

CUET UG Business Studies Sample Paper - 8

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 characteristic of 'Coordination'?

- (A) It is a continuous process.
- (B) It is an all-pervasive function.
- (C) It is a one-time achievement at the start of the year.
- (D) It is the responsibility of all managers.

Q2. A company produces high-end electronics. The management ensures that the production department and sales department work in harmony to avoid stock-outs. This essence of management is:

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

Q3. Identify the technique of Scientific Management where a specialist is responsible for the performance of a specific part of the job:

- (A) Method Study
- (B) Functional Foremanship



- (C) Differential Piece Wage System
- (D) Standardization

Q4. Match the following Fayol's Principles:

No.	Principle	Code	Description
(i)	Unity of Command	(a)	One head, one plan
(ii)	Unity of Direction	(b)	Subordinates receive orders from one superior
(iii)	Scalar Chain	(c)	Formal lines of authority

- (A) (i)-a, (ii)-b, (iii)-c
- (B) (i)-b, (ii)-a, (iii)-c
- (C) (i)-c, (ii)-b, (iii)-a
- (D) (i)-b, (ii)-c, (iii)-a

Q5. The 'Demonetization' move by the Government of India primarily represents which dimension of the Business Environment?

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

Q6. "Increasing use of AI and automation in manufacturing" represents which dimension?

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



Q7. Arrange the following steps of the 'Planning Process' in correct sequence:

- (i) Identifying alternative courses of action
- (ii) Setting objectives
- (iii) Developing premises
- (iv) Selecting an alternative

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

Q8. A plan that is a statement of expected results expressed in numerical terms is:

- (A) Policy
- (B) Procedure
- (C) Budget
- (D) Strategy

Q9. Which structure is most suitable for a multi-product large organization?

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

Q10. Assertion

(A): Decentralization is an extension of Delegation.

Reason (R): Delegation is mandatory, whereas Decentralization is a policy decision.

- (A) Both A and R are true; R is the correct explanation of A.
- (B) Both A and R are true; R is not the correct explanation of A.



(C) A is true, R is false.

(D) A is false, R is true.

Q11. Which of the following is an internal source of recruitment?

(A) Campus Recruitment

(B) Recommendations of Employees

(C) Promotion

(D) Casual Callers

Q12. Identify the correct sequence of the 'Selection Process':

(i) Employment Interview

(ii) Selection Tests

(iii) Preliminary Screening

(iv) Reference and Background Checks

(A) iii, ii, i, iv

(B) iii, i, ii, iv

(C) ii, iii, i, iv

(D) i, ii, iii, iv

Q13. Maslow's 'Social Needs' are satisfied by:

(A) Basic Salary

(B) Job Security

(C) Informal groups and friendship

(D) Recognition and status

Q14. A manager uses a leadership style where he consults his subordinates before making decisions. This is:

(A) Autocratic



- (B) Democratic
- (C) Laissez-faire
- (D) Authoritative

Q15. Semantic barriers to communication are concerned with:

- (A) Organizational Policy
- (B) Problems in encoding/decoding of message
- (C) Lack of attention
- (D) Fear of authority

Q16. 'Management by Exception' refers to:

- (A) Controlling everything.
- (B) Controlling significant deviations only.
- (C) Controlling at the end of the year.
- (D) Controlling the planning process.

Q17. The relationship between Planning and Controlling is:

- (A) Planning is backward-looking, Controlling is forward-looking.
- (B) Planning is forward-looking, Controlling is backward-looking.
- (C) Both are only forward-looking.
- (D) Both are interrelated and interdependent.

Q18. The decision regarding how much profit is to be retained in the business is:

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



Q19. A high Debt-to-Equity ratio indicates:

- (A) Low Financial Risk
- (B) High Financial Risk
- (C) High Operational Risk
- (D) High Liquidity

Q20. Which factor affects the 'Capital Structure' of a company?

- (A) Cash Flow Position
- (B) Interest Coverage Ratio
- (C) Tax Rate
- (D) All of the above

Q21. Treasury Bills are issued by:

- (A) Commercial Banks
- (B) SEBI
- (C) RBI on behalf of GOI
- (D) Stock Exchange

Q22. Commercial Paper is a:

- (A) Long-term secured instrument
- (B) Short-term unsecured promissory note
- (C) Fixed deposit with banks
- (D) Shares issued to public

Q23. What is the maturity period of 'Call Money'?

- (A) 1 to 15 days



- (B) 15 to 30 days
- (C) 1 to 365 days
- (D) 5 to 10 years

Q24. Arrange the 'Trading Procedure' on a Stock Exchange in order:

- (i) Opening a Demat account
- (ii) Placing the order
- (iii) Selection of a broker
- (iv) Settlement

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

Q25. Which function of SEBI involves "Conducting inspection and inquiries"?

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

Q26. The marketing philosophy that focuses on high-scale production to reduce cost is:

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

Q27. 'Branding' is a part of which element of the Marketing Mix?



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

Q28. Making a product available at the right place, in right quantity and time is:

- (A) Personal Selling
- (B) Physical Distribution
- (C) Public Relations
- (D) Advertising

Q29. Selling old stock at a heavy discount is an example of:

- (A) Sales Promotion
- (B) Advertising
- (C) Publicity
- (D) Branding

Q30. Under the Consumer Protection Act 2019, District Commission handles cases where value of goods/services does not exceed:

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

Q31. 'Right to be Informed' means:

- (A) Right to be protected against hazardous goods.
- (B) Right to have complete information about product ingredients and price.



- (C) Right to choose from a variety of products.
- (D) Right to file a complaint.

Q32. A consumer was sold a defective laptop. Which remedy can he seek?

- (A) Removal of defect
- (B) Replacement of product
- (C) Refund of price paid
- (D) All of the above

Q33. Principles of management are not 'Absolute' because:

- (A) They are formed by practice.
- (B) They are flexible and applied based on situation.
- (C) They are universal.
- (D) They are behavioral.

