

CUET-UG Business Studies Sample Paper-6

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 ensuring that the efforts of the floor supervisors are integrated with the goals of the organization. At which level of management is he working?

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

Q2. Which characteristic of coordination is highlighted when a manager ensures that the production schedule matches the sales targets?

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

Q3. In a garments factory, the "Speed Boss" is responsible for ensuring that machines are running at the required pace. This is a technique of:

- (A) Differential Piece Wage System
- (B) Method Study
- (C) Functional Foremanship



(D) Fatigue Study

Q4. A company produces high-end watches. The manager insists that every worker should report to only one superior to avoid confusion. Identify the principle of Fayol being followed.

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

Q5. Which principle of management suggests that employees should be given a reasonable time to show results?

- (A) Initiative
- (B) Scalar Chain
- (C) Stability of Personnel
- (D) Esprit de Corps

Q6. A furniture manufacturer uses a specific method of cutting wood that minimizes wastage. This is an application of which Taylor's technique?

- (A) Time Study
- (B) Motion Study
- (C) Method Study
- (D) Standardization

Q7. The introduction of "Digital India" and "Skill India" initiatives by the government represents which dimension of the business environment?

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



- Q8.** When the Reserve Bank of India increases the Repo Rate to curb inflation, it directly impacts the:
- (A) Legal Environment
 - (B) Economic Environment
 - (C) Social Environment
 - (D) Technological Environment
- Q9.** Identify the correct sequence of the planning process:
- (A) Setting Objectives → Developing Premises → Identifying Alternatives → Evaluating Alternatives → Selecting → Implementation → Follow-up
 - (B) Developing Premises → Setting Objectives → Selecting → Implementation
 - (C) Identifying Alternatives → Setting Objectives → Implementation → Follow-up
 - (D) Setting Objectives → Implementation → Developing Premises → Follow-up
- Q10.** Which type of plan serves as a guide to managerial action and decision-making but allows for some discretion?
- (A) Rule
 - (B) Procedure
 - (C) Policy
 - (D) Method
- Q11.** "Smoking is strictly prohibited in the factory premises." This is an example of a:
- (A) Strategy
 - (B) Rule
 - (C) Programme
 - (D) Policy
- Q12.** A large company manufacturing multiple products like Cosmetics, Textiles, and Footwear should ideally adopt which type of organizational structure?



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

Q13. Which of the following is an advantage of a Functional Structure?

- (A) Easy fixation of responsibility for profits
- (B) Promotes flexibility and initiative
- (C) Leads to occupational specialization
- (D) Better coordination among different products

Q14. When a manager transfers authority to a subordinate for a specific task but remains accountable for the end result, it is called:

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

Q15. Decentralization is best described as:

- (A) Dispersal of decision-making authority throughout the organization
- (B) Transfer of authority from one individual to another
- (C) Narrowing the span of management
- (D) Increasing the number of levels in the hierarchy

Q16. Which test is conducted during the selection process to measure an individual's potential for learning new skills?

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



(D) Interest Test

Q17. Bringing in "fresh blood" and new perspectives into an organization is a primary advantage of:

- (A) Internal sources of recruitment
- (B) External sources of recruitment
- (C) Promotion
- (D) Transfer

Q18. Identify the correct sequence of the Selection Process:

- (A) Preliminary Screening → Selection Tests → Employment Interview → Reference Checks → Selection Decision
- (B) Selection Tests → Employment Interview → Medical Exam → Preliminary Screening
- (C) Selection Decision → Job Offer → Contract of Employment → Reference Checks
- (D) Preliminary Screening → Medical Exam → Selection Tests → Selection Decision

Q19. Which off-the-job training method uses a duplicated model of the actual work environment?

- (A) Apprenticeship Training
- (B) Internship
- (C) Vestibule Training
- (D) Coaching

Q20. According to Maslow's Need 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

Q21. A manager rewards his employees with a "Letter of Appreciation" for their hard work. This is an example of:

- (A) Financial Incentive
- (B) Non-Financial Incentive
- (C) Bonus
- (D) Profit Sharing

Q22. Which leadership style is characterized by the leader giving orders and expecting subordinates to obey without question?

