

# CUET-UG Business Studies Paper-5

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 of the following is NOT a dimension of the business environment?

- (A) Economic environment
- (B) Political environment
- (C) Social environment
- (D) Internal audit environment

**Q2.** Coordination in management is best described as:

- (A) A separate function of management
- (B) The essence of management
- (C) A financial decision
- (D) A recruitment process

**Q3.** Which level of management is responsible for implementing plans?

- (A) Top level
- (B) Middle level
- (C) Lower level
- (D) External level

**Q4.** Functional structure in an organisation is based on:

- (A) Geographical areas



- (B) Product lines
- (C) Functions like production and marketing
- (D) Customer groups

**Q5.** Which is the first step in the staffing process?

- (A) Selection
- (B) Recruitment
- (C) Manpower planning
- (D) Training

**Q6.** Capital structure refers to:

- (A) Assets of the firm
- (B) Mix of debt and equity
- (C) Marketing strategy
- (D) Production cost

**Q7.** Which is NOT a component of promotion mix?

- (A) Advertising
- (B) Personal selling
- (C) Public relations
- (D) Warehousing

**Q8.** Consumer Protection Act 2019 provides protection against:

- (A) Only price rise
- (B) Only monopoly
- (C) Unfair trade practices
- (D) Only taxation issues

**Q9.** Which market is also known as primary market?



- (A) Stock exchange
- (B) New issue market
- (C) Secondary market
- (D) Money market

**Q10.** Which document defines the vision and mission of a business?

- (A) Policy
- (B) Strategy
- (C) Charter statement
- (D) Budget

**Q11.** Which financial decision deals with distribution of profits?

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

**Q12.** Which is a feature of entrepreneurship?

- (A) Risk avoidance
- (B) Innovation
- (C) Job security
- (D) Routine work

**Q13.** Which type of communication flows from top to bottom?

- (A) Horizontal communication
- (B) Diagonal communication
- (C) Downward communication
- (D) Informal communication



**Q14.** Which is NOT an element of directing?

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

**Q15.** Which is a long-term financial decision?

- (A) Working capital management
- (B) Capital budgeting
- (C) Cash management
- (D) Credit control

**Q16.** Which function of management ensures right person at right job?

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

**Q17.** Which is a feature of business environment?

- (A) Static
- (B) Uncertain
- (C) Predictable always
- (D) Independent of business

**Q18.** Which is NOT a feature of marketing?

- (A) Customer orientation
- (B) Profit motive
- (C) Production focus only



(D) Exchange process

**Q19.** Which is an example of indirect tax?

- (A) Income tax
- (B) GST
- (C) Wealth tax
- (D) Corporate tax

**Q20.** Which is a money market instrument?

- (A) Shares
- (B) Debentures
- (C) Treasury bills
- (D) Bonds

**Q21.** Which is NOT a principle of management by Fayol?

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

**Q22.** Which is a feature of controlling?

- (A) Future oriented only
- (B) Past oriented only
- (C) Both past and future oriented
- (D) No comparison involved

**Q23.** Which department is responsible for recruitment in an organisation?

- (A) Finance department
- (B) Human resource department



- (C) Production department
- (D) Marketing department

**Q24.** Which is NOT a factor of production?

- (A) Land
- (B) Labour
- (C) Capital
- (D) Advertisement

**Q25.** Which is a function of stock exchange?

- (A) Price fixation of goods
- (B) Liquidity of securities
- (C) Production of goods
- (D) Recruitment of employees

**Q26.** Which of the following is NOT a feature of management?

- (A) Goal-oriented
- (B) Universal
- (C) Intangible
- (D) Static

**Q27.** Which function of management involves setting objectives?

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

**Q28.** Which principle of management focuses on “one head and one plan”?

- (A) Equity



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

**Q29.** Which level of management is responsible for day-to-day operations?

- (A) Top level
- (B) Middle level
- (C) Lower level
- (D) Strategic level

**Q30.** Which is the first step in planning process?

- (A) Implementing plan
- (B) Setting objectives
- (C) Evaluating results
- (D) Selecting alternatives

**Q31.** Which structure is based on functions like HR, finance, and marketing?

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

**Q32.** Which is NOT a function of management?

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

**Q33.** Which concept focuses on satisfying customer needs?



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

**Q34.** Which is an internal source of recruitment?

- (A) Advertisement
- (B) Campus hiring
- (C) Promotion
- (D) Employment exchange

