Business Studies Question Paper with Solutions

Question 1: Identify the characteristic of Management from the given statement.

"An organization interacts with its external environment which consists of various social, economic, and political factors. In order to be successful, an organization must change itself and its goals according to the need of the environment."

(1) Management is a continuous process.

(2) Management is an intangible force.

(3) Management is a dynamic function.

(4) Management is multi-dimensional.

Answer: (3) Management is a dynamic function.

Solution:

Management is considered a dynamic function because it must adapt to various external social, political, and economic changes. Organizations continuously adjust their goals and processes to fit the needs of the environment in order to remain competitive and successful.

> **Quick Tip**
>
> Management adapts to environmental factors such as social, economic, and political changes, emphasizing its dynamic nature.

Question 2: Which of the following studies given by F.W. Taylor helps in deciding the amount and frequency of rest intervals?

(1) Time Study

(2) Fatigue Study

(3) Motion Study

(4) Method Study

Answer: (2) Fatigue Study.

Solution:
Fatigue Study, developed by F.W. Taylor, is focused on analyzing the amount and frequency of rest intervals needed to maintain worker efficiency. The study identifies how rest affects productivity and recommends the optimal rest intervals to avoid fatigue and maintain a high level of performance.

> Quick Tip
>
> Fatigue Study helps in understanding worker rest needs to optimize efficiency and productivity.

Question 3: Which principle of Management stresses on Right place for everything and Right place for everyone?

(1) Equity

(2) Order

(3) Initiative

(4) Unity of Command

Answer: (2) Order.

Solution:
The principle of Order, as explained by Henri Fayol, emphasizes that all resources, both human and material, should be in their proper places. This ensures that every element is used in the most efficient way possible, enhancing organization and productivity within the workplace.

> Quick Tip
>
> The principle of Order ensures that people and resources are allocated to the right places to streamline operations.

Question 4: Match List-I with List-II.

List-I (Characteristic)	**List-II (Concept)**
(A) More debt can be used if debt can be raised at a lower rate	(I) Cost of debt
(B) Since interest is a deductible expense, cost of debt is affected by the tax rate	(II) Risk Consideration
(C) If a firm's business risk is lower, its capacity to use debt is higher and vice-versa	(III) Tax Rate
(D) A public issue of equity may reduce the management's holding in the company	(IV) Control

Choose the correct answer from the options given below:

(1) (A)-(I), (B)-(III), (C)-(III), (D)-(IV)

(2) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

(3) (A)-(I), (B)-(II), (C)-(IV), (D)-(III)

(4) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Answer: (2) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

Solution:

(A)-(I): More debt can be used if debt is raised at a lower rate, which relates to the cost of debt.

(B)-(III): The effect of tax rate on interest deductibility ties to the tax rate concept.

(C)-(II): The business risk and debt capacity relate to risk considerations.

(D)-(IV): A public issue of equity reducing the management's holding in the company reflects control.

Quick Tip

Understanding the relationship between debt, tax, risk, and control helps in making financial decisions regarding capital structure.

Question 5: Match List-I with List-II on the basis of Techniques of Scientific Management given by Taylor.

List-I (Explanation)	List-II (Concept)
(A) Benchmarks which must be adhered to during production	(I) Fatigue Study
(B) Separation of planning and execution functions	(II) Method Study
(C) Rest intervals are decided	(III) Standardization
(D) Finding out one best way of doing the job	(IV) Functional Foremanship

Choose the correct answer from the options given below:

(1) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

(2) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)

(3) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

(4) (A)-(III), (B)-(II), (C)-(IV), (D)-(I)

Answer: (3) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Solution:

(A)-(III): Benchmarks in production are related to standardization.

(B)-(IV): The separation of planning and execution is part of functional foremanship.

(C)-(I): Rest intervals are studied under the fatigue study.

(D)-(II): Finding the best method for a job is related to the method study.

Quick Tip

The techniques of Scientific Management help streamline production and improve worker efficiency by focusing on methods and fatigue management.

Question 6: Controlling is a systematic process involving sequential steps. Choose the correct sequence of Steps of Controlling Process.

(A) Analysing deviations

(B) Measurement of actual performance

(C) Setting performance standards

(D) Comparison of actual performance with standards

Choose the correct answer from the options given below:

(1) (A), (B), (C), (D)

(2) (A), (C), (B), (D)

(3) (B), (A), (D), (C)

(4) (C), (B), (D), (A)

Answer: (4) (C), (B), (D), (A)

Solution:

The correct sequence of steps in the controlling process is:

(C) Setting performance standards is the first step, where standards are set for performance measurement.