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

Q23. A subordinate is hesitant to speak to his boss because of the vast difference in their status and rank. This is a:

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

Q24. "Grapevine" is a term associated with:

- (A) Formal Communication
- (B) Written Communication
- (C) Informal Communication
- (D) Vertical Communication



- Q25.** Controlling is called a "Backward-looking" function because:
- (A) It relates to future plans
 - (B) It involves checking past performance against standards
 - (C) It focuses on corrective action
 - (D) It starts after planning is over
- Q26.** In the controlling process, "Management by Exception" suggests that:
- (A) Every minor deviation should be controlled
 - (B) Only significant deviations that go beyond the permissible limit should be analyzed
 - (C) Managers should ignore all deviations
 - (D) Workers should control themselves
- Q27.** The decision regarding how much profit is to be retained in the business and how much is to be distributed among shareholders is known as:
- (A) Investment Decision
 - (B) Financing Decision
 - (C) Dividend Decision
 - (D) Capital Budgeting Decision
- Q28.** Which of the following factors affects the choice of Capital Structure?
- (A) Cash Flow Position
 - (B) Debt Service Coverage Ratio (DSCR)
 - (C) Cost of Debt
 - (D) All of the above
- Q29.** Higher Fixed Operating Costs in a business lead to:
- (A) Higher Financial Risk
 - (B) Higher Operating Risk



- (C) Lower Financial Leverage
- (D) Higher Dividend Payout

Q30. Capital Budgeting decisions are:

- (A) Short-term and reversible
- (B) Long-term and irreversible
- (C) Short-term and irreversible
- (D) Long-term and reversible

Q31. Trading on Equity is used to:

- (A) Increase Earnings Per Share (EPS) using fixed-cost funds
- (B) Decrease the tax burden
- (C) Increase the number of equity shareholders
- (D) Reduce the cost of production

Q32. Which money market instrument is also known as a "Zero Coupon Bond"?

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

Q33. What is the maximum tenure of instruments traded in the Money Market?

- (A) 1 month
- (B) 6 months
- (C) 1 year
- (D) 5 years

Q34. The process of holding securities in an electronic form is called:

- (A) Rematerialization



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

Q35. Which of the following is a Protective Function of SEBI?

- (A) Controlling insider trading
- (B) Registration of brokers
- (C) Conducting inspections
- (D) Levying fees

Q36. The "Settlement Cycle" currently followed in the Indian Stock Market is:

- (A) T+5
- (B) T+2
- (C) T+1
- (D) T+7

Q37. Which marketing philosophy focuses on the "attainment of long-term well-being of the consumers and society"?

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

Q38. The "Four Ps" of the Marketing Mix are:

- (A) Product, Price, Place, Promotion
- (B) People, Price, Place, Promotion
- (C) Product, Profit, Planning, Promotion
- (D) Product, Price, Performance, Placement



- Q39.** A company offers "Buy 2 Get 1 Free" on its products. This is an example of which sales promotion tool?
- (A) Rebate
 - (B) Refund
 - (C) Quantity Gift
 - (D) Discount
- Q40.** The process of giving a name, sign, or symbol to a product to distinguish it from competitors is:
- (A) Packaging
 - (B) Labeling
 - (C) Branding
 - (D) Advertising
- Q41.** Which level of packaging refers to the additional layers of protection that are kept until the product is ready for use (e.g., a tube of toothpaste in a cardboard box)?
- (A) Primary Packaging
 - (B) Secondary Packaging
 - (C) Transportation Packaging
 - (D) Tertiary Packaging
- Q42.** Which of the following is a function of "Labeling"?
- (A) Describing the product and specifying its contents
 - (B) Grading of products
 - (C) Helping in the promotion of products
 - (D) All of the above
- Q43.** Under the Consumer Protection Act 2019, a complaint can be filed in the District Commission if the value of goods/services paid as consideration does not exceed:



- (A) 20 Lakh
- (B) 50 Lakh
- (C) 1 Crore
- (D) 10 Crore

Q44. Which consumer right is violated if a consumer is not informed about the ingredients and expiry date on a food packet?

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

Q45. If a consumer is not satisfied with the order of the State Commission, they can appeal to the National Commission within:

- (A) 15 days
- (B) 30 days
- (C) 45 days
- (D) 60 days

Q46. "Caveat Emptor" means:

- (A) Let the seller beware
- (B) Let the buyer beware
- (C) Consumer is King
- (D) Quality is everything

Q47. Commercial Paper is an unsecured promissory note issued by highly rated companies to meet:

- (A) Long-term capital needs
- (B) Seasonal and working capital needs



- (C) Fixed asset requirements
- (D) Dividend payments

Q48. Which component of the Marketing Mix involves decisions regarding channels of distribution?

