
- (B) Divisional structure
- (C) Line structure
- (D) Informal structure

Q13. In which structure are activities grouped according to functions like marketing, finance, and production?

- (A) Divisional structure
- (B) Functional structure
- (C) Matrix structure
- (D) Line structure

Q14. Delegation of authority involves:

- (A) Only transfer of authority
- (B) Only transfer of responsibility
- (C) Transfer of authority and responsibility
- (D) Transfer of accountability

Q15. A company allows lower-level managers to take independent decisions without consulting top management. This is an example of:

- (A) Delegation
- (B) Centralization
- (C) Decentralization
- (D) Supervision

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

- (A) Advertisement
- (B) Campus placement
- (C) Promotion



(D) Employment exchange

Q17. Which of the following is an external source of recruitment?

(A) Transfer

(B) Promotion

(C) Campus recruitment

(D) Demotion

Q18. Which test is used to measure a candidate's ability to perform a specific job?

(A) Intelligence test

(B) Aptitude test

(C) Trade test

(D) Personality test

Q19. A company conducts interviews, written tests, and medical examinations before selecting candidates. This process is known as:

(A) Recruitment

(B) Selection

(C) Training

(D) Placement

Q20. According to Maslow, which need is at the top of the hierarchy?

(A) Safety needs

(B) Social needs

(C) Esteem needs

(D) Self-actualization needs

Q21. A manager gives complete freedom to employees to take decisions. This leadership style is:



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

Q22. Which of the following is a psychological barrier to communication?

- (A) Noise
- (B) Distrust
- (C) Poor lighting
- (D) Distance

Q23. A manager consults employees before taking decisions. Identify the leadership style.

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

Q24. Which need motivates a person to achieve personal growth and full potential?

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

Q25. Which is the first step in the controlling process?

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



- Q26.** Controlling is closely related to planning because:
- (A) It follows planning
 - (B) It is independent of planning
 - (C) It ignores standards
 - (D) It replaces planning
- Q27.** Which financial decision relates to selecting long-term assets of a company?
- (A) Financing decision
 - (B) Investment decision
 - (C) Dividend decision
 - (D) Liquidity decision
- Q28.** Decision regarding the proportion of debt and equity in capital is known as:
- (A) Investment decision
 - (B) Dividend decision
 - (C) Financing decision
 - (D) Working capital decision
- Q29.** Which of the following factors affects capital structure?
- (A) Cost of capital
 - (B) Cash flow position
 - (C) Risk consideration
 - (D) All of the above
- Q30.** A company decides how much profit should be distributed to shareholders and how much retained. This is called:
- (A) Investment decision
 - (B) Financing decision
 - (C) Dividend decision



(D) Budgeting decision

Q31. Increasing use of debt in capital structure is called:

(A) Financial planning

(B) Financial leverage

(C) Dividend policy

(D) Capital budgeting

Q32. Treasury Bills (T-Bills) are issued by:

(A) Reserve Bank of India

(B) Government of India

(C) SEBI

(D) Commercial Banks

Q33. Commercial Paper (CP) is a type of:

(A) Long-term instrument

(B) Equity share

(C) Short-term unsecured promissory note

(D) Government bond

Q34. Which of the following is a function of SEBI?

(A) Regulating stock exchanges

(B) Protecting investor interests

(C) Preventing unfair trade practices

(D) All of the above

Q35. The process of buying and selling securities is called:

(A) Investment

(B) Trading



- (C) Financing
- (D) Hedging

Q36. Which of the following is a money market instrument?

- (A) Equity shares
- (B) Debentures
- (C) Treasury Bills
- (D) Preference shares

Q37. SEBI was established in which year?

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

Q38. Which element of marketing mix deals with physical goods or services offered to consumers?

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

Q39. Which philosophy focuses on mass production and low cost?

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

Q40. Branding helps in:



- (A) Identifying the product
- (B) Creating loyalty
- (C) Differentiating from competitors
- (D) All of the above

Q41. Which element of marketing mix is related to distribution channels?

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

Q42. A company focuses on customer satisfaction and long-term relationships. This is:

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

Q43. Which of the following is an example of promotion?