Q34. Identify the 'Dimension of Environment': "Increase in demand for organic food due to health consciousness."

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

Q35. 'Aptitude Test' in selection aims to measure:

- (A) Existing skills
- (B) Potential to learn new skills
- (C) Personality traits
- (D) Interest in work



Q36. Status, Job Enrichment, and Employee Recognition are:

- (A) Financial Incentives
- (B) Non-financial Incentives
- (C) Direct Incentives
- (D) Statutory Incentives

Q37. 'Noise' in communication refers to:

- (A) High volume speech
- (B) Any obstruction to communication
- (C) Feedback
- (D) Decoding

Q38. If a company wants to raise capital for more than 1 year, it will go to:

- (A) Money Market
- (B) Capital Market
- (C) Commodity Market
- (D) Local Market

Q39. The 'Primary Market' deals with:

- (A) Sale of old securities
- (B) Issue of new securities
- (C) Only Government bonds
- (D) Agricultural products

Q40. 'Societal Marketing Concept' emphasizes:

- (A) Customer satisfaction



- (B) Consumer welfare along with satisfaction
- (C) Profit through volume
- (D) Advertising aggressive selling

Q41. Which of the following is NOT a level of management?

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

Q42. Planning is a mental exercise. This indicates planning is:

- (A) Pervasive
- (B) Futuristic
- (C) Intellectual process
- (D) Continuous

Q43. Delegation of authority involves:

- (A) Transfer of accountability
- (B) Granting of authority and responsibility
- (C) Total freedom to subordinates
- (D) Resigning from the post

Q44. Financial Management aims at:

- (A) Profit Maximization
- (B) Wealth Maximization
- (C) Cost Minimization
- (D) Sales Maximization



Q45. SEBI was established in:

- (A) 1988
- (B) 1992 (Statutory powers)
- (C) 1956
- (D) 2000

Q46. 'Publicity' is a:

- (A) Paid form of communication
- (B) Non-paid form of communication
- (C) Personal form of communication
- (D) Tool of Direct Marketing

Q47. The 'Marketing Mix' concept was popularized by:

- (A) Philip Kotler
- (B) F.W. Taylor
- (C) Henry Fayol
- (D) Peter Drucker

Q48. 'Grievance Redressal' is the responsibility of:

- (A) Marketing Department
- (B) HR Department/Consumer Forum
- (C) Production Department
- (D) Finance Department

Q49. Zero coupon bonds are also known as:

- (A) T-Bills



- (B) Commercial Paper
- (C) Certificate of Deposit
- (D) Equity Shares

Q50. The last step in the Controlling process is:

- (A) Setting standards
- (B) Measuring performance
- (C) Taking corrective action
- (D) Comparing performance



Detailed Solutions**Q1.****Solution****Concept:**

Coordination is often described as the "essence of management." It is the process by which a manager synchronizes the activities of different departments to ensure that organizational goals are achieved efficiently.

Key characteristics include:

- Continuous Process:** It is not a one-time activity but begins at the planning stage and continues until controlling.
- Pervasive Function:** It is required at all levels of management and in all departments due to the interdependence of activities.
- Responsibility of all Managers:** Top-level managers coordinate with their subordinates, middle-level managers coordinate with both top and first-line managers, and so on.

Solution:

- Analyzing the options provided: - Option A states it is a **continuous process**, which is a factual characteristic. - Option B states it is **all-pervasive**, which is also a factual characteristic. - Option D states it is the **responsibility of all managers**, which is correct.
- Evaluating Option C: - Option C suggests that coordination is a **"one-time achievement at the start of the year"**. - This contradicts the "continuous" nature of management. Coordination must be performed constantly to adapt to changes in the internal and external environment.
- Conclusion: - Therefore, Option C is not a characteristic of coordination.

Answer: (C)

Q2.

Solution**Concept:**

In a business organization, different departments like Production, Sales, Finance, and Marketing are interdependent. **Coordination** is the force that binds all other functions of management. It ensures that the production department produces what the sales department can sell, and the sales department sells what the production department has made, thereby avoiding chaos, wasted effort, or stock-outs.

Solution:

1. Identification of the problem: - The scenario describes a company ensuring harmony between the **production** and **sales** departments. - The specific goal is to "avoid stock-outs," which requires a synchronization of timing and efforts.
2. Distinguishing between functions: - **Planning** involves deciding in advance what to do. - **Staffing** involves finding the right people for the right jobs. - **Controlling** involves comparing actual performance with standards. - **Coordination** involves the integration and synchronization of group efforts.
3. Conclusion: - Since the focus is on the "harmony" and integration between two distinct departments to ensure smooth operations, the essence of management being applied is coordination.

Answer: (C)

Q3.

Solution**Concept:**

Functional Foremanship is a technique of Scientific Management proposed by **F.W. Taylor**. He advocated for the separation of planning and execution. Under this technique, Taylor suggested that a worker should be supervised by eight specialist foremen to improve the quality of supervision and specialization. Each foreman is an expert in a specific aspect of the job.

Solution:

1. Analysis of Taylor's Techniques: - **Method Study:** Aims to find the "one best way" of doing a job to minimize cost and maximize quality. - **Differential Piece Wage System:** Aims to differentiate between efficient and inefficient workers by providing different rates of wages. - **Standardization:** Refers to the process of setting standards for every business activity. - **Functional Foremanship:** Specifically involves assigning specialists (foremen) to be responsible for specific parts of the work (e.g., Route Clerk, Instruction Card Clerk, Gang Boss, Speed Boss).
2. Mapping to the question: - The question asks for a technique where a **specialist** is responsible for a **specific part** of the job. - This directly aligns with the definition and purpose of Functional Foremanship.

Answer: (B)

Q4.

Solution**Concept:**

Henry Fayol provided 14 Principles of Management to improve administrative efficiency. Three of these include: 1. **Unity of Command:** An employee should receive orders from **only one superior** to avoid confusion and conflict. 2. **Unity of Direction:** All units of an organization should move towards the same objectives through coordinated efforts—**"One head, one plan"**. 3. **Scalar Chain:** The formal lines of authority from highest to lowest ranks. Communication should generally follow this chain.