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

Q49. "Planning is an intellectual process of conscious determination of courses of action." This statement highlights that:

- (A) Planning is futuristic
- (B) Planning involves decision making
- (C) Planning is a mental exercise
- (D) Planning is primary

Q50. An organization structure that is created intentionally by the management to achieve goals is:

- (A) Informal Organization
- (B) Formal Organization
- (C) Strategic Organization
- (D) Social Organization



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

Concept: Management in an organization is typically divided into three levels: Top, Middle, and Lower. The Middle Level consists of departmental heads (like Production Managers) who are responsible for implementing policies framed by top management and coordinating the activities of first-line supervisors to ensure departmental goals are met.

Solution: A Production Manager is a departmental head. Their specific responsibility of integrating the efforts of floor supervisors (Lower Level) with the broader goals of the organization (Top Level) is a characteristic function of Middle Level management. They interpret policies, assign duties, and motivate lower-level personnel.

Final Answer: Middle Level

Answer: (B)

Q2.**Solution**

Concept: Coordination is the force that binds all other functions of management. It is the process of achieving unity of action among interdependent activities and departments of an organization. Key characteristics include the integration of group efforts, ensuring unity of action, and being a continuous and all-pervasive process that balances the interests of different stakeholders.

Solution: When a manager ensures that the production schedule matches the sales targets, they are focusing on the synchronization of different departmental activities. By aligning what is produced with what is expected to be sold, the manager prevents a situation where departments work at cross-purposes (such as overproduction or stockouts). This specific act of "binding" different departments to a common goal highlights the characteristic that coordination ensures unity of action.

Final Answer: Coordination ensures unity of action

Answer: (D)



Q3.

Solution

Concept: F.W. Taylor introduced the technique of **Functional Foremanship** to improve efficiency at the shop floor level. He suggested that planning should be separated from execution. Under this technique, a worker is supervised by eight specialists—four in the planning department and four in the production department.

Solution: The "Speed Boss" is one of the four specialists under the production department (the execution wing). Their primary responsibility is to ensure that the work is completed on time and that the machines and tools are operating at the optimum pace required for efficiency. The other production specialists include the Gang Boss, Repair Boss, and Inspector.

Final Answer: Functional Foremanship

Answer: (C)

Q4.

Solution

Concept: Henri Fayol, known as the Father of General Management, articulated 14 principles of management to increase organizational efficiency. Among these, the principle of **Unity of Command** is fundamental to maintaining discipline and order. It states that an individual employee should receive orders from, and be responsible to, only one superior. Dual subordination should be avoided to prevent confusion, conflicts, and overlapping of activities.

Solution: In the given scenario, the manager of the watch company insists that every worker reports to only one superior. This is a direct application of the Unity of Command principle. If a worker receives orders from two or more superiors at the same time, it creates confusion regarding whose instructions to follow first, undermines authority, and makes it difficult to fix responsibility for results. This principle ensures a clear line of authority and accountability.

Final Answer: Unity of Command

Answer: (B)



Q5.

Solution

Concept: Henri Fayol's principle of **Stability of Personnel** emphasizes that for an organization to run smoothly, its employees should not be moved from their positions frequently. High labor turnover is inefficient and results from bad management. Selected personnel should be appointed after a rigorous procedure and, once selected, should be kept in their post for a minimum fixed tenure to show results.

Solution: The principle of Stability of Personnel suggests that "employee turnover should be minimized to maintain organizational efficiency." When a person is new to a job, they require time to settle in and understand the requirements of the role. If they are removed or transferred before they have had a reasonable time to prove their worth, it leads to a waste of resources and creates a sense of insecurity among the staff.

Final Answer: Stability of Personnel

Answer: (C)

Q6.

Solution

Concept: **Method Study** is a Taylorist technique aimed at finding the "one best way" of doing a job to minimize the cost of production and maximize the quality and satisfaction of the customer.

Solution: Identifying a specific way to cut wood that minimizes wastage is an attempt to find the most efficient process, which is the core objective of Method Study.

Final Answer: Method Study

Answer: (C)

Q7.

Solution

Concept: The **Political Environment** includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

Solution: Initiatives like "Digital India" and "Skill India" are specific policy interventions and agendas set by the ruling government, representing the political dimension of the business environment.

Final Answer: Political Environment

Answer: (C)



Q8.

Solution

Concept: The ****Economic Environment**** consists of factors like interest rates, inflation rates, changes in disposable income of people, and monetary policies that affect the economy.

Solution: The Repo Rate is a tool of monetary policy used by the RBI. Any change in interest rates or inflation control measures falls directly under the Economic Environment.

Final Answer: Economic Environment

Answer: (B)

Q9.