- (A) Packaging
- (B) Advertising
- (C) Pricing strategy
- (D) Warehousing

Q44. The value assigned to a product by the seller is called:

- (A) Cost
- (B) Price
- (C) Profit
- (D) Margin



- Q45.** A unique name, symbol, or design used to identify a product is called:
- (A) Trademark
 - (B) Brand
 - (C) Patent
 - (D) Logo
- Q46.** Which of the following is a consumer right under the Consumer Protection Act?
- (A) Right to safety
 - (B) Right to be informed
 - (C) Right to seek redressal
 - (D) All of the above
- Q47.** Which of the following is a remedy available to consumers?
- (A) Replacement of defective goods
 - (B) Refund of money
 - (C) Compensation for loss
 - (D) All of the above
- Q48.** Which of the following is a consumer right under the Consumer Protection Act?
- (A) Right to safety
 - (B) Right to be informed
 - (C) Right to seek redressal
 - (D) All of the above
- Q49.** Which principle of management states that a subordinate should receive orders from only one superior?
- (A) Unity of Direction
 - (B) Unity of Command
 - (C) Scalar Chain



(D) Equity

Q50. Which financial decision in business finance is related to deciding how much profit should be distributed as dividend and how much should be retained in the business?

(A) Investment decision

(B) Financing decision

(C) Dividend decision

(D) Working capital decision



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

Concept: Middle management executes plans.

Solution: Middle level acts as a link between top and lower levels and ensures implementation.

Detailed Explanation: In an organization, management is divided into three levels — top, middle, and lower level.

- **Top Level Management** (e.g., CEO, Directors) is responsible for setting objectives, framing policies, and making strategic decisions.
- **Middle Level Management** (e.g., Department Heads, Managers) interprets these policies and plans and ensures their proper implementation.
- **Lower Level Management** (e.g., Supervisors) focuses on supervising day-to-day activities and guiding workers.

Middle level managers act as a link between top and lower levels. They convert broad policies into specific plans and ensure that work is carried out efficiently at the operational level. They also communicate feedback from lower levels to top management.

Elimination of Options:

- **Option A (Top level management):** Incorrect, because they formulate policies but do not implement them directly.
- **Option B (Middle level management):** Correct, as they are responsible for implementation.
- **Option C (Lower level management):** Incorrect, as they only supervise execution, not plan implementation.
- **Option D (Supervisory management):** Incorrect, same as lower level, limited to supervision.

Conclusion: Thus, middle level management ensures that the policies and plans designed by top management are effectively executed in the organization.

Final Answer: *Middle level management*

Answer: (B)



Q2.

Solution

Concept: Coordination ensures unity of action by integrating efforts.

Explanation: In an organization, different individuals and departments perform various activities. Coordination brings all these activities together and aligns them towards common organizational goals. It avoids conflict and duplication of work.

Option Analysis:

- (A) Incorrect — coordination does not separate efforts.
- (B) Correct — it integrates group efforts.
- (C) Incorrect — planning is essential.
- (D) Incorrect — coordination focuses on achieving goals.

Final Answer: *Integrating group efforts*

Answer: (B)

Q3.

Solution

Concept: Unity of Command principle by Fayol.

Explanation: According to Fayol, a subordinate should receive orders from only one superior. This avoids confusion, conflict, and overlapping instructions, ensuring clarity in authority and responsibility.

Option Analysis:

- (A) Incorrect — Unity of Direction refers to one plan for a group of activities.
- (B) Correct — Unity of Command means one boss for one subordinate.
- (C) Incorrect — Discipline relates to obedience and respect for rules.
- (D) Incorrect — Order refers to proper arrangement of resources.

Final Answer: *Unity of Command*

Answer: (B)



Q4.

Solution

Concept: Unity of Direction principle by Fayol.

Explanation: Unity of Direction states that all activities having the same objective should be directed by one manager and follow one plan. This ensures proper coordination and avoids duplication of efforts in the organization.

Option Analysis:

- (A) Incorrect — Unity of Command refers to one boss for one subordinate.
- (B) Correct — Unity of Direction means one head and one plan for similar activities.
- (C) Incorrect — Scalar Chain refers to the chain of authority.
- (D) Incorrect — Equity relates to fairness and justice.

Final Answer: *Unity of Direction*

Answer: (B)

Q5.

Solution

Concept: Taylor's Functional Foremanship.

Explanation: Functional Foremanship is a technique of scientific management where a worker receives instructions from multiple specialized supervisors. Each supervisor is responsible for a specific function such as quality control, speed, maintenance, etc., to improve efficiency and productivity.