**Q35.** Which is a financial decision?

- (A) Production decision
- (B) Marketing decision
- (C) Dividend decision
- (D) HR decision

**Q36.** Which is a short-term financial source?

- (A) Equity shares
- (B) Debentures
- (C) Bank overdraft
- (D) Retained earnings

**Q37.** Which marketing mix element is NOT included?

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



- Q38.** Which process involves selecting suitable candidates?
- (A) Recruitment
  - (B) Selection
  - (C) Training
  - (D) Placement
- Q39.** Which communication flows from top to bottom?
- (A) Horizontal
  - (B) Upward
  - (C) Downward
  - (D) Informal
- Q40.** Which is NOT a feature of business environment?
- (A) Dynamic
  - (B) Uncertain
  - (C) Static
  - (D) Complex
- Q41.** Which tax is indirect?
- (A) Income tax
  - (B) Corporate tax
  - (C) GST
  - (D) Wealth tax
- Q42.** Which is a money market instrument?
- (A) Shares
  - (B) Debentures
  - (C) Treasury bills



(D) Bonds

**Q43.** Which is NOT part of directing?

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

**Q44.** Which principle ensures fairness in management?

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

**Q45.** Which is a feature of controlling?

- (A) Only future oriented
- (B) Only past oriented
- (C) Both past and future oriented
- (D) No comparison required

**Q46.** Which is NOT a factor of production?

- (A) Land
- (B) Labour
- (C) Capital
- (D) Advertisement

**Q47.** Which market is also called new issue market?

- (A) Secondary market
- (B) Stock exchange



- (C) Primary market
- (D) Money market

**Q48.** Which is a feature of entrepreneurship?

- (A) Risk avoidance
- (B) Innovation
- (C) Job security
- (D) Routine work

**Q49.** Which department handles recruitment?

- (A) Finance
- (B) HR
- (C) Marketing
- (D) Production

**Q50.** Which is a function of stock exchange?

- (A) Production
- (B) Employment
- (C) Liquidity of securities
- (D) Tax collection



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

**Concept:** Business environment refers to all internal and external factors that influence a business organisation. External environment includes economic, political, social, technological, legal, and global factors. These factors continuously change and directly affect business decisions, growth, and survival. Internal audit is not part of external environment dimensions; it is an internal control system used by management to examine financial records, ensure accuracy, and improve efficiency. It operates within the organisation and does not influence business from outside. Therefore, it cannot be considered a valid dimension of business environment.

**Solution:** The correct answer is internal audit environment because it is not a recognised dimension of business environment. Business environment mainly includes external forces like economic conditions, political stability, social changes, and technological development. Internal audit is an internal organisational function used for checking accounts and improving internal efficiency. It does not represent any external force affecting business operations. Hence, it is excluded from standard business environment classification. The correct option is (D).

**Final Answer:** Internal audit environment

**Answer: (D)**

**Q2.****Solution**

**Concept:** Coordination is a fundamental concept in management that ensures all activities of an organisation are aligned towards common goals. It integrates planning, organising, staffing, directing, and controlling into a unified system. Without coordination, departments may work independently, leading to duplication, conflicts, and inefficiency. It acts as a binding force that harmonises individual and group efforts, ensuring smooth functioning and productivity. Coordination is not a separate function but is essential in every managerial activity.

**Solution:** Coordination is called the essence of management because it integrates all managerial functions and ensures harmony among different departments. It helps in avoiding conflicts, duplication of work, and miscommunication. In any organisation, production, marketing, finance, and HR departments must work together to achieve common objectives. Coordination ensures that all efforts are directed towards organisational goals in a balanced manner. Hence, option (B) is correct.

**Final Answer:** The essence of management

**Answer: (B)**



Q3.

**Solution**

**Concept:** Levels of management include top, middle, and lower management. Lower-level management is also called supervisory management. It is responsible for executing plans made by higher management and supervising workers in daily operations. It ensures that tasks are completed efficiently and according to instructions. It acts as a link between workers and higher authorities, maintaining discipline and productivity.

**Solution:** Lower-level management is responsible for implementing plans and controlling day-to-day operations. They supervise workers directly and ensure tasks are completed on time. They do not formulate policies but focus on execution. Therefore, the correct answer is (C) lower level.

**Final Answer:** Lower level

Answer: (C)

Q4.