Solution

Concept: Planning is the psychological process of thinking before doing. It is a bridge between where we are and where we want to go. Since planning is a goal-oriented and logical function, it follows a specific, systematic series of steps designed to ensure that the organization's resources are utilized efficiently to achieve desired results.

Solution: The comprehensive sequence of the planning process is as follows: 1. **Setting Objectives:** Defining what the organization wants to achieve. 2. **Developing Premises:** Making assumptions about the future (e.g., economic conditions, policy changes). 3. **Identifying Alternative Courses of Action:** Listing various ways to achieve the goals. 4. **Evaluating Alternatives:** Weighing the pros and cons of each option. 5. **Selecting an Alternative:** Choosing the most feasible and profitable plan. 6. **Implementing the Plan:** Putting the plan into action by organizing resources. 7. **Follow-up Action:** Monitoring the plan to ensure objectives are being met.

Final Answer: Setting Objectives → Developing Premises → Identifying Alternatives → Evaluating Alternatives → Selecting → Implementation → Follow-up

Answer: (A)



Q10.

Solution

Concept: In the planning process, managers use different types of standing plans to ensure consistency. A **Policy** is a general statement that guides thinking or channelizes energy toward a particular direction. It defines the broad parameters within which a manager can function and provides a basis for interpreting strategy in specific situations.

Solution: Unlike a **Rule**, which is a specific statement that allows for no discretion (e.g., "No Smoking"), or a **Procedure**, which consists of a rigid series of steps, a **Policy** provides a general boundary. For example, a company might have a "Recruitment Policy" that suggests hiring from within the organization whenever possible, but leaves the manager the discretion to hire externally if no suitable internal candidate is found. Because it acts as a guide to decision-making while allowing for flexibility and judgment, it is classified as a Policy.

Final Answer: Policy

Answer: (C)

Q11.

Solution

Concept: A **Rule** is a specific statement that informs what is to be done or not done. It is the simplest type of plan and allows for no discretion or flexibility; any violation usually leads to disciplinary action.

Solution: The statement "Smoking is strictly prohibited" is a specific instruction that must be followed mandatorily. Since it does not allow for managerial judgment and carries a clear directive, it is classified as a Rule.

Final Answer: Rule

Answer: (B)



Q12.

Solution

Concept: Organizational structure is the framework within which managerial and operating tasks are performed. A **Divisional Structure** is an organization design where activities are grouped on the basis of products, services, or geography. Each division is multifunctional and acts as a semi-autonomous unit with its own specialized functions like production, marketing, and finance.

Solution: When a company deals in multiple, diverse product lines such as Cosmetics, Textiles, and Footwear, a **Divisional Structure** is most suitable. In this setup, each product line has its own separate division headed by a divisional manager. This allows for: 1. **Product Specialization:** Better focus on the unique requirements of each product. 2. **Accountability:** Easier tracking of the profit and loss of individual product lines. 3. **Flexibility:** Decisions can be made quickly within the division without needing to coordinate across the entire organization's functional heads.

Final Answer: Divisional Structure

Answer: (B)

Q13.

Solution

Concept: In a **Functional Structure**, activities are grouped based on functions (e.g., Marketing, Finance, HR). This structure promotes efficiency within specific departments.

Solution: Since the work is divided according to specific functions and performed by specialists, it leads to **occupational specialization**, which improves efficiency and ensures that tasks are performed by experts in that field.

Final Answer: Leads to occupational specialization

Answer: (C)

Q14.

Solution

Concept: **Delegation** is the downward transfer of authority from a superior to a subordinate. It is a prerequisite to the efficient functioning of an organization because it enables a manager to use their time on high-priority activities. Delegation consists of three essential elements: Authority (the right to command), Responsibility (the obligation to perform), and Accountability (being answerable for the final outcome).

Solution: In the process of delegation, while a manager shares their authority and responsibility with a subordinate, the manager cannot escape the **ultimate accountability**. Even after the task is assigned, the superior remains answerable to their own boss for the performance of that task. This "absolute" nature of accountability distinguishes Delegation from Decentralization, which is a wider, policy-level dispersal of authority across the entire organization.

Final Answer: Delegation

Answer: (B)



Q15.

Solution

Concept: **Decentralization** is a systematic distribution of authority at every level of management. It is a philosophy that suggests that employees closest to the action should have the power to make decisions.

Solution: While delegation is between two individuals, decentralization refers to the **dispersal of decision-making authority** throughout the entire organization, pushing power down to the lowest possible levels.

Final Answer: Dispersal of decision-making authority throughout the organization

Answer: (A)

Q16.