Solution:

1. Matching the terms: - (i) **Unity of Command:** This matches with (b) "Subordinates receive orders from one superior." - (ii) **Unity of Direction:** This matches with (a) "One head, one plan," focusing on the unity of action for a group of activities having the same objective. - (iii) **Scalar Chain:** This matches with (c) "Formal lines of authority."
2. Evaluating the options: - Looking for the sequence: (i)-b, (ii)-a, (iii)-c. - This corresponds to Option B.

Answer: (B)

Q5.

Solution**Concept:**

The **Business Environment** consists of various dimensions: 1. **Economic:** Includes interest rates, inflation, changes in disposable income, and monetary/fiscal policies. 2. **Social:** Includes customs, traditions, and values. 3. **Technological:** Includes innovations and scientific improvements. 4. **Legal:** Includes legislation passed by the government and court judgments.

Solution:

1. Analysis of the event: - **Demonetization** (November 2016) involved the withdrawal of specific currency notes as legal tender. - This move directly impacted the **money supply**, interest rates, and the banking system of the country.
2. Classification: - Since currency, money supply, and government monetary policy are core components of the **Economic Environment**, demonetization falls under this category.
3. Conclusion: - Although it was a government decision (Political) and had legal implications (Legal), its primary classification in the context of business environment dimensions is Economic because it deals with the fundamental economic variables of the nation.

Answer: (C)

Q6.

Solution**Concept:**

The **Technological Environment** includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business. The integration of Artificial Intelligence (AI) and automation is a prime example of scientific advancement altering the production landscape.

Solution:

1. Identification of factors: - "Increasing use of AI" and "automation" are innovations in the field of computer science and mechanical engineering. - These factors change the **method of production** and the efficiency of manufacturing processes.
2. Analyzing dimensions: - **Social:** Relates to lifestyle and values. - **Economic:** Relates to inflation, income, and interest rates. - **Political:** Relates to government stability and ideology. - **Technological:** Relates to R and D and scientific improvements.
3. Conclusion: - Because the scenario specifically mentions technological advancements (AI and automation), it is categorized under the Technological Environment.

Answer: (C)

Q7.

Solution**Concept:**

The **Planning Process** is a logical and systematic sequence of steps taken by management to decide the future course of action. Following the correct order is crucial for the effectiveness of the plan.

Solution:

1. Sequential Steps in Planning: - **Step 1: Setting Objectives:** The first step is to define what the organization wants to achieve. - **Step 2: Developing Premises:** Management must make assumptions about the future (premises). - **Step 3: Identifying Alternative Courses of Action:** Listing various ways to achieve the objective. - **Step 4: Evaluating Alternatives:** Pros and cons of each path. - **Step 5: Selecting an Alternative:** Choosing the best course of action.
2. Matching the given points: - (ii) Setting objectives (1st) - (iii) Developing premises (2nd) - (i) Identifying alternative courses of action (3rd) - (iv) Selecting an alternative (4th)
3. Sequence identification: - The correct sequence is ii, iii, i, iv.

Answer: (A)

Q8.

Solution**Concept:**

Plans can be classified into several types based on what they aim to achieve. A **Budget** is a type of single-use plan that quantifies future facts and figures. It is a fundamental tool for controlling, as it allows for the comparison of actual numerical results against the planned numerical figures.

Solution:

1. Defining the options: - **Policy:** A general statement that guides thinking or channelizes energies towards a particular direction. - **Procedure:** Routine steps on how to carry out activities. - **Strategy:** A comprehensive plan for accomplishing an organization's objectives. - **Budget:** A statement of expected results expressed in **numerical terms**.
2. Conclusion: - Since the question specifies a statement expressed in numerical terms, it is a budget.

Answer: (C)

Q9.

Solution**Concept:**

Organizational structure is the framework within which managerial and operating tasks are performed. 1. **Functional Structure:** Groups activities based on functions (Production, Marketing, etc.). It is suitable for single-product firms. 2. **Divisional Structure:** Groups activities on the basis of products. Each division (e.g., Cosmetics, Footwear, Garments) has its own functional departments.

Solution:

1. Requirement of a large multi-product organization: - In a large firm producing multiple products, each product line requires specialized attention. - A Divisional Structure allows for product-specialization, better coordination within the product line, and clearer accountability for the profit/loss of each division.
2. Conclusion: - For a multi-product large organization, the **Divisional Structure** is most suitable.

Answer: (C)

Q10.

Solution**Concept:**

Delegation is the downward transfer of authority from a superior to a subordinate. It is necessary for the manager to function. **Decentralization** is the systematic distribution of authority at every level of management.

Solution:

1. Analyzing the Assertion (A): - Decentralization is indeed an extension of delegation. While delegation happens between two people (superior/subordinate), decentralization applies the concept of delegation across the whole organization. Thus, A is true.
2. Analyzing the Reason (R): - Delegation is a necessity (mandatory) because no manager can do all the work alone. Decentralization, however, is a policy decision made by top management regarding how much authority they wish to disperse. Thus, R is true.
3. Relationship: - While both are true, the reason explains the "nature" of the two concepts rather than explaining why one is an extension of the other (which is usually explained by the scope of authority distribution). However, in many academic contexts, R is considered a supporting explanation for the relationship between the two.

Answer: (A)

Q11.

Solution**Concept:**

Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. Sources of recruitment are classified into: 1. **Internal Sources:** Seeking applicants from within the organization (e.g., Transfers, Promotions). 2. **External Sources:** Seeking applicants from outside the organization (e.g., Campus Recruitment, Casual Callers, Recommendations, Advertising).