Option Analysis:

- (A) Incorrect — Unity of Command suggests only one superior.
- (B) Correct — Functional Foremanship allows multiple supervisors for specialized tasks.
- (C) Incorrect — Division of Work means specialization of tasks, not multiple supervisors.
- (D) Incorrect — Discipline relates to following rules and regulations.

Final Answer: *Functional Foremanship*

Answer: (B)



Q6.

Solution

Concept: Equity principle by Henri Fayol..

Explanation: The principle of Equity states that managers should treat employees with fairness, kindness, and justice. This helps in maintaining good relations, boosting morale, and increasing employee satisfaction in the organization. **Option Analysis:**

- (A) Incorrect — Discipline relates to obedience and respect for rules.
- (B) Correct — Equity emphasizes fairness and kindness towards employees.
- (C) Incorrect — Stability of Tenure focuses on job security of employees.
- (D) Incorrect — Initiative refers to encouraging employees to take action.

Final Answer:

Answer: (B)

Q7.

Solution

Concept: Economic dimension of business environment..

Explanation: The economic environment includes all economic factors that affect business activities such as GDP growth, inflation rate, interest rates, income levels, and economic policies. These factors influence demand, cost, and profitability of businesses.

Option Analysis:

- (A) Incorrect — Social environment relates to culture, values, and lifestyle.
- (B) Correct — GDP, inflation, and interest rates are key economic indicators.
- (C) Incorrect — Legal environment includes laws and regulations.
- (D) Incorrect — Political environment involves government stability and policies.

Final Answer:

Answer: (B)



Q8.

Solution

Concept: Legal (Regulatory) environment of business.

Explanation: The legal environment includes laws, rules, and government policies that regulate business activities. A new tax policy introduced by the government directly affects business operations by increasing the cost of production, making it a part of the legal/regulatory environment.

Option Analysis:

- (A) Incorrect — Social environment relates to culture and society.
- (B) Incorrect — Economic environment includes indicators like GDP and inflation.
- (C) Correct — Tax policies are part of government laws and regulations.
- (D) Incorrect — Technological environment deals with innovation and technology.

Final Answer: *Legal environment*

Answer: (C)

Q9.

Solution

Concept: Planning begins with objective setting.

Explanation: Planning begins with setting objectives. Objectives define what the organization wants to achieve and provide direction for all subsequent planning activities like identifying alternatives and evaluating them.

Option Analysis:

- (A) Incorrect — Alternatives are identified after setting objectives.
- (B) Correct — Objectives are the starting point of planning.
- (C) Incorrect — Evaluation comes later in the process.
- (D) Incorrect — Implementation is the final stage.

Final Answer: *Setting objectives*

Answer: (B)



Q10.

Solution**Concept:** Delegation of Authority.**Explanation:** Delegation of authority is the process where a manager assigns authority and responsibility to subordinates to perform specific tasks. The key element is the transfer of authority from superior to subordinate.**Option Analysis:**

- (A) Incorrect — Only responsibility is not delegated alone
- (B) Correct — Delegation means transfer of authority
- (C) Incorrect — Ownership is not transferred
- (D) Incorrect — Finance is not transferred

Final Answer: *Transfer of authority***Answer: (B)**

Q11.

Solution**Concept:** Policy as a type of plan.**Explanation:** A policy is a general guideline that helps in decision-making. It provides a broad framework within which employees can act. The statement about following ethical practices is not a strict instruction but a guiding principle, hence it is a policy.**Option Analysis:**

- (A) Incorrect — A rule is strict and must be followed without exception.
- (B) Incorrect — A method refers to the way of doing a task.
- (C) Correct — A policy provides general guidelines for behavior.
- (D) Incorrect — A budget is a financial plan.

Final Answer: *Policy***Answer: (C)**

Q12.

Solution**Concept:** Divisional organizational structure.**Explanation:** Divisional structure is suitable for organizations producing multiple products. Each division operates as a separate unit with its own functions like production, marketing, and finance, allowing better focus, flexibility, and accountability for each product line.**Option Analysis:**

- (A) Incorrect — Functional structure groups activities by functions, not products.
- (B) Correct — Divisional structure is ideal for multi-product organizations.
- (C) Incorrect — Line structure is simple and suitable for small organizations.
- (D) Incorrect — Informal structure is not a formal organizational design.