Solution

Concept: Selection tests are used in the staffing process to objectively measure the characteristics and potential of candidates. While a **Trade Test** measures existing skills and knowledge, an **Aptitude Test** is designed to measure a person's capacity or potential to acquire new skills. It serves as an index of a person's future performance and ability to adapt to training.

Solution: The primary purpose of an Aptitude Test is to identify whether a candidate has the mental or physical ability to learn a new task or specialized skill set in the future. In contrast, a Personality Test measures psychological traits like emotions and reactions, and an Interest Test identifies a person's preference for a specific type of work. Therefore, to measure "potential for learning," the Aptitude Test is the correct evaluation tool.

Final Answer: Aptitude Test

Answer: (C)

Q17.

Solution

Concept: **External sources of recruitment** involve reaching out to candidates outside the organization through advertisements, campus placements, or employment exchanges.

Solution: External recruitment brings in "fresh blood" because it allows the organization to hire people with new ideas, updated skills, and diverse backgrounds that may not exist within the current workforce.

Final Answer: External sources of recruitment

Answer: (B)



Q18.

Solution

Concept: The selection process is a series of steps to find the most suitable candidate for a job. It starts with eliminating unqualified candidates and ends with the employment contract.

Solution: The logical sequence is: 1. Preliminary Screening (to weed out misfits) → 2. Selection Tests → 3. Employment Interview → 4. Reference Checks → 5. Selection Decision.

Final Answer: Preliminary Screening → Selection Tests → Employment Interview → Reference Checks → Selection Decision

Answer: (A)

Q19.

Solution

Concept: Training methods are broadly classified into **On-the-job** and **Off-the-job** methods. Off-the-job methods involve training away from the actual work floor to ensure that the learning process does not interfere with regular production. **Vestibule Training** is a specific off-the-job technique where a separate training center (a "vestibule") is created, equipped with the same tools and machinery used in the actual factory.

Solution: In industries where the machinery is highly sophisticated or expensive, it is safer to train employees on a **duplicated model** or a simulated environment before they handle the real equipment. This allows the trainee to learn the necessary skills under the guidance of an instructor without the fear of damaging expensive machines or causing accidents on the main shop floor. Unlike an internship or apprenticeship, which are generally on-the-job, Vestibule Training provides a controlled, identical environment for skill acquisition.

Final Answer: Vestibule Training

Answer: (C)

Q20.

Solution

Concept: Maslow's Need Hierarchy classifies human needs into five levels. **Safety/Security Needs** refer to protection from physical and emotional harm and the assurance of future stability.

Solution: Providing job security, insurance, and pension plans addresses an individual's need for a secure future and stability, which falls under the Safety and Security Needs category.

Final Answer: Safety/Security Needs

Answer: (B)



Q21.

Solution

Concept: ****Non-Financial Incentives**** are rewards that do not involve a direct monetary payment but provide psychological or emotional satisfaction to the employee, such as recognition, status, or job enrichment.

Solution: A "Letter of Appreciation" is a form of employee recognition. It does not provide the employee with cash or financial gain; instead, it boosts morale and fulfills the need for ego and social recognition.

Final Answer: Non-Financial Incentive

Answer: (B)

Q22.

Solution

Concept: Leadership styles define how a leader provides direction, implements plans, and motivates people. An ****Autocratic**** (or Authoritarian) leadership style is a "boss-centered" approach where all decision-making power is centralized in the leader. The leader determines the policies and assigns tasks to members without consulting them, following a one-way communication flow from the top down.

Solution: In an ****Autocratic**** style, the leader gives orders and expects immediate and unquestioning obedience. This style is often effective in urgent situations where quick decision-making is required or when the workforce is unskilled. In contrast, a Democratic leader involves subordinates in decision-making, and a Laissez-faire leader gives complete freedom to subordinates to make their own decisions. Because the scenario emphasizes "giving orders" and "expecting obedience without question," it identifies the Autocratic style.

Final Answer: Autocratic

Answer: (C)

Q23.

Solution

Concept: ****Organizational Barriers**** to communication arise from factors within the organization's structure, such as hierarchy, rules, and regulations.

Solution: The status and rank of a person are part of the organizational hierarchy. When a subordinate is hesitant to speak due to a "status gap," it is a classic example of an Organizational Barrier, as the formal structure inhibits free flow of information.

Final Answer: Organizational Barrier

Answer: (B)



Q24.

Solution

Concept: ****Informal Communication**** arises out of social interactions among employees. It does not follow any rigid or formal channels of authority.

Solution: The "Grapevine" is the network of informal communication within an organization. It is characterized by the rapid spread of information (and often rumors) across various levels, regardless of formal rank.