(B) Measurement of actual performance follows, where actual performance is measured.

(D) Comparison of actual performance with standards is the next step, where the measured performance is compared with the standards.

(A) Analysing deviations is the last step, where deviations between actual and expected performance are analyzed.

Quick Tip

The controlling process begins with setting standards, measuring performance, comparing results, and analyzing deviations.

Question 7: Select the correct sequence of steps of the staffing process from the steps given below.

(A) Placement and Orientation

(B) Recruitment

(C) Estimating the Manpower Requirements

(D) Selection

Choose the correct answer from the options given below:

(1) (A), (B), (C), (D)

(2) (A), (C), (B), (D)

(3) (B), (A), (D), (C)

(4) (C), (B), (D), (A)

Answer: (4) (C), (B), (D), (A)

Solution:

The correct sequence of steps in the staffing process is:

(C) Estimating the Manpower Requirements is the first step, where the organization determines its human resource needs.

(B) Recruitment follows, where candidates are attracted to fill the manpower requirements.

(D) Selection is the next step, where suitable candidates are chosen.

(A) Placement and Orientation is the final step, where the selected candidates are placed in the organization and oriented to their new roles.

Quick Tip

The staffing process involves estimating requirements, recruiting, selecting candidates, and placing them in the organization.

Question 8: A company's target production is 5000 units in a year. Ram, the manager of the company, is able to produce 5000 units, but at a higher production cost. Then Ram is _____.

(A) Effective as he was able to attain the targeted production at minimum cost

(B) Efficient as he was able to attain the targeted production at a higher cost

(C) Effective as well as efficient

(D) Effective but not efficient because of high production cost

(E) Efficient but not effective

Choose the correct answer from the options given below:

(1) (D) only

(2) (A), (C), and (E) only

(3) (A), (B), (C), and (D) only

(4) (C) and (E) only

Answer: (1) (D) only

Solution:

Ram is considered ”effective but not efficient” because he was able to meet the target (effectiveness) but did so at a higher cost, which means he was not efficient. Efficiency refers to minimizing the cost and maximizing output with the least possible input, which Ram failed to do.

> Quick Tip
>
> Effectiveness is about achieving the target, while efficiency is about doing so with minimum cost. If a target is met at high cost, it reflects effectiveness but not efficiency.

Question 9: Identify the techniques of Scientific management which are specified by F.W. Taylor.

(A) Functional Foremanship

(B) Kanban

(C) Method Study

(D) Motion Study

(E) Kaizen

Choose the correct answer from the options given below:

(1) (A), (B), and (C) only

(2) (A), (C), and (E) only

(3) (A), (D), and (E) only

(4) (A), (C), and (D) only

Answer: (4) (A), (C), and (D) only

Solution:

The correct answer includes techniques developed by ”F.W. Taylor” as part of Scientific Management:

(A) Functional Foremanship: A method where the management role is divided into different functions.

(C) Method Study: It aims to find the best way of performing tasks.

(D) Motion Study: This technique focuses on reducing unnecessary motions to improve efficiency.

Both ”Kanban” and ”Kaizen” are modern techniques and not part of Taylor’s Scientific Management.

> **Quick Tip**
>
> F.W. Taylor’s Scientific Management techniques focus on improving efficiency through systematic methods like motion study and functional foremanship.

Question 10: Identify the style of leadership discussed in the following paragraph.

Mr. Ashish, a Manager in Sahni Group of Companies, does not believe in the use of power unless it is absolutely essential. His followers are given a high degree of independence to formulate their own objectives and ways to achieve them. The group members work on their own tasks resolving issues themselves. Mr. Ashish is there only to support them and supply them the required information to complete the task assigned.

(1) Laissez faire style of leadership

(2) Democratic style of leadership

(3) Autocratic style of leadership

(4) We style of leadership

Answer: (1) Laissez faire style of leadership

Solution:

Laissez faire leadership is characterized by providing followers with high independence to make their own decisions and carry out their tasks. In this case, Mr. Ashish gives his team the freedom to set their own objectives and resolve issues independently, only providing support when necessary.

> **Quick Tip**
>
> Laissez faire leadership encourages independence and self-direction, where the leader plays a more passive role in guiding the team.