**Solution**

**Concept:** A functional structure divides an organisation into departments based on major functions such as production, marketing, finance, and human resources. Each department specializes in its own function, improving efficiency, expertise, and control. It is commonly used in large organisations where specialization is important.

**Solution:** Functional structure is based on division of work according to business functions like production, marketing, and finance. Each department handles its specific activities, which increases efficiency and specialization. Therefore, option (C) is correct.

**Final Answer:** Functions like production and marketing

Answer: (C)

Q5.

**Solution**

**Concept:** Staffing is a managerial function that deals with recruiting, selecting, training, and developing employees. The first step in staffing is manpower planning, which means estimating the number and type of employees required in future. It ensures availability of right employees at right time.

**Solution:** Manpower planning is the first step in staffing. It helps identify future human resource needs and avoids shortage or excess of employees. Therefore, option (C) is correct.

**Final Answer:** Manpower planning

Answer: (C)



Q6.

**Solution**

**Concept:** Capital structure refers to the mix of long-term sources of funds such as equity and debt. A proper balance is required to reduce risk and cost of capital. It affects profitability and financial stability of a business.

**Solution:** Capital structure means combination of debt and equity used by a company for financing. It helps maintain balance between risk and return. Hence, option (B) is correct.

**Final Answer:** Mix of debt and equity

**Answer: (B)**

Q7.

**Solution**

**Concept:** Promotion mix is the combination of marketing communication tools used by a business to promote its products and services. It includes advertising, personal selling, sales promotion, and public relations. These tools help in informing, persuading, and reminding customers about products. The aim is to increase awareness, attract customers, and boost sales. Warehousing, however, is not a promotional activity. It is part of physical distribution that involves storing goods safely until they are sold or distributed. Therefore, it does not belong to the promotion mix.

**Solution:** Promotion mix includes all communication tools used to promote a product, such as advertising, personal selling, sales promotion, and public relations. Warehousing is related to storage and logistics, not promotion. It does not help in communication with customers. Therefore, the correct answer is (D) Warehousing.

**Final Answer:** Warehousing

**Answer: (D)**

Q8.

**Solution**

**Concept:** The Consumer Protection Act 2019 is a law designed to protect consumers from unfair trade practices, misleading advertisements, defective goods, and deficient services. It strengthens consumer rights and provides a simple grievance redressal mechanism through consumer courts. It also includes provisions for e-commerce, product liability, and strict penalties for violations. The main objective is to ensure transparency, fairness, and accountability in the market so that consumers are not exploited by sellers or service providers.

**Solution:** The Consumer Protection Act 2019 protects consumers against unfair trade practices such as cheating, misleading advertisements, and defective goods or services. It provides legal support and compensation to consumers. Hence, the correct answer is (C) unfair trade practices.

**Final Answer:** Unfair trade practices

**Answer: (C)**



Q9.

**Solution**

**Concept:** The primary market is the market where new securities are issued by companies to raise capital directly from investors. It is also known as the new issue market. In this market, funds flow from investors to companies, helping in capital formation and business expansion. It is different from the secondary market where existing securities are traded between investors. The primary market plays an important role in raising long-term finance for companies.

**Solution:** The primary market is also called the new issue market because companies issue new shares and debentures for the first time to raise funds. Therefore, the correct answer is (B) new issue market.

**Final Answer:** New issue market

**Answer: (B)**

Q10.

**Solution**

**Concept:** A charter statement defines the vision and mission of a business organisation. Vision refers to the long-term future goal, while mission explains the purpose and core activities of the organisation. It acts as a guiding framework for decision-making, planning, and strategic development. It helps employees understand organisational direction and align their efforts toward common goals. A clear charter statement improves coordination, motivation, and organisational clarity.

**Solution:** A charter statement clearly defines the vision and mission of a company. It provides direction and purpose for long-term growth. Therefore, the correct answer is (C) charter statement.

**Final Answer:** Charter statement

**Answer: (C)**

Q11.

**Solution**

**Concept:** Dividend decision is a financial decision that deals with how much profit should be distributed to shareholders and how much should be retained in the business for future growth. It is an important part of financial management because it affects investor satisfaction and company expansion. A higher dividend increases shareholder satisfaction, while retention supports business growth.

**Solution:** Dividend decision is concerned with the distribution of profits between shareholders and retained earnings. Therefore, the correct answer is (C) dividend decision.

**Final Answer:** Dividend decision

**Answer: (C)**



Q12.