Final Answer: *Divisional structure***Answer: (B)**

Q13.

Solution**Concept:** Functional organizational structure.**Explanation:** In a functional structure, activities are grouped based on functions such as marketing, finance, production, and human resources. This allows specialization, better efficiency, and improved performance within each department.**Option Analysis:**

- (A) Incorrect — Divisional structure groups activities by product, region, or customer.
- (B) Correct — Functional structure groups activities by functions.
- (C) Incorrect — Matrix structure combines functional and divisional structures.
- (D) Incorrect — Line structure is a simple hierarchical structure.

Final Answer: *Functional structure***Answer: (B)**

Q14.

Solution**Concept:** Delegation of authority.**Explanation:** Delegation of authority involves assigning responsibility to subordinates and granting them the necessary authority to perform tasks. However, accountability remains with the superior and cannot be delegated.**Option Analysis:**

- (A) Incorrect — Only authority is not sufficient without responsibility.
- (B) Incorrect — Responsibility without authority is ineffective.
- (C) Correct — Delegation includes both authority and responsibility.
- (D) Incorrect — Accountability cannot be delegated.

Final Answer: *Transfer of authority and responsibility***Answer:** (C)

Q15.

Solution**Concept:** Decentralization of authority.**Explanation:** Decentralization refers to the systematic delegation of authority to lower levels of management. It allows managers at lower levels to take independent decisions, improving efficiency, flexibility, and faster decision-making.**Option Analysis:**

- (A) Incorrect — Delegation is assigning authority for specific tasks, not full decision-making power.
- (B) Incorrect — Centralization means decision-making is concentrated at top level.
- (C) Correct — Decentralization allows lower-level managers to take independent decisions.
- (D) Incorrect — Supervision involves monitoring work, not decision-making authority.

Final Answer: *Decentralization***Answer:** (C)

Q16.

Solution**Concept:** Internal sources of recruitment.**Explanation:** Internal recruitment refers to filling job vacancies from within the organization. Promotion is a common internal source where existing employees are moved to higher positions based on performance and experience.**Option Analysis:**

- (A) Incorrect — Advertisement is an external source.
- (B) Incorrect — Campus placement recruits candidates from outside.
- (C) Correct — Promotion is an internal source.
- (D) Incorrect — Employment exchange is an external source.

Final Answer: *Promotion***Answer: (C)**

Q17.

Solution**Concept:** External sources of recruitment.**Explanation:** External recruitment involves hiring candidates from outside the organization. Campus recruitment is a common method where companies hire fresh talent from educational institutions.**Option Analysis:**

- (A) Incorrect — Transfer is an internal source.
- (B) Incorrect — Promotion is an internal source.
- (C) Correct — Campus recruitment is an external source.
- (D) Incorrect — Demotion is not a recruitment method.

Final Answer: *Campus recruitment***Answer: (C)**

Q18.

Solution**Concept:** Trade test in selection process.**Explanation:** A trade test is used to measure a candidate's practical ability to perform a specific job. It evaluates job-related skills by assigning real or simulated tasks relevant to the role.**Option Analysis:**

- (A) Incorrect — Intelligence test measures mental ability.
- (B) Incorrect — Aptitude test measures potential to learn skills.
- (C) Correct — Trade test evaluates actual job performance ability.
- (D) Incorrect — Personality test assesses behavior and traits.

Final Answer: Trade testAnswer: (C)

Q19.

Solution**Concept:** Selection process in staffing.**Explanation:** Selection is the process of choosing the most suitable candidate from the pool of applicants. It involves multiple steps such as written tests, interviews, and medical examinations to ensure the right candidate is selected for the job.**Option Analysis:**

- (A) Incorrect — Recruitment is the process of attracting candidates.
- (B) Correct — Selection involves testing and choosing the best candidate.
- (C) Incorrect — Training is conducted after selection.
- (D) Incorrect — Placement is assigning the selected candidate to a job.

Final Answer: SelectionAnswer: (B)

Q20.