Question 11: Match List-I with List-II.

List-I (Dimensions)	List-II (Examples)
(A) Legal Environment	(I) Customs and Tradition
(B) Technological Environment	(II) Political conditions
(C) Political Environment	(III) Judgements
(D) Social Environment	(IV) Advancements in computers

Choose the correct answer from the options given below:

(1) (A)-(IV), (B)-(III), (C)-(II), (D)-(I)

(2) (A)-(I), (B)-(IV), (C)-(III), (D)-(II)

(3) (A)-(III), (B)-(II), (C)-(IV), (D)-(I)

(4) (A)-(II), (B)-(I), (C)-(IV), (D)-(III)

Answer: (2) (A)-(I), (B)-(IV), (C)-(III), (D)-(II)

Solution:

The correct matches are:

(A)-(I): Legal Environment is related to customs and traditions, which are key legal factors.

(B)-(IV): Technological Environment is related to advancements in computers, reflecting technological progress.

(C)-(III): Political Environment involves judgements, as political decisions often involve legal judgements.

(D)-(II): Social Environment involves political conditions, as social changes are often influenced by political factors.

> **Quick Tip**
>
> Understanding the relationship between environmental dimensions and their examples helps to assess how external factors impact organizations.

Question 12: The settlement cycle in NSE is _____ days.

(1) T+5

(2) T+3

(3) T+1

(4) T+2

Answer: (4) T+2

Solution:
In the National Stock Exchange (NSE), the settlement cycle follows a T+2 basis, meaning that the settlement occurs on the second business day after the trade is executed.

Quick Tip

T+2 means 'Trade date plus two business days.' This is the standard settlement cycle for stock exchanges.

Question 13: Which is the correct sequence of steps in the process of planning?

(A) Developing premises
(B) Implementing the plan
(C) Setting objectives
(D) Identifying alternative courses of action and evaluating them
(E) Selecting an alternative

Choose the correct answer from the options given below:
(1) (C), (A), (D), (E), (B)
(2) (D), (B), (C), (A), (E)
(3) (A), (B), (C), (D), (E)
(4) (A), (B), (D), (E), (C)

Answer: (1) (C), (A), (D), (E), (B)

Solution:
The correct sequence of planning steps is:
(C) Setting objectives: Defining what the organization aims to achieve.
(A) Developing premises: Establishing the assumptions or premises under which the plan will operate.
(D) Identifying alternative courses of action and evaluating them: Finding different ways to achieve the objectives and assessing them.
(E) Selecting an alternative: Choosing the most suitable option.

(B) Implementing the plan: Executing the chosen plan.

Quick Tip

Planning involves setting objectives, considering assumptions, identifying alternatives, and choosing the best course of action.

Question 14: What is the correct sequence of steps in the process of organizing?

(A) Identification and division of work

(B) Assignment of duties

(C) Establishing reporting relationships

(D) Departmentalisation

Choose the correct answer from the options given below:

(1) (A), (B), (C), (D)

(2) (B), (C), (D), (A)

(3) (A), (D), (B), (C)

(4) (A), (D), (C), (B)

Answer: (3) (A), (D), (B), (C)

Solution:

The correct sequence of steps in organizing is:

(A) Identification and division of work: The first step is to identify the work that needs to be done and divide it into manageable tasks.

(D) Departmentalisation: The next step is to group tasks into departments based on similar activities.

(B) Assignment of duties: Assigning specific tasks to individuals or teams.

(C) Establishing reporting relationships: Defining who reports to whom within the organization to ensure accountability.

Quick Tip

Organizing involves dividing work, grouping tasks, assigning duties, and establishing reporting relationships for effective coordination.

Question 15: What is the correct sequential order of needs according to Maslow's theory?

(A) Self actualisation needs

(B) Esteem needs

(C) Affiliation needs

(D) Physiological needs

(E) Security needs

Choose the correct answer from the options given below:

(1) (A), (B), (C), (D), (E)

(2) (D), (C), (B), (E), (A)

(3) (D), (E), (C), (B), (A)

(4) (D), (A), (B), (C), (E)

Answer: (3) (D), (E), (C), (B), (A)

Solution:

The correct sequential order of needs according to Maslow's Hierarchy of Needs is:

(D) Physiological needs: Basic human survival needs such as food, water, and shelter.

(E) Security needs: Safety and security, both physical and financial.

(C) Affiliation needs: Social belonging, relationships, and love.