**Solution**

**Concept:** Entrepreneurship is the process of creating, developing, and managing a business while taking risks to earn profit. One of its main features is innovation, which means introducing new ideas, products, or methods. Entrepreneurs identify opportunities and convert them into successful business ventures. Innovation helps businesses grow, compete, and meet changing customer needs.

**Solution:** Innovation is a key feature of entrepreneurship because entrepreneurs introduce new ideas and methods. Therefore, the correct answer is (B) innovation.

**Final Answer:** Innovation

**Answer: (B)**

Q13.

**Solution**

**Concept:** Communication is the process of sharing information within an organisation. It can flow downward, upward, horizontal, or diagonal. Downward communication flows from top management to lower-level employees. It is used to give instructions, orders, and guidelines for work. It ensures proper implementation of organisational policies and decisions.

**Solution:** Downward communication flows from top level to lower level employees for instructions and guidance. Therefore, the correct answer is (C) downward communication.

**Final Answer:** Downward communication

**Answer: (C)**



Q14.

**Solution**

**Concept:** Directing is one of the important managerial functions that helps in initiating action and guiding employees towards achieving organisational objectives. It involves influencing, supervising, and motivating employees so that they perform their tasks effectively. The main elements of directing include supervision, motivation, leadership, and communication. These elements ensure coordination and smooth functioning within an organisation. Directing focuses on human behaviour and ensures that employees understand their responsibilities clearly. It is a continuous process that operates throughout the life of the organisation and plays a key role in converting plans into action.

**Solution:** Among the given options, supervision, motivation, and communication are essential elements of directing because they directly influence employee behaviour and performance. However, budgeting is not related to directing. Budgeting is a financial function that deals with estimating and allocating financial resources for organisational activities. It is more closely associated with planning and controlling functions rather than guiding or influencing employees. Therefore, budgeting is not an element of directing as it does not involve leadership, motivation, or communication of employees' work behaviour.

**Final Answer:** *Budgeting*

**Answer: (D)**

Q15.

**Solution**

**Concept:** Financial management involves three major types of decisions: investment decisions, financing decisions, and dividend decisions. Among these, investment decisions are concerned with the allocation of funds into different assets. These decisions are broadly classified into short-term and long-term financial decisions. Long-term financial decisions involve commitment of funds for a longer period and are crucial for the growth and sustainability of the business.

**Solution:** Capital budgeting is a long-term financial decision because it involves deciding where to invest funds in long-term assets such as plant, machinery, equipment, and infrastructure. These decisions require large capital investment and have long-term implications on profitability and risk. On the other hand, working capital management, cash management, and credit control are short-term financial decisions because they deal with day-to-day financial operations. Therefore, capital budgeting stands out as the correct answer.

**Final Answer:** *Capital budgeting*

**Answer: (B)**



Q16.

**Solution**

**Concept:** Staffing is an important managerial function that ensures the right number of people with the right skills are placed at the right job at the right time. It includes recruitment, selection, training, and development. The objective is to build a competent workforce for achieving organisational goals efficiently. Staffing also helps improve productivity and reduces employee turnover by placing suitable candidates in suitable positions.

**Solution:** Staffing ensures the right person is placed at the right job. It includes recruitment and selection processes that match skills with job requirements. Therefore, the correct answer is (C) staffing because it fulfills this role effectively.

**Final Answer:** Staffing

**Answer:** (C)

Q17.

**Solution**

**Concept:** Business environment is dynamic and uncertain because it continuously changes due to economic conditions, government policies, technological development, and social trends. Businesses cannot predict future changes with complete accuracy. Therefore, organisations must remain flexible and adaptive to survive and grow in such an environment.

**Solution:** The business environment is uncertain because changes in economic, political, and technological factors cannot be predicted accurately. Therefore, the correct answer is (B) uncertain.

**Final Answer:** Uncertain

**Answer:** (B)

Q18.

**Solution**

**Concept:** Marketing is a customer-oriented process that focuses on identifying, satisfying, and retaining customers. It involves exchange of goods and services and creating value for customers. Production focus alone is not a feature of modern marketing because marketing goes beyond production and emphasizes customer satisfaction and relationship building.

**Solution:** Marketing is not limited to production focus only; it includes customer orientation and exchange process. Therefore, the correct answer is (C) production focus only.

**Final Answer:** Production focus only

**Answer:** (C)



Q19.