Solution**Concept:** Maslow's Hierarchy of Needs.**Explanation:** According to Maslow, human needs are arranged in a hierarchy from basic to higher-level needs. The topmost level is self-actualization, which refers to achieving one's full potential, personal growth, and self-fulfillment.**Option Analysis:**

- (A) Incorrect — Safety needs are basic needs related to security.
- (B) Incorrect — Social needs involve love and belongingness.
- (C) Incorrect — Esteem needs relate to respect and recognition.
- (D) Correct — Self-actualization is the highest level in the hierarchy.

Final Answer: *Self-actualization needs***Answer: (D)**

Q21.

Solution**Concept:** Laissez-faire leadership style.**Explanation:** Laissez-faire leadership is a style in which the manager gives complete freedom to employees to make decisions and perform tasks independently. There is minimal supervision, and employees are trusted to manage their own work.**Option Analysis:**

- (A) Incorrect — Autocratic leadership involves centralized decision-making.
- (B) Incorrect — Democratic leadership involves participation of employees in decision-making.
- (C) Correct — Laissez-faire gives full freedom to employees.
- (D) Incorrect — Bureaucratic leadership follows strict rules and procedures.

Final Answer: *Laissez-faire***Answer: (C)**

Q22.

Solution**Concept:** Psychological barriers in communication.**Explanation:** Psychological barriers arise due to emotional or mental factors such as fear, mistrust, prejudice, or lack of confidence. These barriers affect how a message is perceived and interpreted by the receiver. For example, if there is distrust between the sender and receiver, the message may be misunderstood or ignored.**Analysis of Options:**

- Noise – Physical barrier
- Distrust – Psychological barrier
- Poor lighting – Physical barrier
- Distance – Mechanical/physical barrier

Final Answer: *Distrust***Answer: (B)**

Q23.

Solution**Concept:** Leadership styles.**Explanation:** Leadership styles define how a manager interacts with employees while making decisions. In a democratic leadership style, the manager encourages participation and consults employees before taking decisions. This helps in better decision-making, improves morale, and builds team spirit.**Analysis of Options:**

- Autocratic – Decisions taken solely by manager
- Democratic – Employees are consulted before decisions
- Laissez-faire – Full freedom to employees with minimal supervision
- Formal – Not a leadership style

Final Answer: *Democratic***Answer: (B)**

Q24.

Solution**Concept:** Maslow's Hierarchy of Needs.**Explanation:** According to Maslow, human needs are arranged in a hierarchy from basic to higher-level needs. The highest level is self-actualization, which refers to achieving one's full potential, personal growth, and self-fulfillment. It motivates individuals to become the best version of themselves.**Analysis of Options:**

- Physiological needs – Basic survival needs like food and shelter
- Safety needs – Security and protection
- Esteem needs – Respect, recognition, and status
- Self-actualization needs – Personal growth and full potential

Final Answer: *Self – actualization needs***Answer: (D)**

Q25.

Solution**Concept:** Controlling process.**Explanation:** Controlling is a systematic process that ensures organizational activities are aligned with planned objectives. The first step in this process is setting performance standards, which act as benchmarks against which actual performance is measured. Without predefined standards, it is not possible to evaluate or control performance effectively.**Analysis of Options:**

- Measurement of performance – Done after standards are set
- Setting performance standards – First step in controlling
- Taking corrective action – Final step
- Comparing performance with standards – Done after measurement

Final Answer: *Setting performance standards***Answer: (B)**

Q26.

Solution

Concept: Relationship between planning and controlling.

Explanation: Planning and controlling are closely related functions of management. Planning sets the objectives and standards, while controlling ensures that actual performance is in accordance with these standards. Thus, controlling follows planning and helps in achieving planned goals effectively.

Analysis of Options:

- It follows planning – Correct, controlling comes after planning
- It is independent of planning – Incorrect, both are interrelated
- It ignores standards – Incorrect, controlling is based on standards
- It replaces planning – Incorrect, it complements planning

Final Answer: *It follows planning*

Answer: (A)

Q27.

Solution

Concept: Investment decision.

Explanation: Financial management involves three key decisions: investment, financing, and dividend. The investment decision (also known as capital budgeting) relates to selecting long-term assets such as machinery, buildings, and equipment. It determines how funds will be invested to generate future returns.

Analysis of Options:

- Financing decision – Concerned with sources of funds (debt/equity)
- Investment decision – Related to selection of long-term assets
- Dividend decision – Deals with distribution of profits
- Liquidity decision – Related to short-term fund management

Final Answer: *Investment decision*

Answer: (B)



Q28.