(B) Esteem needs: Respect, self-esteem, and recognition.

(A) Self actualisation needs: Achieving one's full potential, personal growth, and creativity.

Quick Tip

Maslow's hierarchy starts with basic physiological needs and moves upward through security, social, esteem, and self-actualization.

Question 16: Match List-I with List-II.

List-I (Function of Management)	List-II (Merit/Meaning)
(A) Planning	(I) Bridging the gap between where we are and where we want to go
(B) Motivation	(II) Process of instructing, guiding, and leading people to achieve organizational objectives
(C) Directing	(III) Inducement to act in a certain manner
(D) Controlling	(IV) Ensuring activities are performed as per plans

Choose the correct answer from the options given below:

(1) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

(2) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)

(3) (A)-(IV), (B)-(II), (C)-(III), (D)-(I)

(4) (A)-(II), (B)-(IV), (C)-(III), (D)-(I)

Answer: (1) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

Solution:

The correct matches are:

(A)-(I): Planning is about bridging the gap between where we are and where we want to go.

(B)-(III): Motivation involves inducement to act in a certain manner.

(C)-(II): Directing is the process of instructing, guiding, and leading people to achieve objectives.

(D)-(IV): Controlling ensures that activities are performed as per the plan.

Quick Tip

Management functions include planning, motivation, directing, and controlling, each of which plays a critical role in organizational success.

Question 17: Organisational barriers include:

(A) Status

(B) Rules and regulations

(C) Complexity in Organisation

(D) Lack of Attention

Choose the correct answer from the options given below:

(1) (A), (B) and (D) only

(2) (A), (B) and (C) only

(3) (A), (B), (C) and (D)

(4) (B), (C) and (D) only

Answer: (3) (A), (B), (C) and (D)

Solution:

Organizational barriers can take various forms:

(A) Status: Differences in status between individuals can create barriers to communication.

(B) Rules and regulations: Excessive rules can hinder the flow of communication.

(C) Complexity in Organisation: A highly complex organizational structure may result in miscommunication.

(D) Lack of Attention: When attention is lacking, important information may not be absorbed, creating a barrier to understanding.

Quick Tip

Organizational barriers include status differences, excessive rules, complexity, and lack of attention, which can all impede communication.

Question 18: The external sources of recruitment are:

(A) Transfers

(B) Campus Recruitment

(C) Advertisements

(D) Web Publishing

Choose the correct answer from the options given below:

(1) (A), (B) and (D) only

(2) (A), (B) and (C) only

(3) (A), (B), (C) and (D)

(4) (B), (C) and (D) only

Answer: (4) (B), (C) and (D) only

Solution:

External sources of recruitment include:

(B) Campus Recruitment: Colleges and universities act as sources of candidates for recruitment.

(C) Advertisements: Recruitment through ads in newspapers, magazines, and online platforms.

(D) Web Publishing: Posting job vacancies on company websites or job portals.

Transfers are an internal source of recruitment, not external.

Quick Tip

External recruitment sources include campus recruitment, advertisements, and web publishing, whereas transfers are an internal recruitment method.

Question 19: The key aspects of motivation are:

(A) External feeling

(B) Improves performance

(C) Complex process

(D) Positive or negative

Choose the correct answer from the options given below:

(1) (A), (B) and (D) only

(2) (A), (B) and (C) only

(3) (A), (B), (C) and (D)

(4) (B), (C) and (D) only

Answer: (4) (B), (C) and (D) only

Solution:

The key aspects of motivation include:
(B) Improves performance: Motivation encourages individuals to perform better.
(C) Complex process: Motivation is influenced by various factors and is not simple.
(D) Positive or negative: Motivation can be driven by positive factors like rewards or negative factors like fear of punishment.
(A) External feeling is not a key aspect of motivation, as motivation can be both internal and external.

> Quick Tip
>
> Motivation enhances performance, involves complexity, and can be driven by both positive and negative influences.

Question 20: If any of the parties is not satisfied by the order of District Commission, he can appeal against such order to the State Commission on the grounds of facts or law within a period of ____ from the date of order.

(1) 30 days
(2) 40 days
(3) 45 days
(4) 3 months

Answer: (1) 30 days

Solution:
As per the Consumer Protection Act, if a party is not satisfied with the order of the District Commission, they may appeal to the State Commission within **30 days** from the date of the order.