Solution:

1. Evaluation of Options: - **Campus Recruitment:** The organization visits educational institutions to find fresh talent. This is an external source. - **Recommendations of Employees:** Current employees suggest candidates from their circle. This is an external source. - **Casual Callers:** The organization maintains a database of unsolicited applications received previously. This is an external source. - **Promotion:** Shifting an existing employee to a higher position with more responsibility and pay.
2. Conclusion: - Since **Promotion** involves filling a vacancy using the existing workforce already present inside the organization, it is an internal source of recruitment.

Answer: (C)

Q12.

Solution**Concept:**

The **Selection Process** is a series of steps used to identify the best candidate for a specific job from a pool of applicants. It is often called a "negative process" because more candidates are rejected than selected at each stage.

Solution:

1. Chronological order of Selection: - **Step 1: Preliminary Screening:** Eliminating unqualified or unfit job seekers based on information in application forms. - **Step 2: Selection Tests:** Objective measures to assess intelligence, aptitude, personality, etc. - **Step 3: Employment Interview:** An in-depth conversation to evaluate the candidate's suitability. - **Step 4: Reference and Background Checks:** Verifying the information provided by the candidate. - **Step 5: Selection Decision:** The final choice among the candidates who passed the previous steps.
2. Mapping the provided items: - (iii) Preliminary Screening (1st) - (ii) Selection Tests (2nd) - (i) Employment Interview (3rd) - (iv) Reference and Background Checks (4th)
3. Final Sequence: - The correct logical order is iii, ii, i, iv.

Answer: (A)

Q13.

Solution**Concept:**

Abraham Maslow's Need Hierarchy Theory of motivation suggests five levels of human needs: 1. Physiological Needs (Basic survival) 2. Safety/Security Needs (Job security, physical safety) 3. **Social/Affiliation Needs** (Belongingness, friendship, acceptance) 4. Esteem Needs (Self-respect, status) 5. Self-Actualization Needs (Growth and self-fulfillment)

Solution:

1. Analyzing the satisfy-ers: - **Basic Salary:** Satisfies basic physiological needs. - **Job Security:** Satisfies safety and security needs. - **Recognition and status:** Satisfies esteem needs. - **Informal groups and friendship:** Relates to the human desire for social interaction and belonging.
2. Conclusion: - Maslow's social needs are specifically concerned with love, affection, and social interaction, which are fulfilled through informal groups and friendships within the workplace.

Answer: (C)

Q14.

Solution**Concept:**

Leadership Styles are the behavioral patterns a leader uses to influence subordinates. 1. **Autocratic:** The leader gives orders and expects obedience without consultation. 2. **Democratic (Participative):** The leader involves subordinates in the decision-making process. 3. **Laissez-faire (Free-rein):** The leader gives full freedom to subordinates to set their own goals and solve problems.

Solution:

1. Analyzing the scenario: - The manager "consults his subordinates before making decisions." - This indicates a two-way communication flow and respect for the opinions of team members.
2. Identification: - Because the leader encourages participation and values input from the group, this is the hallmark of the **Democratic** leadership style.

Answer: (B)

Q15.

Solution**Concept:**

Semantic Barriers in communication arise from problems and obstructions in the process of encoding and decoding of messages into words or impressions. These are usually related to the language used, rather than the psychology or organizational structure.

Solution:

1. Identifying Barrier Types: - **Psychological Barriers:** Emotional state, lack of attention, or premature evaluation. - **Organizational Barriers:** Policies, rules, and status differences. - **Personal Barriers:** Fear of challenge to authority or lack of incentives. - **Semantic Barriers:** Badly expressed messages, symbols with different meanings, or technical jargon.
2. Conclusion: - Since semantic barriers specifically deal with the clarity of the language and how a message is encoded by the sender and decoded by the receiver, the correct answer is the problems in encoding/decoding.

Answer: (B)

Q16.

Solution**Concept:**

Management by Exception (MBE), also known as Control by Exception, is a managerial philosophy which suggests that attempts to control everything result in controlling nothing. It implies that only significant deviations which go beyond the permissible limit should be brought to the notice of top management. This saves the time of managers and allows them to focus on critical issues.

Solution:

1. Analysis of control principles: - Control should be focused on Key Result Areas (KRAs) and significant deviations. - If a manager tries to check every single minute detail, they will be overwhelmed and fail to notice major problems.
2. Application: - For example, if postal expenses increase by 5%, it may be ignored (as it is minor), but if labor costs increase by 10%, it must be investigated immediately.
3. Conclusion: - Management by Exception refers specifically to controlling only those deviations that are significant or exceptional in nature.

Answer: (B)

Q17.

Solution**Concept:**

Planning and Controlling are often called the "inseparable twins of management." Planning provides the goals and standards, while Controlling ensures that activities are performed according to those plans. Without planning, there is no basis for control; without controlling, planning becomes a mere mental exercise.

Solution:

1. Temporal relationship: - Planning is forward-looking (looking ahead) because it involves preparing for the future. - Controlling is backward-looking (looking back) because it involves post-mortem analysis of past activities to find deviations. - However, Planning is also backward-looking (based on past experiences) and Controlling is also forward-looking (corrective action for the future).
2. Evaluation of interdependence: - The most comprehensive description is that they are interrelated and interdependent. One cannot exist effectively without the other.
3. Conclusion: - Planning sets the "standards" and Controlling "checks" them. Thus, they are fundamentally interrelated and interdependent.

Answer: (D)

Q18.

Solution**Concept:**

Financial management involves three major types of decisions: 1. Investment Decision: Where to invest funds (Long-term and Short-term). 2. Financing Decision: How to raise funds (Debt vs. Equity). 3. Dividend Decision: How much of the profit earned by the company is to be distributed to the shareholders and how much should be retained in the business.

Solution:

1. Understanding Dividend Decision: - A portion of the net profit after tax is distributed to shareholders as dividends. - The remaining portion is kept aside as "Retained Earnings" for future expansion or contingencies.
2. Identification: - The question specifically asks about the decision regarding the retention of profit. This is a core part of the Dividend Decision process.
3. Conclusion: - Therefore, the decision regarding the distribution or retention of profits is the Dividend Decision.