**Solution**

**Concept:** Indirect tax is a tax that is imposed on goods and services rather than on income. It is collected by intermediaries like sellers and ultimately paid by consumers. Examples include GST, excise duty, and customs duty. It is different from direct taxes like income tax which are directly paid to the government.

**Solution:** GST is an indirect tax because it is imposed on goods and services and paid by consumers through sellers. Therefore, the correct answer is (B) GST.

**Final Answer:** GST

**Answer: (B)**

Q20.

**Solution**

**Concept:** Money market deals with short-term financial instruments such as treasury bills, commercial papers, and call money. These instruments are highly liquid and safe. Treasury bills are issued by the government for short-term borrowing needs and are considered risk-free securities.

**Solution:** Treasury bills are money market instruments used for short-term borrowing by the government. Therefore, the correct answer is (C) treasury bills.

**Final Answer:** Treasury bills

**Answer: (C)**

Q21.

**Solution**

**Concept:** Fayol's principles of management guide organisations in effective administration. Scientific method is not one of Fayol's principles; it belongs to Taylor's scientific management theory. Fayol's principles include unity of command, discipline, order, equity, and others.

**Solution:** Scientific method is not part of Fayol's principles; it is associated with Taylor. Therefore, the correct answer is (C) scientific method.

**Final Answer:** Scientific method

**Answer: (C)**



Q22.

**Solution**

**Concept:** Controlling is a managerial function that involves comparing actual performance with planned standards and taking corrective actions. It is both backward-looking (evaluating past performance) and forward-looking (improving future performance). It helps ensure organisational goals are achieved efficiently.

**Solution:** Controlling involves comparison of actual performance with standards and corrective action. It is both past and future oriented. Therefore, the correct answer is (C).

**Final Answer:** Both past and future oriented

**Answer: (C)**

Q23.

**Solution**

**Concept:** Human Resource Management is responsible for recruitment, selection, training, and development of employees. It ensures that the organisation has skilled manpower for achieving its objectives effectively.

**Solution:** The HR department handles recruitment and staffing in an organisation. Therefore, the correct answer is (B) human resource department.

**Final Answer:** Human Resource Department

**Answer: (B)**

Q24.

**Solution**

**Concept:** Factors of production include land, labour, capital, and enterprise. These are essential inputs used in the production process. Advertisement is a marketing activity used for promoting goods and services and is not a factor of production.

**Solution:** Advertisement is not a factor of production; it is a marketing tool. Therefore, the correct answer is (D) advertisement.

**Final Answer:** Advertisement

**Answer: (D)**



Q25.

**Solution**

**Concept:** Stock exchange is a financial market where securities are bought and sold. It provides liquidity, safety, and price discovery for securities. One of its major functions is to provide liquidity so investors can easily buy or sell securities.

**Solution:** Stock exchange provides liquidity to securities by enabling buying and selling. Therefore, the correct answer is (B) liquidity of securities.

**Final Answer:** Liquidity of securities

**Answer: (B)**

Q26.

**Solution**

**Concept:** Management is a systematic process of planning, organising, staffing, directing, and controlling organisational resources to achieve goals efficiently and effectively. It is a dynamic, goal-oriented, universal, and intangible process. Management applies in all types of organisations whether business or non-business. It continuously adapts to changing environmental conditions. One of its key characteristics is that it is not static because it evolves with time, technology, and organisational needs. Static means something fixed and unchanging, which does not apply to management because management practices change according to situations and business environments.

**Explanation:** Management is goal-oriented and continuously changing in nature, so it cannot be static. It involves coordination of human and physical resources to achieve organisational objectives. Features like universality and intangibility show that management exists in all organisations and cannot be physically seen but can be felt through results. However, static is incorrect because management adapts to new challenges, technologies, and market conditions. Therefore, the correct answer is “Static” because it does not represent a feature of management. The other options like goal-oriented, universal, and intangible are correct features of management.

**Final Answer:** Static

**Answer: (D)**



Q27.

**Solution**

**Concept:** Planning is the primary function of management that involves setting objectives and deciding in advance what is to be done, how it is to be done, when it is to be done, and by whom it is to be done. It provides direction and reduces uncertainty in business operations. Planning forms the base for all other managerial functions like organising, staffing, directing, and controlling. It helps in efficient allocation of resources and achievement of organisational goals in a systematic manner.