Solution**Concept:** Financing Decision (Capital Structure).**Explanation:** The financing decision deals with determining the proportion of various sources of funds such as debt and equity in the overall capital structure of a company. It aims to achieve an optimal balance between risk and return while minimizing the cost of capital.**Analysis of Options:**

- Investment decision – Related to selection of assets
- Dividend decision – Related to distribution of profits
- Financing decision – Concerned with debt-equity proportion (capital structure)
- Working capital decision – Related to short-term financial management

Final Answer: *Financing decision***Answer: (C)**

Q29.

Solution**Concept:** Factors Affecting Capital Structure.**Explanation:** Capital structure refers to the mix of debt and equity used by a company. Several factors influence this decision. Cost of capital affects the choice of cheaper sources, cash flow position determines the firm's ability to repay debt, and risk considerations influence the level of financial risk a firm can bear. Hence, all these factors play an important role.**Analysis of Options:**

- Cost of capital – Affects choice of financing source
- Cash flow position – Determines repayment capacity
- Risk consideration – Influences financial risk level
- All of the above – Correct, as all factors affect capital structure

Final Answer: *All of the above***Answer: (D)**

Q30.

Solution**Concept:** Dividend decision.**Explanation:** Dividend decision is related to determining how much of the company's profit should be distributed to shareholders as dividends and how much should be retained in the business for future growth. It plays a crucial role in balancing shareholder expectations and the firm's long-term financial needs.**Analysis of Options:**

- Investment decision – Related to selection of assets
- Financing decision – Related to sources of funds
- Dividend decision – Concerned with profit distribution and retention
- Budgeting decision – Related to financial planning and allocation

Final Answer: *Dividend decision***Answer:** (C)

Q31.

Solution**Concept:** Financial leverage.**Explanation:** Financial leverage refers to the use of borrowed funds (debt) in the capital structure of a company. When a firm increases its use of debt, it aims to enhance returns on equity. However, it also increases financial risk because fixed interest obligations must be paid regardless of profits.**Analysis of Options:**

- Financial planning – Overall planning of funds
- Financial leverage – Use of debt in capital structure
- Dividend policy – Related to profit distribution
- Capital budgeting – Related to investment decisions

Final Answer: *Financial leverage***Answer:** (B)

Q32.

Solution**Concept:** Treasury Bills.**Explanation:** Treasury Bills are short-term debt instruments issued by the Government of India to meet its short-term financial requirements. They are considered very safe as they are backed by the government. Although they are issued by the government, the Reserve Bank of India manages their issue and distribution on behalf of the government.**Analysis of Options:**

- Reserve Bank of India – Manages issuance but not the issuer
- Government of India – Actual issuer of T-Bills
- SEBI – Regulates capital markets
- Commercial Banks – Invest in T-Bills but do not issue them

Final Answer: *Government of India***Answer: (B)**

Q33.

Solution**Concept:** Commercial Paper.**Explanation:** Commercial Paper is a short-term money market instrument issued by large and creditworthy companies to meet their short-term financial needs such as working capital requirements. It is an unsecured promissory note, meaning it is not backed by any collateral and relies on the issuer's creditworthiness.**Analysis of Options:**

- Long-term instrument – Incorrect, CP is short-term
- Equity share – Represents ownership, not a debt instrument
- Short-term unsecured promissory note – Correct definition of CP
- Government bond – Long-term instrument issued by government

Final Answer: *Short – term unsecured promissory note***Answer: (C)**

Q34.

Solution**Concept:** SEBI functions.**Explanation:** The Securities and Exchange Board of India (SEBI) is the regulatory authority for the securities market in India. Its main functions include regulating stock exchanges, protecting the interests of investors, and preventing unfair trade practices such as insider trading and fraud. It ensures transparency and efficiency in the market.**Analysis of Options:**

- Regulating stock exchanges – Yes, SEBI supervises and regulates stock exchanges
- Protecting investor interests – Core function of SEBI
- Preventing unfair trade practices – Ensures fair and transparent trading
- All of the above – Correct, as all are functions of SEBI

Final Answer: *All of the above***Answer: (D)**

Q35.