Answer: (C)

Q19.

Solution**Concept:**

Financial risk refers to the risk of a company being unable to meet its fixed financial obligations, such as interest payments and repayment of principal. This risk is primarily associated with the use of "Debt" in the capital structure.

Solution:

1. Analyzing the Ratio: - Debt-to-Equity Ratio = Total Debt / Total Equity. - A "High" ratio means the company has more borrowed funds (Debt) compared to owner's funds (Equity).
2. Impact of High Debt: - Debt comes with a fixed obligation to pay interest regardless of profit. - If the company's earnings fluctuate, it may struggle to pay this interest, leading to bankruptcy.
3. Conclusion: - Therefore, a high Debt-to-Equity ratio signifies high financial risk for the organization.

Answer: (B)

Q20.

Solution**Concept:**

Capital Structure refers to the mix between owners' funds (Equity) and borrowed funds (Debt). Several factors influence a manager's choice regarding this mix to ensure the cost of capital is minimized and the value for shareholders is maximized.

Solution:

1. Factors Analysis: - Cash Flow Position: A company must have enough cash to pay interest and principal. If cash flow is strong, more debt can be used. - Interest Coverage Ratio (ICR): This ratio indicates how many times the company's earnings can cover the interest obligations. Higher ICR favors debt. - Tax Rate: Since interest on debt is a tax-deductible expense, a higher tax rate makes debt cheaper and more attractive.
2. Evaluation: - All three factors—Cash Flow, ICR, and Tax Rate—are critical determinants in designing the capital structure.
3. Conclusion: - Since all listed factors are relevant, the correct answer is "All of the above."

Answer: (D)

Q21.

Solution**Concept:**

The Money Market is a market for short-term funds which deals in monetary assets whose period of maturity is up to one year. Treasury Bills (T-Bills) are one of the most important instruments in this market. They are basically promissory notes issued in the form of a zero-coupon bond.

Solution:

1. Nature of the Instrument: - Treasury Bills are used by the Central Government to meet short-term requirements of funds. - They are highly liquid and have negligible risk of default.
2. Issuing Authority: - While the Government of India needs the funds, it does not issue them directly to the public. - The Reserve Bank of India (RBI) issues these bills on behalf of the Government of India to the public and financial institutions.
3. Conclusion: - Therefore, the correct authority that issues Treasury Bills is the RBI acting on behalf of the Government.

Answer: (C)

Q22.

Solution**Concept:**

Commercial Paper (CP) is a short-term money market instrument. It was introduced in India in 1990. It is an unsecured promissory note, negotiable and transferable by endorsement and delivery, with a fixed maturity period.

Solution:

1. Characteristics of Commercial Paper: - It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. - It usually has a maturity period ranging from 15 days to one year. - Since it is "unsecured," it is only issued by companies with high credit ratings.
2. Evaluation of options: - It is not a long-term instrument. - It is not a fixed deposit. - It is not a share. - It is an unsecured promissory note used for short-term financing.
3. Conclusion: - Commercial Paper is a short-term unsecured promissory note.

Answer: (B)

Q23.

Solution**Concept:**

Call Money is a method by which banks borrow from each other to be able to maintain the Cash Reserve Ratio (CRR). The Reserve Bank of India specifies the CRR from time to time, which is the minimum balance of cash that every commercial bank must maintain with the RBI.

Solution:

1. Nature of Call Money: - It is a short-term finance repayable on demand. - The interest rate paid on call money loans is known as the "Call Rate," which is highly volatile.
2. Maturity Period: - The maturity period of call money is extremely short, ranging from 1 day to 15 days. - If the loan is for one day, it is called "call money"; if it is for more than one day but up to 14 days, it is often referred to as "notice money."
3. Conclusion: - The standard maturity period for Call Money is 1 to 15 days.

Answer: (A)

Q24.

Solution**Concept:**

The trading procedure on a stock exchange has been revolutionized by the screen-based trading system. To buy or sell securities in the secondary market, an investor must follow a specific logical sequence of steps to ensure transparency and legal compliance.

Solution:

1. Step-by-Step Procedure: - Step 1: Selection of a broker (A registered member of the stock exchange). - Step 2: Opening a Demat account with a Depository Participant (DP) and a Bank account. - Step 3: Placing the order with the broker (Specifying the quantity and price). - Step 4: Execution of the order (Broker matches the buy/sell order). - Step 5: Settlement (The actual transfer of securities and funds).
2. Ordering the items: - (iii) Selection of a broker (1st) - (i) Opening a Demat account (2nd) - (ii) Placing the order (3rd) - (iv) Settlement (4th)
3. Conclusion: - The correct sequence is iii, i, ii, iv.

Answer: (A)

Q25.

Solution**Concept:**

The Securities and Exchange Board of India (SEBI) was established to protect the interests of investors and promote the development of the securities market. Its functions are categorized into:

1. Protective Functions: Protecting investors' rights and preventing malpractices.
2. Development Functions: Promoting and developing the market (e.g., training intermediaries).
3. Regulatory Functions: Regulating the business in stock exchanges.

Solution:

1. Understanding Regulatory Functions: - SEBI monitors the functioning of the market. To do this, it needs the power to investigate. - Registration of brokers, collective investment schemes, and conducting audits/inspections fall under regulatory powers.
2. Matching with the question: - "Conducting inspection and inquiries" is a mechanism of oversight. It is used to ensure that the rules and regulations are being followed by the participants.
3. Conclusion: - This activity is part of the Regulatory Function of SEBI.

Answer: (C)

Q26.

Solution**Concept:**

The **Production Concept** is one of the oldest philosophies in business. It is based on the idea that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is typically applicable when the demand for a product exceeds the supply.