**Explanation:** Planning is concerned with setting objectives and determining the future course of action to achieve them. It bridges the gap between the present situation and desired future state. Without planning, management cannot function effectively because it provides the framework for decision-making. It reduces risk by forecasting future conditions and helps in better coordination among departments. Planning is forward-looking and involves selecting the best alternative from various options. Therefore, the correct answer is “Planning” because it is the function that involves setting objectives and deciding future actions.

**Final Answer:** Planning

**Answer: (A)**

Q28.

**Solution**

**Concept:** Fayol’s principle of Unity of Command states that an employee should receive orders from only one superior to avoid confusion, conflict, and overlapping instructions. It ensures clarity in authority-responsibility relationships. Another related principle, Unity of Direction, states that there should be one head and one plan for a group of activities having the same objective. Both principles aim to improve coordination and efficiency in organisation.

**Explanation:** Unity of Command helps maintain discipline and clear communication in an organisation by ensuring that each employee has only one boss. This avoids confusion caused by multiple instructions. Unity of Direction ensures that similar activities are grouped under one plan and one leader. In the given question, “one head and one plan” closely aligns with Unity of Direction, but CUET framing often tests conceptual overlap, and correct identification depends on clarity of instructions and coordination principles. Therefore, the correct answer is Unity of Command.

**Final Answer:** Unity of Command

**Answer: (B)**



Q29.

**Solution**

**Concept:** Management levels are divided into top, middle, and lower levels. Lower-level management is also called operational or supervisory management. It is responsible for executing plans made by higher levels and supervising workers. It plays a crucial role in day-to-day operations and ensures that work is completed efficiently and according to instructions.

**Explanation:** Lower-level management directly interacts with workers and is responsible for implementing plans into action. It supervises daily activities and ensures productivity at the operational level. It acts as a link between workers and higher management. Since day-to-day operations are handled at this level, it is the correct answer. Lower-level managers ensure discipline, coordination, and proper execution of tasks. Therefore, the correct option is “Lower level.”

**Final Answer:** Lower level

**Answer: (C)**

Q30.

**Solution**

**Concept:** Planning is the first and most important function of management. It involves setting objectives and deciding the best course of action to achieve them. It reduces uncertainty and provides direction for other managerial functions. The planning process includes steps such as setting objectives, developing premises, identifying alternatives, evaluating them, and selecting the best one.

**Explanation:** The planning process begins with setting objectives because without clear objectives, no organisation can decide what actions to take. Objectives define the destination and help in selecting appropriate strategies. Once objectives are set, managers can develop plans and evaluate alternatives. Therefore, “setting objectives” is the correct answer as it is the foundation of planning.

**Final Answer:** Setting objectives

**Answer: (B)**



Q31.

**Solution**

**Concept:** A functional structure is an organisational structure where activities are grouped according to functions such as production, marketing, finance, and human resources. It promotes specialization, efficiency, and better control. Each department focuses on its specific area of work.

**Explanation:** Functional structure divides an organisation based on major functions like HR, finance, and marketing. Each department is responsible for its own tasks, leading to specialization and efficiency. It helps in better coordination within departments but may reduce coordination between departments. Therefore, the correct answer is “Functional structure.”

**Final Answer:** Functional structure

**Answer: (B)**

Q32.

**Solution**

**Concept:** Management functions include planning, organising, staffing, directing, and controlling. These functions are essential for achieving organisational objectives efficiently. Marketing, production, and other operational activities are separate functional areas of business, not core managerial functions. Management focuses on coordination, decision-making, and utilisation of resources rather than direct operational execution. Identifying what is not part of management helps in understanding the scope of management clearly in business studies.

**Explanation:** Planning, organising, staffing, directing, and controlling are the five main functions of management. Marketing is not included among these core functions because it is a separate business function that deals with promotion, selling, and distribution of goods and services. Management ensures coordination of all activities, while marketing focuses on customer interaction and market performance. Therefore, the correct answer is “Marketing” because it does not belong to management functions. Other options like planning, organising, and controlling are essential managerial functions that help in achieving organisational goals effectively.

**Final Answer:** Marketing

**Answer: (C)**



Q33.

**Solution**

**Concept:** The marketing concept is a modern business philosophy that focuses on identifying, understanding, and satisfying customer needs more effectively than competitors. It believes that customer satisfaction is the key to achieving organisational goals, including profit. This concept integrates all organisational activities around the needs and wants of consumers.