Final Answer: Informal Communication

Answer: (C)

Q25.

Solution

Concept: Planning and Controlling are inseparable and often referred to as the "Siamese twins" of management. Controlling is described as both forward-looking and ****backward-looking****. It is backward-looking because it involves a post-mortem of past activities to find deviations from the pre-defined standards.

Solution: The reason Controlling is labeled a ****backward-looking**** function is that it looks back at what has already happened. It acts as a "check" on the results already achieved by comparing the ****past performance**** with the original standards set during the planning phase. If the performance does not match the standards, the manager investigates why, making it a retrospective analysis. (Note: It is also forward-looking because the corrective actions derived from this process help in improving future plans).

Final Answer: It involves checking past performance against standards

Answer: (B)

Q26.

Solution

Concept: ****Management by Exception (MBE)**** is a control philosophy which suggests that if you try to control everything, you may end up controlling nothing. It focuses on identifying and handling only those deviations that are significant.

Solution: According to this principle, only those deviations that exceed a specific predetermined limit or "permissible range" should be brought to the attention of top management. Minor deviations are expected and should be handled at lower levels.

Final Answer: Only significant deviations that go beyond the permissible limit should be analyzed

Answer: (B)



Q27.

Solution

Concept: Financial management involves three major decisions: Investment, Financing, and Dividend. The **Dividend Decision** specifically relates to the appropriation of disposable profits.

Solution: The manager must decide what portion of the net profit should be paid out to shareholders as dividends and what portion should be kept as "retained earnings" for future expansion or contingencies.

Final Answer: Dividend Decision

Answer: (C)

Q28.

Solution

Concept: **Capital Structure** refers to the mix of owner's funds (Equity) and borrowed funds (Debt). Several financial metrics help determine the ideal ratio to maximize shareholder wealth.

Solution: Cash Flow Position ensures the ability to pay interest; DSCR measures the ability to cover total debt obligations; and the Cost of Debt determines how "cheap" borrowing is compared to equity. Therefore, all these factors are critical.

Final Answer: All of the above

Answer: (D)

Q29.

Solution

Concept: **Operating Risk** (or Business Risk) is the risk associated with a firm's ability to cover its fixed operating costs (like rent, salaries, etc.) regardless of its sales volume.

Solution: Higher fixed operating costs increase the "break-even point" for a business. If sales drop, these costs still must be paid, leading to a higher risk of operating losses. This is distinct from Financial Risk, which relates to interest on debt.

Final Answer: Higher Operating Risk

Answer: (B)



Q30.

Solution

Concept: **Capital Budgeting** refers to the process of making investment decisions in long-term assets or projects. These decisions involve the allocation of large amounts of capital with the expectation of generating returns over a period longer than one year. Examples include purchasing new machinery, setting up a new factory, or investing in research and development.

Solution: Capital budgeting decisions are characterized by two main features: 1. **Long-term:** They affect the growth, profitability, and risk of the business in the long run. 2. **Irreversible:** Once the funds are committed to a specific project, it is extremely difficult to reverse the decision without incurring significant financial losses due to the specialized nature of the assets involved.

Final Answer: Long-term and irreversible

Answer: (B)

Q31.

Solution

Concept: **Trading on Equity** refers to the practice of using fixed-interest-bearing securities (like Debt or Preference Shares) in the capital structure to increase the return to equity shareholders.

Solution: This strategy is effective when the Return on Investment (ROI) is higher than the Cost of Debt. By using cheaper borrowed funds, the company can magnify the **Earnings Per Share (EPS)**, providing a higher return to the owners.

Final Answer: Increase Earnings Per Share (EPS) using fixed-cost funds

Answer: (A)

Q32.

Solution

Concept: A **Treasury Bill (T-Bill)** is a short-term promissory note issued by the RBI on behalf of the Central Government to meet short-term liquidity requirements.

Solution: T-Bills are called **Zero Coupon Bonds** because they do not pay any interest during their tenure. Instead, they are issued at a discount and redeemed at par; the difference between the issue price and the redemption value represents the interest.

Final Answer: Treasury Bill

Answer: (C)



Q33.

Solution

Concept: The financial market is divided into the Capital Market (long-term) and the **Money Market** (short-term). The Money Market deals in low-risk, unsecured, and highly liquid debt instruments.

Solution: The Money Market is specifically designed for short-term requirements where the maturity period of the instruments ranges from a single day up to **one year**.

Final Answer: 1 year

Answer: (C)

Q34.