Solution:

1. Analyzing the Philosophies: - **Product Concept:** Focuses on continuous product improvement and quality. - **Selling Concept:** Focuses on aggressive selling and promotional efforts. - **Marketing Concept:** Focuses on determining the needs of the target market and delivering satisfaction better than competitors. - **Production Concept:** Focuses on high-volume production to achieve economies of scale, which in turn reduces the cost per unit.
2. Matching with the question: - The question highlights "high-scale production" and "reducing cost." - These are the core pillars of the Production Concept.
3. Conclusion: - By producing in bulk, companies can lower their average costs and make products more affordable to a wider market.

Answer: (C)

Q27.

Solution**Concept:**

The **Marketing Mix** consists of the "4Ps": Product, Price, Place, and Promotion. 1. **Product:** Refers to the goods or services offered, including quality, features, packaging, and branding. 2. **Price:** Refers to the amount customers pay. 3. **Place:** Refers to distribution channels and physical movement. 4. **Promotion:** Refers to communication activities like advertising and sales promotion.

Solution:

1. Identifying Branding: - Branding is the process of giving a name, sign, symbol, or design to a product to identify it and differentiate it from competitors' products. - Since a brand is an intrinsic part of what the customer is actually buying (the "offering"), it falls under the "Product" category.
2. Evaluation: - Branding, along with packaging and labeling, are key components of the **Product Mix**.
3. Conclusion: - Therefore, branding is a part of the Product element of the marketing mix.

Answer: (C)

Q28.

Solution**Concept:**

****Physical Distribution**** (or Place Mix) is concerned with making the goods and services available at the right place, in the right quantity, and at the right time so that consumers can purchase them easily. It covers all the activities required to move products from the point of production to the point of consumption.

Solution:

1. Components of Physical Distribution: - Order Processing - Transportation - Warehousing - Inventory Control
2. Analysis of the definition: - The question describes the core objective of the distribution function: ensuring availability and utility of place and time. - Personal selling and advertising are forms of communication (Promotion). - Public relations is about building a corporate image.
3. Conclusion: - The logistical movement and availability of products are handled by Physical Distribution.

Answer: (B)

Q29.

Solution**Concept:**

****Sales Promotion**** refers to short-term incentives or activities which are designed to encourage immediate purchase or sale of a product or service. These are typically non-recurring and aimed at boosting sales volume quickly.

Solution:

1. Common Sales Promotion Techniques: - Rebates (offering products at special prices). - Discounts (offering a percentage off the list price). - Refunds and Product Combinations. - Quantity Gifts and Lucky Draws.
2. Analyzing the scenario: - "Selling old stock at a heavy discount" is a specific tactic used to clear inventory. - Because it is a short-term incentive to stimulate the consumer to buy now, it falls under Sales Promotion.
3. Conclusion: - Discounts for stock clearance are a classic example of Sales Promotion.

Answer: (A)

Q30.

Solution**Concept:**

The **Consumer Protection Act, 2019** replaced the old 1986 Act. It established a three-tier quasi-judicial machinery at the District, State, and National levels to provide simple and speedy redressal to consumer disputes. Each tier has a specific pecuniary jurisdiction (monetary limit).

Solution:

1. Pecuniary Jurisdiction under CPA 2019: - **District Commission:** Entertains complaints where the value of goods or services paid as consideration does not exceed 50 Lakh. - **State Commission:** Entertains complaints where the value exceeds 50 Lakh but does not exceed 2 Crore. - **National Commission:** Entertains complaints where the value exceeds 2 Crore.
2. Note on updates: - Note that initial 2019 limits were 1 Crore for District, but the government revised these in late 2021/early 2022 to streamline the workload. - According to the current standards typically tested in CUET based on recent NCERT updates and official notifications, the limit for the District Commission is up to 50 Lakh.
3. Conclusion: - The District Commission handles cases where the value does not exceed 50 Lakh.

Answer: (B)

Q31.

Solution**Concept:**

The **Right to be Informed** is a fundamental consumer right under the Consumer Protection Act. It ensures that consumers are protected against unfair trade practices by requiring manufacturers to provide all relevant details about the product. This information is typically provided on the package and label of the product.

Solution:

1. Scope of the Right: - This right entitles the consumer to get information about the quality, quantity, potency, purity, standard, and price of goods or services. - It also covers details such as ingredients, date of manufacture, expiry date, and instructions for use.
2. Analyzing the options: - Protection against hazardous goods refers to the "Right to Safety." - Choosing from a variety refers to the "Right to Choose." - Filing a complaint refers to the "Right to be Heard."
3. Conclusion: - The "Right to be Informed" specifically focuses on the provision of complete information regarding product details like ingredients and price.

Answer: (B)

Q32.

Solution**Concept:**

When a consumer files a complaint and the charges are proved, the redressal agency (District, State, or National Commission) can pass an order directing the opposite party to provide one or more **remedies**. These remedies are designed to restore the consumer's position or compensate for the loss.

Solution:

1. Available Remedies under CPA: - **Removal of defects:** Repairing the product if the defect can be fixed. - **Replacement:** Providing a new, defect-free product of the same description. - **Refund:** Returning the price paid by the consumer for the product or service. - **Compensation:** Paying a reasonable amount for any loss or injury suffered due to negligence.
2. Application: - In the case of a defective laptop, the consumer has the legal right to ask for the defect to be fixed, a new laptop, or their money back.
3. Conclusion: - Since all the mentioned actions are valid legal remedies, the correct answer is "All of the above."

Answer: (D)

Q33.

Solution**Concept:**

Management principles are not rigid prescriptions; they are general guidelines for action. Unlike principles of pure science (like Physics or Chemistry), which are absolute and static, management principles deal with human behavior and are applied in a dynamic business environment.

Solution:

1. Nature of Principles: - Principles of management are **flexible**. They can be modified by the manager based on the specific situation or context they are facing. - For example, the degree of centralization or decentralization will vary from one organization to another.
2. Analyzing the term "Absolute": - "Absolute" means something that is fixed and applies the same way in every single instance. - Management principles are not absolute because their application depends on the prevailing circumstances.
3. Conclusion: - The reason they are not absolute is their flexibility and their situational application (contingency).

Answer: (B)

Q34.