> Quick Tip
>
> Appeals against the District Commission's decision must be made to the State Commission within 30 days.

Question 21: For the redressal of consumer grievances, the Consumer Protection Act

2019 provides for setting up of a three-tier enforcement machinery. Identify the Redressal Agency Under The Consumer Protection Act.

"It has a jurisdiction to entertain complaints where value of goods and services paid as consideration exceeds one crore but does not exceed ten crore rupees."

(1) District Commission

(2) State Commission

(3) National Commission

(4) Supreme Court

Answer: (2) State Commission

Solution:

The State Commission under the Consumer Protection Act has jurisdiction over complaints where the value of goods or services exceeds one crore but does not exceed ten crore rupees. The District Commission handles lower-value cases, and the National Commission handles higher-value cases above ten crore.

> **Quick Tip**
>
> The State Commission handles consumer disputes involving amounts between one crore and ten crore rupees.

Question 22: The informal organisation offers the benefit of:

(1) Prescribed lines of communication are not followed. This leads to faster spread of information as well as quick feedback.

(2) There is no ambiguity in the role that each member has to play as duties are specified. This also helps in avoiding duplication of effort.

(3) Unity of command is maintained through an established chain of command.

(4) Effective accomplishment of goals by providing a framework for the operations to be performed and ensuring that each employee knows the role he has to play.

Answer: (1) Prescribed lines of communication are not followed. This leads to faster spread of information as well as quick feedback.

Solution:
Informal organizations are characterized by the absence of rigid communication structures, which allows information to flow more quickly, leading to faster feedback. This flexibility is one of the main benefits of informal networks within organizations.

> Quick Tip
>
> Informal organizations help spread information quickly and provide feedback faster due to the absence of formal communication lines.

Question 23: Interaction among people at work gives rise to a network of social relationships among employees called _____.

(1) Informal organisation
(2) Formal organisation
(3) Functional organisation
(4) Divisional organisation

Answer: (1) Informal organisation

Solution:
An informal organization refers to the network of personal and social relationships that develop naturally among employees at the workplace, based on mutual interactions rather than formal structures.

> Quick Tip
>
> Informal organizations are formed naturally among employees and are based on social interactions rather than the formal organizational structure.

Question 24: XYZ company fails to achieve the target of 20% increase in sales. A meeting was called by the director of the company where Marketing manager blamed the Production manager for not meeting the increase in demand to supply, while Production manager blamed the Finance manager for not procuring raw material on time. Identify the concept of management lacking here.

(1) Controlling

(2) Staffing

(3) Coordination

(4) Financial Planning

Answer: (3) Coordination

Solution:
The situation described in the question reflects a lack of coordination among different departments (Marketing, Production, and Finance). Coordination ensures that all departments work in sync towards a common goal and that there is no miscommunication or conflict between them.

> Quick Tip
>
> Coordination is key to ensuring that different departments in an organization work together smoothly to achieve the organization's objectives.

Question 25: National Stock Exchange was incorporated in _____.

(1) 1992

(2) 1993

(3) 2001

(4) 1947

Answer: (1) 1992

Solution:
The National Stock Exchange (NSE) was incorporated in 1992 and became fully operational in 1994. It was the first exchange in India to provide a modern, fully automated screen-based electronic trading system.

> Quick Tip
>
> The National Stock Exchange (NSE) was founded in 1992 and is one of the leading stock exchanges in India.

Question 26: Identify which of the following is not a merit of external sources of recruitment?

(1) Wider choice
(2) Simple process
(3) Fresh talent
(4) Qualified personnel

Answer: (2) Simple process

Solution:
External sources of recruitment offer a wider choice of candidates and allow companies to hire fresh talent and qualified personnel from outside. However, it is not a simple process as external recruitment often involves a lengthy and complex procedure.

> Quick Tip
>
> External recruitment provides access to a wider talent pool but is often a more complex process than internal recruitment.

Question 27: A consumer registered his complaint to the nodal officer of the company's grievance cell. Which consumer right is being exercised by the consumer?

(1) Right to be Heard
(2) Right to Seek Redressal
(3) Right to be Informed
(4) Right to Safety

Answer: (1) Right to be Heard

Solution:
The Right to be Heard allows consumers to raise their complaints and concerns to appropriate forums. In this case, the consumer is exercising this right by lodging a complaint with the company's grievance cell.

Quick Tip

The Right to be Heard ensures that consumers have the opportunity to express their grievances and concerns.