Solution

Concept: In the modern stock exchange system, physical share certificates have been replaced by electronic entries to ensure speed, security, and ease of transaction.

Solution: The process of converting physical certificates of securities into an electronic/digital form is known as **Dematerialization (Demat)**. Conversely, converting them back to physical form is called Rematerialization.

Final Answer: Dematerialization

Answer: (B)

Q35.

Solution

Concept: The Securities and Exchange Board of India (SEBI) performs three main categories of functions to maintain an efficient capital market: **Protective**, **Regulatory**, and **Developmental**. Protective functions are specifically designed to safeguard the interests of investors and provide them with a fair trading environment.

Solution: **Controlling insider trading** is a core Protective Function. Insider trading involves using non-public, price-sensitive information by individuals (like directors or promoters) to make a profit in the stock market. By prohibiting this, SEBI ensures a level playing field for all investors. The other options listed are categorized differently: **Registration of brokers** and **Levying fees** are Regulatory Functions. **Conducting inspections** is also a Regulatory Function used to ensure compliance with rules and regulations.

Final Answer: Controlling insider trading

Answer: (A)



Q36.

Solution

Concept: The **Settlement Cycle** refers to the time taken to finalize a trade on the stock exchange, meaning the time it takes for shares to be credited to the buyer's demat account and funds to be credited to the seller's bank account.

Solution: The Indian Stock Market (through SEBI regulations) transitioned from a T+2 to a **T+1** (Trade Date + 1 day) settlement cycle to increase market liquidity and reduce counterparty risk.

Final Answer: T+1

Answer: (C)

Q37.

Solution

Concept: Marketing management philosophies guide how organizations approach their target markets. While the **Marketing Concept** focuses on satisfying customer needs to achieve organizational goals, the **Societal Marketing Concept** goes a step further by considering the ethical and ecological aspects of marketing.

Solution: The **Societal Marketing Concept** emphasizes that a company's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the **consumer's** and the **society's well-being**. It balances three considerations: company profits, consumer want satisfaction, and society's interests (such as environmental protection and public health).

Final Answer: Societal Marketing Concept

Answer: (D)

Q38.

Solution

Concept: The **Marketing Mix** refers to the set of tactical marketing tools that a firm blends to produce the response it wants in the target market. These were popularized by E. Jerome McCarthy.

Solution: The core elements of the marketing mix are universally recognized as the "Four Ps": **Product** (what is being sold), **Price** (how much it costs), **Place** (how it is distributed), and **Promotion** (how it is communicated).

Final Answer: Product, Price, Place, Promotion

Answer: (A)



Q39.

Solution

Concept: Sales promotion encompasses short-term incentives used to encourage the immediate purchase of a product or service.

Solution: An offer like "Buy 2 Get 1 Free" provides the customer with extra merchandise at no additional cost. In marketing terms, this specific sales promotion tool is classified as a **Quantity Gift** (or premium), where the incentive is directly tied to purchasing a specific volume.

Final Answer: Quantity Gift

Answer: (C)

Q40.

Solution

Concept: In marketing management, **Branding** is a key product-related decision. It involves the process of using a name, term, symbol, design, or a combination of these to identify the goods or services of one seller and to differentiate them from those of competitors. A brand includes the brand name (which can be spoken) and the brand mark (a symbol or design that can be recognized but not spoken).

Solution: The primary purpose of giving a specific name or sign to a product is to provide it with a distinct identity. This process is called **Branding**. It helps customers in identifying the product, ensures quality consistency, and aids in promotional efforts. **Packaging** refers to the act of designing and producing the container or wrapper for a product. **Labeling** involves designing the tag or graphic that provides information about the product. **Advertising** is a paid form of non-personal communication to promote the product.

Final Answer: Branding

Answer: (C)

Q41.

Solution

Concept: Packaging typically involves three levels: Primary, Secondary, and Transportation (Tertiary) packaging. **Secondary Packaging** refers to the additional layers of protection that are kept until the product is ready for use.

Solution: A cardboard box enclosing a toothpaste tube is a classic example of Secondary Packaging. It provides extra protection and promotional space, and consumers usually discard it once they start using the primary package (the tube itself).

Final Answer: Secondary Packaging

Answer: (B)



Q42.

Solution

Concept: Labeling is the process of putting identification marks or comprehensive details on the package. A label acts as a carrier of vital information about the product.

Solution: Labeling serves multiple critical functions: it describes the product and specifies its ingredients, helps in grading products into different categories (like different color labels for different qualities), and assists in product promotion through attractive designs and offers. Therefore, all the given options are correct.