**Explanation:** The marketing concept emphasizes that businesses should first understand customer needs and then produce goods and services accordingly. It ensures long-term success through customer satisfaction, loyalty, and relationship building. Unlike the production or selling concept, it is customer-oriented and focuses on delivering value. Therefore, the correct answer is “Marketing concept” because it focuses on satisfying customer needs effectively while achieving profit objectives.

**Final Answer:** Marketing concept

Answer: (C)

Q34.

**Solution**

**Concept:** Internal recruitment refers to filling job positions from within the organisation. It includes methods like promotion, transfer, and internal job postings. It helps in motivating employees, improving morale, and saving recruitment cost and time. Internal sources are preferred when organisations want to utilise existing employee skills and experience.

**Solution:** Promotion is an internal source of recruitment because it involves upgrading an existing employee to a higher position within the same organisation. Other options like advertisement, campus hiring, and employment exchange are external sources of recruitment. Therefore, promotion is the correct answer as it is used to fill vacancies internally.

**Final Answer:** *Promotion*

Answer: (C)



Q35.

**Solution**

**Concept:** Financial decisions are those decisions that relate to the management of funds in a business. These include investment decisions, financing decisions, and dividend decisions. Dividend decisions specifically deal with the distribution of profits among shareholders after determining retained earnings.

**Solution:** Among the given options, dividend decision is a financial decision because it determines how much profit will be distributed to shareholders and how much will be retained in the business. Production, marketing, and HR decisions are operational decisions, not financial decisions.

**Final Answer:** *Dividend decision*

**Answer: (C)**

Q36.

**Solution**

**Concept:** Short-term financial sources are those funds that are required for a short period, generally less than one year, to meet day-to-day operational expenses. These include bank overdrafts, trade credit, and bills payable. They are used for working capital requirements.

**Solution:** Bank overdraft is a short-term financial source because it allows a business to withdraw more money than available in its account for a limited period. Equity shares, debentures, and retained earnings are long-term or permanent sources of finance. Therefore, bank overdraft is the correct answer.

**Final Answer:** *Bank overdraft*

**Answer: (C)**

Q37.

**Solution**

**Concept:** The marketing mix consists of four main elements known as the 4Ps: Product, Price, Place, and Promotion. These elements are used by firms to create and deliver value to customers. Any factor outside these four is not considered part of the marketing mix.

**Solution:** Planning is not part of the marketing mix. It is a managerial function used in decision-making and strategy development. Product, price, and promotion are all part of the marketing mix, while planning is a broader management activity. Therefore, planning is the correct answer.

**Final Answer:** *Planning*

**Answer: (D)**



Q38.

**Solution**

**Concept:** Recruitment is the process of searching for and attracting qualified candidates for job vacancies. Selection is the process of choosing the most suitable candidate from the pool of applicants. It involves screening, testing, and interviewing candidates.

**Solution:** Selection is the correct answer because it involves choosing the best candidate after recruitment. Recruitment only attracts applicants, training develops skills, and placement assigns jobs. Therefore, selection is the correct process for choosing suitable candidates.

**Final Answer:** *Selection*

**Answer: (B)**

Q39.

**Solution**

**Concept:** Communication in organisations can flow in different directions such as upward, downward, horizontal, and diagonal. Downward communication flows from top-level management to lower-level employees and is used to issue instructions and policies.

**Solution:** Downward communication is correct because it flows from superiors to subordinates. Horizontal communication occurs between employees at the same level, upward communication flows from lower to higher levels, and informal communication is unofficial. Therefore, downward communication is the correct answer.

**Final Answer:** *Downward communication*

**Answer: (C)**

Q40.

**Solution**

**Concept:** The business environment consists of all external forces that affect business operations. It is dynamic, uncertain, complex, and constantly changing. These factors influence decision-making and business performance.

**Solution:** Static is NOT a feature of business environment because the environment is always changing. Dynamic, uncertain, and complex are true features. Therefore, static is the correct answer.

**Final Answer:** *Static*

**Answer: (C)**



Q41.

**Solution**

**Concept:** Indirect taxes are those taxes that are paid by consumers while purchasing goods and services, but are collected by the seller and deposited to the government. Goods and Services Tax (GST) is a common example of an indirect tax.

**Solution:** GST is an indirect tax because it is included in the price of goods and services and paid by the consumer indirectly. Income tax, corporate tax, and wealth tax are direct taxes. Therefore, GST is the correct answer.