Solution**Concept:**

The **Social Environment** of business includes the social forces like customs, traditions, values, social trends, and society's expectations from business. Shifts in consumer preferences due to health trends or lifestyle changes are primary indicators of a social environment change.

Solution:

1. Identifying the Driver: - The increase in demand is driven by "health consciousness." - Health consciousness is a social trend and a change in the values/preferences of the people living in a society.
2. Distinguishing dimensions: - Economic would involve changes in income or prices. - Legal would involve new laws or regulations. - Political would involve government actions.
3. Conclusion: - Since the shift is rooted in the collective behavior and health-oriented mindset of the community, it represents the Social Environment.

Answer: (B)

Q35.

Solution**Concept:**

Selection tests are used to measure the characteristics of individuals that are difficult to identify during an interview. Different tests serve different purposes: 1. Intelligence Test: Measures IQ and learning ability. 2. **Aptitude Test:** Measures an individual's potential for learning new skills. 3. Personality Test: Measures emotions, reactions, and value systems. 4. Trade Test: Measures existing skills and knowledge.

Solution:

1. Defining Aptitude: - Aptitude refers to the capacity of a person to acquire a new skill if given the proper training. - It is a measure of "future potential" rather than current performance.
2. Conclusion: - Therefore, the Aptitude Test specifically aims to measure the potential to learn new skills in the future.

Answer: (B)

Q36.

Solution**Concept:**

Incentives are measures used to motivate employees to improve their performance. They are broadly classified into: 1. **Financial Incentives:** Directly related to money, such as bonus, profit sharing, and retirement benefits. 2. **Non-financial Incentives:** Focus on psychological, social, and emotional needs. They provide satisfaction that money cannot buy.

Solution:

1. Analyzing the listed items: - **Status:** Refers to the rank or position in the hierarchy, satisfying the need for esteem. - **Job Enrichment:** Designing jobs to include a greater variety of work content and higher levels of knowledge. - **Employee Recognition:** Acknowledging good performance through awards or certificates.
2. Classification: - None of these involve a direct monetary payment to the employee. Instead, they aim to provide mental satisfaction and boost morale.
3. Conclusion: - Status, Job Enrichment, and Employee Recognition are all classic examples of Non-financial Incentives.

Answer: (B)

Q37.

Solution**Concept:**

The communication process consists of several elements: Sender, Message, Encoding, Media, Decoding, Receiver, Feedback, and Noise. **Noise** is an element that does not belong to the intended communication sequence but interferes with it.

Solution:

1. Defining Noise: - Noise refers to any disruption or obstruction that hinders the communication process. - It can occur at any stage—during encoding, transmission, or decoding.
2. Examples of Noise: - A poor telephone connection. - An inattentive receiver. - Ambiguous symbols or language. - Loud background sounds.
3. Conclusion: - In the context of business communication, noise is a broad term for any obstacle that prevents the message from being understood as intended.

Answer: (B)

Q38.

Solution**Concept:**

The Financial Market is divided into two segments based on the duration of the funds: 1. **Money**

Market: Deals in short-term funds with a maturity of up to one year. 2. **Capital Market:** Deals in long-term and medium-term funds (equity and debt) with a maturity period of more than one year.

Solution:

1. Determining the need: - The question specifies a company looking to raise capital for "more than 1 year." - This requirement exceeds the scope of the money market.
2. Market Selection: - The Capital Market provides facilities for raising long-term capital through instruments like shares, debentures, and long-term loans.
3. Conclusion: - For long-term capital requirements, an organization must approach the Capital Market.

Answer: (B)

Q39.

Solution**Concept:**

The Capital Market is further subdivided into: 1. **Primary Market (New Issues Market):** Where securities are issued for the very first time. It deals with the direct flow of capital from savers to investors. 2. **Secondary Market (Stock Exchange):** Where existing (already issued) securities are traded among investors.

Solution:

1. Characteristics of the Primary Market: - There is no geographical location; it is a conceptual market. - The company issues securities directly to the public or institutional investors. - Common methods include IPO (Initial Public Offering), Rights Issue, and Private Placement.
2. Comparison: - Sale of "old" or "existing" securities happens in the secondary market. - The primary market is exclusively for "new" issues.
3. Conclusion: - The Primary Market deals specifically with the issue of new securities.

Answer: (B)

Q40.

Solution**Concept:**

The **Societal Marketing Concept** is an extension of the marketing concept. While the marketing concept focuses on customer satisfaction, the societal marketing concept argues that a company must also consider the long-term welfare of society.

Solution:

1. Core Philosophy: - Companies should not only satisfy customer needs but also do so in a way that preserves or enhances the well-being of the consumer and the society. - It addresses issues like environmental pollution, deforestation, and ethical business practices.
2. Components: - Customer satisfaction (Marketing) + Social Welfare = Societal Marketing.
3. Conclusion: - The distinguishing feature of this concept is its focus on consumer welfare in conjunction with satisfaction.

Answer: (B)

Q41.

Solution**Concept:**

Management is a universal process consisting of several hierarchical levels. These are generally categorized into three main layers: 1. **Top Level Management:** Consists of CEOs, Board of Directors, and General Managers. They focus on goals and strategies. 2. **Middle Level Management:** Consists of Departmental heads (e.g., Purchase Manager, Sales Manager). They act as a link between top and lower levels. 3. **Lower/Operational Level Management:** Consists of Supervisors, Foremen, and First-line managers. They oversee the actual workforce.

Solution:

1. Evaluating levels: - Top, Middle, and Operational (Lower) are the standard, recognized levels in a management hierarchy. - "Intermediate Level" is not a formal term used in standard management theory to describe a specific layer of the hierarchy.
2. Conclusion: - While the middle level is "intermediate" in position, it is officially called the Middle Level. Therefore, Intermediate Level is the incorrect term.

Answer: (B)

Q42.

Solution**Concept:**

Planning is the first function of management and involves deciding in advance what is to be done. It is described as a **mental exercise** or an intellectual process because it requires the use of logic, foresight, and sound judgment rather than manual work or guesswork.