Question 28: ”Planning helps the manager to look into the future and make a choice amongst alternative courses of action.” Identify the importance of Planning in the above statement.

(1) Planning promotes New ideas
(2) Planning provides Direction
(3) Planning facilitates Decision Making
(4) Planning reduces Risk of Uncertainty

Answer: (3) Planning facilitates Decision Making

Solution:
Planning is crucial for decision making, as it helps managers evaluate various alternatives and choose the best course of action. It enables the organization to anticipate future challenges and make informed decisions.

Quick Tip

Planning aids decision making by helping managers evaluate different alternatives and select the most appropriate one.

Question 29: Which feature of Planning function of Management is discussed in the statement – ”All other Managerial functions are performed within the framework of plans drawn”?

(1) Planning is pervasive
(2) Planning is futuristic
(3) Planning is continuous
(4) Planning is primary function of management

Answer: (1) Planning is pervasive

Solution:

The statement highlights that planning forms the foundation for all other managerial functions, indicating that Planning is pervasive. This means that planning is necessary at all levels of management and in all departments of an organization.

> **Quick Tip**
>
> Planning is pervasive, meaning it is required at every level of management and in all departments of an organization.

Question 30: Grouping of the activities on the basis of Products is related to:

(1) Functional Organisation
(2) Centralised Organisation
(3) Decentralised Organisation
(4) Divisional Organisation

Answer: (4) Divisional Organisation

Solution:

In a Divisional Organisation, activities are grouped based on products, which allows each division to focus on its specific product line, helping to streamline management and decision-making processes.

> **Quick Tip**
>
> Divisional organization structures are designed to group activities based on product lines, helping to decentralize management.

Question 31: "Some times targets are set too high and can't be achieved in current circumstances. Controlling helps in reviewing and revising them." Identify the importance of Controlling from the above statement.

(1) Controlling helps in accomplishing organisational goals
(2) Controlling helps in judging the accuracy of standards
(3) Controlling helps in efficient use of resources

(4) Controlling facilitates coordination in action

Answer: (2) Controlling helps in judging the accuracy of standards

Solution:
The statement reflects the role of controlling in judging and revising the accuracy of the standards set by the organization. It helps ensure that the goals and objectives are realistic and achievable based on current conditions.

> Quick Tip
>
> Controlling ensures that organizational standards are appropriate and achievable, helping to judge and revise them when necessary.

Question 32: Which instrument of Money Market is also known as "Bridge Financing"?

(1) Commercial Paper
(2) Call Money
(3) Certificate of Deposit
(4) Commercial Bill

Answer: (4) Commercial Bill

Solution:
Commercial Bill is often used as a form of bridge financing in the money market. It is a short-term instrument used by companies to finance their working capital needs by borrowing against their receivables.

> Quick Tip
>
> A commercial bill provides a short-term solution for financing, often used to cover immediate liquidity needs until more permanent financing can be secured.

Question 33: Match List-I with List-II.

List-I (Marks)	List-II (Product)
(A) ISI Mark	(I) Electrical goods
(B) FPO Mark	(II) Food Products
(C) Hallmark	(III) Jewellery
(D) Agmark	(IV) Agricultural Products

Choose the correct answer from the options given below:

(1) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

(2) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)

(3) (A)-(II), (B)-(IV), (C)-(III), (D)-(I)

(4) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

Answer: (4) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

Solution:

- ISI Mark: Indicates quality and safety for electrical goods.
- FPO Mark: Ensures the quality of food products.
- Hallmark: Certifies the purity of jewellery, especially gold and silver.
- Agmark: Ensures quality standards for agricultural products.

Quick Tip

Quality marks like ISI, FPO, Hallmark, and Agmark help ensure product safety and standardization across various industries.

Question 34: "It may be difficult to know the extent of the relative impact of the social, economic, political, technical or legal factors on change in demand of a product in the market." Identify the feature of Business Environment from the given statement.

(1) Complexity

(2) Relativity

(3) Uncertainty

(4) Inter-Relatedness

Answer: (3) Uncertainty

Solution:
The feature of uncertainty in the business environment arises because the impact of various external factors like social, economic, political, and technical changes is difficult to predict.

> **Quick Tip**
> Business environments are uncertain due to the unpredictability of changes in external factors such as politics, economics, and technology.

Question 35: "The extent and nature of government intervention in business" is _____ Dimension of business environment.