Solution**Concept:** Trading in Financial Markets.**Explanation:** Trading refers to the process of buying and selling securities such as shares, bonds, and debentures in the financial market. It is carried out through stock exchanges and helps in price discovery and liquidity in the market.**Analysis of Options:**

- Investment – Refers to holding securities for long-term returns
- Trading – Buying and selling of securities
- Financing – Raising funds for business
- Hedging – Reducing risk using financial instruments

Final Answer: *Trading***Answer: (B)**

Q36.

Solution**Concept:** Money Market Instruments.**Explanation:** The money market deals with short-term funds and financial instruments with a maturity period of less than one year. Treasury Bills (T-Bills) are a key example of such instruments, issued by the government to meet short-term financial needs. Other options like equity shares and debentures belong to the capital market.**Analysis of Options:**

- Equity shares – Capital market instrument (ownership)
- Debentures – Long-term debt instrument
- Treasury Bills – Short-term money market instrument
- Preference shares – Capital market instrument

Final Answer: **Answer:** (C)

Q37.

Solution**Concept:** SEBI establishment.**Explanation:** The Securities and Exchange Board of India (SEBI) was initially established in 1988 as a non-statutory body to regulate the securities market. Later, it was given statutory powers through the SEBI Act in 1992. In exams, the commonly accepted answer is 1988 as the year of establishment.**Analysis of Options:**

- 1988 – Correct, SEBI was established in this year
- 1992 – Year when SEBI became a statutory body
- 1995 – Incorrect
- 2000 – Incorrect

Final Answer: **Answer:** (A)

Q38.

Solution**Concept:** Marketing Mix – Product.**Explanation:** The marketing mix consists of four elements: Product, Price, Place, and Promotion. The "Product" element refers to the physical goods or services offered to consumers to satisfy their needs and wants. It includes aspects like quality, design, features, and branding.**Analysis of Options:**

- Price – Amount charged for the product
- Product – Goods or services offered to customers
- Place – Distribution channels
- Promotion – Advertising and sales promotion activities

Final Answer: **Answer:** (B)

Q39.

Solution**Concept:** Marketing Philosophies – Production Concept.**Explanation:** The production concept is based on the idea that consumers prefer products that are widely available and affordable. Therefore, firms focus on mass production, high efficiency, and low cost to make products easily accessible to customers.**Analysis of Options:**

- Marketing concept – Focuses on customer satisfaction
- Product concept – Focuses on quality and features
- Production concept – Focuses on mass production and low cost
- Selling concept – Focuses on aggressive selling and promotion

Final Answer: **Answer:** (C)

Q40.

Solution**Concept:** Branding.**Explanation:** Branding is the process of giving a unique name, symbol, or design to a product so that it can be easily identified and distinguished from competitors. It helps customers recognize the product, builds trust over time, and encourages repeat purchases, thereby creating brand loyalty.**Analysis of Options:**

- Identifying the product – Branding helps customers recognize the product easily
- Creating loyalty – Strong brands build long-term customer loyalty
- Differentiating from competitors – Branding makes products unique in the market
- All of the above – Correct, as branding supports all these functions

Final Answer: **Answer:** (D)

Q41.

Solution**Concept:** Marketing Mix – Place.**Explanation:** The marketing mix consists of Product, Price, Place, and Promotion. The "Place" element refers to distribution channels that ensure the product reaches the customers at the right time and right location. It includes activities like transportation, warehousing, and channel selection.**Analysis of Options:**

- Product – Goods or services offered to customers
- Price – Amount charged for the product
- Place – Distribution channels and logistics
- Promotion – Advertising and communication activities

Final Answer: **Answer:** (C)

Q42.

Solution**Concept:** Marketing concept.**Explanation:** The marketing concept is based on the idea that the success of a business depends on identifying customer needs and satisfying them more effectively than competitors. It focuses on building long-term relationships with customers by ensuring satisfaction rather than only maximizing sales or production.**Analysis of Options:**

- Production concept – Focus on mass production and low cost
- Selling concept – Focus on aggressive selling and promotion
- Marketing concept – Focus on customer satisfaction and long-term relationships
- Product concept – Focus on product quality and features

Final Answer: *Marketing concept***Answer:** (C)

Q43.

Solution**Concept:** Marketing Mix – Promotion.**Explanation:** Promotion refers to all activities undertaken to communicate and persuade customers to buy a product or service. It includes advertising, sales promotion, personal selling, and public relations. The main aim of promotion is to create awareness and influence customer buying decisions.**Analysis of Options:**

- Packaging – Part of product element
- Advertising – A key tool of promotion
- Pricing strategy – Related to price element
- Warehousing – Related to place/distribution

Final Answer: *Advertising***Answer:** (B)

Q44.