Final Answer: All of the above

Answer: (D)

Q43.

Solution

Concept: The **Consumer Protection Act, 2019** replaced the old 1986 Act to provide a more effective administration and settlement of consumer disputes. One of the major changes introduced was the revision of the **pecuniary jurisdiction** (monetary limits) of the three-tier quasi-judicial machinery: the District Commission, State Commission, and National Commission.

Solution: Under the Consumer Protection Act, 2019, the pecuniary jurisdiction for the consumer commissions is as follows:

District Commission: Entertains complaints where the value of goods or services paid as consideration **does not exceed 1 Crore.**

State Commission: Entertains complaints where the value exceeds 1 Crore but does not exceed 10 Crore.

National Commission: Entertains complaints where the value exceeds 10 Crore.

It is important to note that the 2019 Act base the jurisdiction on the "value of goods or services **paid as consideration**," unlike the 1986 Act which looked at the value of goods and the compensation claimed.

Final Answer: 1 Crore

Answer: (C)



Q44.

Solution

Concept: Consumer rights are established to protect buyers from exploitation. The **Right to be Informed** guarantees that consumers have access to complete information about the quality, quantity, potency, purity, standard, and price of goods or services.

Solution: Ingredients and expiry dates are crucial details that ensure the consumer can make an educated choice and use the product safely. Omitting this mandatory information from a food packet directly violates the consumer's Right to be Informed.

Final Answer: Right to be Informed

Answer: (B)

Q45.

Solution

Concept: The Consumer Protection Act 2019 provides a clear appellate mechanism if a party is dissatisfied or aggrieved by the order of a lower consumer commission.

Solution: Under Section 51 of the Act, if a consumer is not satisfied with the decision made by the State Commission, they have the right to prefer an appeal to the **National Commission within 30 days** from the date of the order.

Final Answer: 30 days

Answer: (B)

Q46.

Solution

Concept: Caveat Emptor is a fundamental legal doctrine in the sale of goods. It historically shifted the burden of checking the quality and suitability of a product onto the consumer rather than the seller.

Solution: The Latin phrase "Caveat Emptor" literally translates to "**Let the buyer beware.**" It implies that the buyer should perform due diligence before making a purchase. Modern consumer laws have largely replaced this with "Caveat Venditor" (Let the seller beware).

Final Answer: Let the buyer beware

Answer: (B)



Q47.

Solution

Concept: **Commercial Paper (CP)** is a short-term money market instrument. It was introduced in India in 1990 as an unsecured promissory note, issued by highly creditworthy companies (blue-chip companies) to raise short-term funds. Since it is unsecured, it can only be issued by companies with a high credit rating to ensure investor safety.

Solution: Commercial Paper is primarily used by corporate houses to meet **seasonal and working capital needs**. Because it has a maturity period ranging from 7 days to one year, it is not suitable for long-term investments like fixed assets. Companies also use it for "bridge financing"—a method to cover the short-term costs associated with issuing long-term securities (like underwriting fees or brokerage).

Final Answer: Seasonal and working capital needs

Answer: (B)

Q48.

Solution

Concept: The **Marketing Mix** (4 Ps) covers all activities a firm can use to influence the demand for its product. Each "P" represents a different set of management decisions.

Solution: The **"Place"** (or Physical Distribution) element involves decisions regarding the selection of channels of distribution (wholesalers, retailers, etc.) and the physical movement of goods to ensure they are available to customers at the right time and location.

Final Answer: Place

Answer: (C)

Q49.

Solution

Concept: Planning is one of the fundamental functions of management. It is described as a **mental exercise** because it requires the use of manifest logic, foresight, and sound judgment rather than mere guesswork or wishful thinking. It involves creative thinking and imagination to visualize the future and prepare for it.

Solution: The phrase "intellectual process of conscious determination" signifies that planning happens in the mind of the manager before any physical action takes place. It requires high-level thinking to analyze facts and choose the best possible way to reach an objective. Unlike routine clerical work, it demands "conscious determination," meaning the manager must actively think through the consequences of various actions. Therefore, this specific statement highlights that **Planning is a mental exercise**.

Final Answer: Planning is a mental exercise

Answer: (C)



Q50.**Solution**

Concept: Organizational structures can be formal or informal. The structure defined by the management identifies the authority-responsibility relationships and the flow of communication.

Solution: The **Formal Organization** is the structure created intentionally by the management to achieve organizational goals. It is characterized by clearly defined jobs, hierarchical relationships, and systematic coordination.

Final Answer: Formal Organization

Answer: (B)



Answer Key

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