(1) Economic
(2) Social
(3) Legal
(4) Political

Answer: (4) Political

Solution:
The political dimension of business refers to the influence of government policies, regulations, and political stability on business operations. The extent of government intervention is a part of this dimension.

> **Quick Tip**
> The political dimension of the business environment is shaped by government policies, political stability, and the extent of state intervention.

Question 36: Which of the following is not the characteristic or quality of a successful Entrepreneur?

(1) Adaptability
(2) Translate ideas into commercial success
(3) Less risk taker
(4) Skilled individual

Answer: (3) Less risk taker

Solution:

Entrepreneurs typically take calculated risks to achieve success. Being a less risk taker is not a characteristic of a successful entrepreneur. Instead, adaptability, translating ideas into commercial success, and having skills are essential traits.

> **Quick Tip**
>
> Successful entrepreneurs are skilled, adaptable, and willing to take calculated risks to turn their ideas into commercial success.

Question 37: Planning requires application of mind involving foresight, intelligent imagination and sound judgement. Which feature of planning is being highlighted in this statement?

(1) Planning involves decision making
(2) Planning is a primary function of management
(3) Planning is continuous
(4) Planning is a mental exercise

Answer: (4) Planning is a mental exercise

Solution:

Planning involves thinking, foresight, and judgment, which makes it a mental exercise. It requires managers to use their cognitive abilities to anticipate the future and make informed decisions.

> **Quick Tip**
>
> Planning is a mental exercise that involves foresight, decision-making, and judgment to guide the organization toward its goals.

Question 38: Match List-I with List-II.

List-I (Functional Areas)	List-II (Standards)
(A) Production	(I) Cost
(B) Marketing	(II) Sales Volume
(C) Human Resource Management	(III) Labour Relations
(D) Finance	(IV) Liquidity

Choose the correct answer from the options given below:

(1) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

(2) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)

(3) (A)-(II), (B)-(I), (C)-(IV), (D)-(III)

(4) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)

Answer: (1) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

Solution:

- Production focuses on controlling cost.
- Marketing is measured by sales volume.
- Human Resource Management deals with labour relations.
- Finance is concerned with liquidity.

Quick Tip

Functional areas in an organization are evaluated by specific standards like cost for production, sales volume for marketing, and liquidity for finance.

Question 39: Money supply in the economy and public debt are the examples of one of the dimensions of Business environment. Identify the dimension.

(1) Social Environment

(2) Legal Environment

(3) Political Environment

(4) Economic Environment

Answer: (4) Economic Environment

Solution:

Money supply and public debt are part of the economic environment, which includes all the factors that affect the financial and economic situation of a country or business, such as inflation, interest rates, and fiscal policies.

Quick Tip

The economic environment influences a business through factors like money supply, public debt, inflation, and market conditions.

Question 40: Recruitment is considered to be a positive process because:

(1) There is infusion of new blood
(2) Vacancies are filled from internal sources
(3) More and more prospective Candidates are attracted to apply
(4) Vacancies are filled from outside organisation

Answer: (3) More and more prospective Candidates are attracted to apply

Solution:
Recruitment is considered a positive process because it aims to attract a large pool of potential candidates for a job. This provides organizations with a variety of choices when selecting the right candidate.

Quick Tip

Recruitment is a positive process as it focuses on attracting as many suitable candidates as possible to apply for a position.

Question 41:

Consider the following passage and answer the questions.
Gen-X enterprises is the company producing and selling cell phones. After earning reasonable profits for a few years, the company planned to venture into the following areas to serve the existing customer in the same manner as it has been doing for the last decade.
(a) Computer education
(b) Organising elephant race

(c) Spreading information about family planning

(d) Organising mountaineering treks

"Gen-X enterprises is the company producing and selling cell phones." As per this statement, which aspect has been marketed by the company?

(1) Physical Product

(2) Services

(3) Events

(4) Information

Answer: (1) Physical Product

Solution:

In this context, Gen-X enterprises markets physical products, specifically cell phones. The company's core offering is a tangible product.

> Quick Tip
>
> Physical products refer to tangible goods that customers can purchase, such as cell phones, which are the primary product marketed by Gen-X enterprises.

Question 42:

Consider the following passage and answer the questions.

Gen-X enterprises is the company producing and selling cell phones. After earning reasonable profits for a few years, the company planned to venture into the following areas to serve the existing customer in the same manner as it has been doing for the last decade.