Solution**Concept:** Price – Marketing Mix.**Explanation:** Price refers to the amount of money that a customer pays to purchase a product or service, while cost refers to the amount spent by the producer to manufacture the product. The seller sets the price based on cost, demand, competition, and profit objectives.**Analysis of Options:**

- Cost – Expense incurred in production
- Price – Value assigned to a product for sale
- Profit – Earnings after deducting cost from revenue
- Margin – Difference between cost and selling price

Final Answer: **Answer:** (B)

Q45.

Solution**Concept:** Branding and Product Identity.**Explanation:** A brand is a unique name, term, symbol, design, or combination of these that identifies a seller's product and distinguishes it from competitors. It helps customers recognize the product and builds trust and loyalty over time.**Analysis of Options:**

- Trademark – Legal protection of a brand name or symbol
- Brand – Unique identity of a product (correct answer)
- Patent – Protection for inventions
- Logo – Symbol or design part of branding, but not complete identity

Final Answer: **Answer:** (B)

Q46.

Solution**Concept:** Consumer rights.**Solution:** Consumer Rights under Consumer Protection Act.**Explanation:** The Consumer Protection Act provides several fundamental rights to protect consumers from unfair trade practices. These rights ensure safety, awareness, and fair treatment in the marketplace. Major rights include the right to safety, right to be informed, right to choose, right to be heard, right to seek redressal, and right to consumer education.**Analysis of Options:**

- Right to safety – Protects consumers from hazardous goods/services
- Right to be informed – Ensures access to complete product information
- Right to seek redressal – Allows complaint against unfair practices
- All of the above – Correct because all listed rights are valid

Final Answer: *All of the above***Answer: (D)**

Q47.

Solution**Concept:** Consumer Dispute Redressal Agencies (CPA 2019).**Explanation:** Under the Consumer Protection Act, 2019, consumer disputes are handled by three-tier redressal agencies based on the value of claims. The District Commission handles cases up to 1 crore, the State Commission handles cases above 1 crore up to 10 crore, and the National Commission handles cases above 10 crore.**Analysis of Options:**

- District Commission – Handles cases up to 1 crore (correct answer)
- State Commission – Handles higher value cases above 1 crore
- National Commission – Handles very high-value cases above 10 crore
- Supreme Court – Final appellate authority, not a consumer commission

Final Answer: *District Commission***Answer: (A)**

Q48.

Solution**Concept:** Consumer Remedies under Consumer Protection Act.**Explanation:** The Consumer Protection Act provides several remedies to protect consumers from unfair trade practices and defective goods/services. These remedies are designed to restore the consumer's loss and ensure fair treatment.**Analysis of Options:**

- Replacement of defective goods – Remedy to correct defective products
- Refund of money – Refund when goods/services are unsatisfactory
- Compensation for loss – Financial compensation for damage or loss suffered
- All of the above – Correct because all are valid remedies

Final Answer: **Answer: (D)**

Q49.

Solution**Concept:** Consumer Rights (Consumer Protection Act).**Explanation:** The principle of Unity of Command given by Henri Fayol states that every employee should receive orders from only one superior. If a subordinate receives instructions from more than one boss, it leads to confusion, conflict, and reduced efficiency in the organization.**Analysis of Options:**

- Unity of Direction – One head and one plan for similar activities
- Unity of Command – One subordinate, one boss (Correct)
- Scalar Chain – Formal chain of authority from top to bottom
- Equity – Fair and just treatment of employees

Final Answer: **Answer: (B)**

Q50.

Solution

Concept: Business Finance – Financial Management Decisions.

Explanation: Financial management involves three major decisions: investment, financing, and dividend decisions. The dividend decision focuses on how much profit should be distributed to shareholders and how much should be retained for future growth and expansion of the business.

Analysis of Options:

- Investment decision – Selection of long-term assets
- Financing decision – Deciding source of funds (debt/equity)
- Dividend decision – Profit distribution vs retention (Correct)
- Working capital decision – Management of short-term assets and liabilities

Final Answer: *Dividend decision*

Answer: (C)



Answer Key

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