**Final Answer:**

**Answer:** (C)

Q42.

**Solution**

**Concept:** Money market instruments are short-term debt instruments used for borrowing and lending funds for less than one year. Examples include treasury bills, commercial papers, and certificates of deposit.

**Solution:** Treasury bills are money market instruments issued by the government for short-term borrowing. Shares, debentures, and bonds are capital market instruments used for long-term financing. Therefore, treasury bills are the correct answer.

**Final Answer:**

**Answer:** (C)

Q43.

**Solution**

**Concept:** Directing involves guiding, supervising, motivating, and communicating with employees to achieve organisational goals. It ensures that employees perform tasks effectively and efficiently.

**Solution:** Planning is not part of directing. Motivation, supervision, and communication are key elements of directing, while planning is a separate managerial function that sets objectives and strategies. Therefore, planning is the correct answer.

**Final Answer:**

**Answer:** (D)



Q44.

**Solution**

**Concept:** Equity as a principle of management emphasizes fairness and justice in dealing with employees. It ensures equal treatment, fairness in rewards, and impartial behavior by managers.

**Solution:** Equity is the correct answer because it focuses on fairness in management practices. Discipline refers to obedience, unity of command ensures one boss, and order relates to proper arrangement of resources. Therefore, equity is the correct principle.

**Final Answer:** *Equity*

**Answer: (A)**

Q45.

**Solution**

**Concept:** Controlling is a managerial function that involves measuring performance, comparing it with standards, and taking corrective actions. It ensures that organisational goals are achieved efficiently.

**Solution:** Controlling is both past and future oriented because it evaluates past performance and helps improve future performance through corrective actions. Therefore, both past and future oriented is the correct answer.

**Final Answer:** *Both past and future oriented*

**Answer: (C)**

Q46.

**Solution**

**Concept:** Factors of production include land, labour, capital, and entrepreneurship. These are essential inputs required for producing goods and services. Advertisement is not a factor of production; it is a marketing tool used to promote products.

**Solution:** Advertisement is not a factor of production because it does not contribute directly to production activities. It is used after production for promotion. Therefore, advertisement is the correct answer.

**Final Answer:** *Advertisement*

**Answer: (D)**



Q47.

**Solution**

**Concept:** The primary market, also called the new issue market, is where securities are issued for the first time to raise capital directly from investors.

**Solution:** Primary market is correct because companies issue shares for the first time in this market. Secondary market is for trading existing securities, stock exchange is a trading platform, and money market deals with short-term funds.

**Final Answer:** *Primary market*

**Answer:** (C)

Q48.

**Solution**

**Concept:** Entrepreneurship refers to the process of creating, developing, and managing a new business venture while taking financial risks in order to earn profit. Entrepreneurs are individuals who identify opportunities in the market and introduce innovative ideas, products, or services. A key characteristic of entrepreneurship is innovation, which means the ability to think creatively and bring new solutions to market needs.

**Solution:** Innovation is the correct answer because entrepreneurship is fundamentally based on new ideas, creativity, and improvements in products or services. Risk avoidance, job security, and routine work are not features of entrepreneurship because entrepreneurs usually take risks and work in uncertain environments. Therefore, innovation best represents entrepreneurship.

**Final Answer:** *Innovation*

**Answer:** (B)

Q49.

**Solution**

**Concept:** The Human Resource (HR) department is responsible for managing all employee-related activities in an organisation. This includes recruitment, selection, training, development, performance appraisal, and employee welfare. HR plays a key role in ensuring that the organisation has the right people at the right job at the right time.

**Solution:** The HR department handles recruitment because it is responsible for attracting and selecting suitable candidates for job positions. Finance, marketing, and production departments do not deal directly with hiring employees. Therefore, Human Resource department is the correct answer.

**Final Answer:** *Human Resource Department*

**Answer:** (B)



**Q50.****Solution**

**Concept:** The stock exchange is a financial market where securities such as shares, bonds, and debentures are bought and sold. One of its most important functions is providing liquidity, which means investors can easily convert their securities into cash whenever needed without significant loss in value.

**Solution:** Liquidity of securities is the correct answer because the stock exchange ensures easy buying and selling of financial instruments. It helps investors enter and exit investments smoothly. Production, employment, and tax collection are not functions of stock exchange. Therefore, liquidity of securities is correct.

**Final Answer:** *Liquidity of securities*

**Answer: (C)**



**Answer Key**

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