Solution:

1. Analyzing the characteristic: - Planning involves creative thinking and imagination to visualize the future. - Because it happens in the mind of the manager before any action is taken, it is classified as an intellectual or mental process.
2. Conclusion: - The phrase "mental exercise" directly points to the intellectual nature of the planning function.

Answer: (C)

Q43.

Solution**Concept:**

Delegation consists of three essential elements: Authority, Responsibility, and Accountability. While authority and responsibility can be shared or delegated, **accountability** (being answerable for the end result) can never be delegated. It remains with the person who has the original authority.

Solution:

1. Components of Delegation: - Authority: The right to command. - Responsibility: The obligation to perform a task. - Accountability: Answerability for the outcome.
2. Analyzing the process: - When a manager delegates, they grant authority to a subordinate and assign them responsibility. - They do not resign from their post, nor can they transfer their ultimate accountability to the subordinate.
3. Conclusion: - Delegation fundamentally involves the granting of authority and the concurrent assignment of responsibility to a subordinate.

Answer: (B)

Q44.

Solution**Concept:**

The primary objective of Financial Management is to maximize the current value of the equity shares of the company. This is known as the **“Wealth Maximization”** objective. It is considered superior to profit maximization because it considers the time value of money and the risk involved.

Solution:

1. Profit vs. Wealth: - Profit maximization is a short-term goal and is often ambiguous. - Wealth maximization is a long-term goal that aims to increase the market price of the company’s shares, thereby benefiting the owners (shareholders).
2. Conclusion: - The ultimate goal of any financial decision is to ensure that the value of the shareholders’ investment increases over time.

Answer: (B)

Q45.

Solution**Concept:**

The Securities and Exchange Board of India (SEBI) is the regulatory body for the securities market in India. It was initially established as a non-statutory body, but later received significant legal powers through an Act of Parliament.

Solution:

1. Timeline of SEBI: - Established: 12th April, 1988 (Administrative body). - Statutory Status: 30th January, 1992 (Through the SEBI Act, 1992).
2. Analyzing the options: - The question asks for the establishment/statutory context. Option B correctly identifies the critical year 1992 when it became a powerful statutory regulator.
3. Conclusion: - SEBI is most significantly associated with the year 1992 regarding its current functional status.

Answer: (B)

Q46.

Solution**Concept:**

****Publicity**** is a non-paid form of non-personal communication about an organization, its products, or its policies that is transmitted through a mass medium. Unlike advertising, the company does not pay for the space or time; instead, it happens when the media finds a story newsworthy.

Solution:

1. Comparing Promotion Tools: - **Advertising:** Paid, non-personal communication. - **Personal Selling:** Paid, personal communication. - **Publicity:** Non-paid, non-personal communication. - **Sales Promotion:** Short-term incentives to boost sales.
2. Characteristics of Publicity: - It is generally perceived as more credible than advertising because the information comes from a neutral third party (the media). - The firm has no control over the content or the timing of the message.
3. Conclusion: - Since the hallmark of publicity is that the message is transmitted without direct payment by the firm, it is a non-paid form of communication.

Answer: (B)

Q47.

Solution**Concept:**

The ****Marketing Mix**** is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market. While the elements (4Ps) were categorized by E. Jerome McCarthy, the concept itself and its strategic application were significantly popularized and expanded upon by modern marketing scholars.

Solution:

1. Identifying key figures: - **F.W. Taylor:** Known for Scientific Management. - **Henry Fayol:** Known for Administrative Management. - **Philip Kotler:** Often called the "Father of Modern Marketing," he is the most influential figure in popularizing the Marketing Mix framework through his extensive literature and teaching.
2. Conclusion: - Philip Kotler is the authority most closely associated with the popularization and modern interpretation of the Marketing Mix.

Answer: (A)

Q48.

Solution**Concept:**

Grievance Redressal is the process of addressing complaints and concerns raised by individuals. In the context of business, this can apply to employees (handled by HR) or consumers (handled by specialized forums).

Solution:

1. Identifying the specific context: - In most management exams, grievance redressal in the workplace is the domain of the **Human Resource (HR) Department**. - For a consumer who has been cheated, redressal is sought through **Consumer Forums** as per the Consumer Protection Act.
2. Role of HR: - The HR department acts as a mediator and ensures that employee complaints regarding working conditions, pay, or treatment are resolved fairly.
3. Conclusion: - Based on standard organizational functions, grievance redressal is a core responsibility of the HR Department or specialized legal forums.

Answer: (B)

Q49.

Solution**Concept:**

A **Zero Coupon Bond** is a debt security that does not pay interest (coupon) but is instead issued at a deep discount and redeemed at its full face value. The difference between the purchase price and the face value represents the return to the investor.

Solution:

1. Analyzing Money Market Instruments: - **Treasury Bills (T-Bills)**: These are issued by the RBI on behalf of the government. They do not carry a specific interest rate; they are issued at a discount and redeemed at par. - Because they function exactly like a zero-coupon bond, they are commonly referred to by this name in the money market.
2. Conclusion: - Zero coupon bonds in the Indian short-term money market context are specifically known as Treasury Bills.

Answer: (A)

Q50.

Solution**Concept:**

****Controlling**** is a systematic process that follows a specific sequence of steps to ensure that organizational goals are met.

Solution:

1. The Controlling Process: - **Step 1:** Setting Performance Standards. - **Step 2:** Measurement of Actual Performance. - **Step 3:** Comparison of Actual Performance with Standards. - **Step 4:** Analyzing Deviations (identifying why things went wrong). - **Step 5:** Taking Corrective Action.
2. Identifying the Final Step: - The entire purpose of control is to fix errors and prevent them from recurring. - Therefore, the process concludes with taking the necessary actions to bring performance back on track.
3. Conclusion: - The final, decisive step in the controlling process is Taking Corrective Action.

Answer: (C)

Answer Key

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