(a) Computer education

(b) Organising elephant race

(c) Spreading information about family planning

(d) Organising mountaineering treks

Which aspect has been marketed by the company by rendering computer education?

(1) Services

(2) Events

(3) Information

(4) Experience

Answer: (1) Services

Solution:

By offering computer education, Gen-X enterprises is providing a service, which is an intangible offering aimed at educating people rather than selling a physical product.

> Quick Tip
>
> Services are intangible offerings such as education, healthcare, and consulting, as seen in the case of Gen-X providing computer education.

Question 43:

Consider the following passage and answer the questions.

Gen-X enterprises is the company producing and selling cell phones. After earning reasonable profits for a few years, the company planned to venture into the following areas to serve the existing customer in the same manner as it has been doing for the last decade.

(a) Computer education

(b) Organising elephant race

(c) Spreading information about family planning

(d) Organising mountaineering treks

Which aspect has been marketed by organising elephant race?

(1) Events

(2) Experience

(3) Place

(4) Idea

Answer: (1) Events

Solution:

Organising an elephant race is classified as an event because it involves creating a planned public or private activity.

Quick Tip

Events are planned public or private activities, such as festivals, races, or sports competitions, intended for entertainment or promotion.

Question 44:

Consider the following passage and answer the questions.

Gen-X enterprises is the company producing and selling cell phones. After earning reasonable profits for a few years, the company planned to venture into the following areas to serve the existing customer in the same manner as it has been doing for the last decade.

(a) Computer education

(b) Organising elephant race

(c) Spreading information about family planning

(d) Organising mountaineering treks

Which aspect has been marketed by spreading information about family planning?

(1) Idea

(2) Experience

(3) Events

(4) Service

Answer: (1) Idea

Solution:

Spreading information about family planning is classified as marketing an idea, which refers to promoting a concept or a message aimed at influencing people's beliefs or behaviors.

Quick Tip

An idea refers to a concept or message that is marketed to inform or influence people, such as health awareness campaigns or social initiatives.

Question 45:

Consider the following passage and answer the questions.

Gen-X enterprises is the company producing and selling cell phones. After earning reasonable profits for a few years, the company planned to venture into the following areas to serve the existing customer in the same manner as it has been doing for the last decade.

(a) Computer education

(b) Organising elephant race

(c) Spreading information about family planning

(d) Organising mountaineering treks

Which aspect has been marketed by organising a mountaineering trek?

(1) Experience

(2) Events

(3) Ideas

(4) Information

Answer: (1) Experience

Solution:

Organising a mountaineering trek is considered as marketing an experience, where the focus is on providing an adventurous and memorable activity rather than a tangible product.

Quick Tip

Experiences are intangible offerings, such as adventure trips or mountaineering, where the value lies in the journey and activity itself.

Question 46:

Read the following passage and answer the questions.

A finance manager in an outlet raised Rs. 3.5 crore through a mix of debt and equity in a ratio of 4:3 to open a new outlet, but the actual amount required was Rs. 3 crore. The aim of the finance manager is to maximize the shareholder's wealth. Keeping this in mind, he reinvested the excess amount of Rs. 50 lakh in a fixed deposit carrying 6% interest p.a. while the cost of capital is 10% p.a.

To open a new outlet indicates which financial decision?

(1) Short-term investment decision

(2) Long-term investment decision

(3) Financing decision

(4) Dividend decision

Answer: (2) Long-term investment decision

Solution:

Opening a new outlet involves a long-term investment decision, as it includes committing significant resources over an extended period for business growth.

Quick Tip

Long-term investment decisions involve large financial commitments that impact the future of the business over several years, such as opening new outlets or expanding capacity.

Question 47:

Read the following passage and answer the questions.

A finance manager in an outlet raised Rs. 3.5 crore through a mix of debt and equity in a ratio of 4:3 to open a new outlet, but the actual amount required was Rs. 3 crore. The aim of the finance manager is to maximize the shareholder's wealth. Keeping this in mind, he reinvested the excess amount of Rs. 50 lakh in a fixed deposit carrying 6% interest p.a. while the cost of capital is 10% p.a.

When ROI of the company is higher, it can choose to use ______ to ______ its EPS.

(1) Equity, increase

(2) Earning, increase

(3) Equity, decrease

(4) Debt, increase

Answer: (4) Debt, increase

Solution:

When a company's return on investment (ROI) is higher than its cost of capital, it can use debt financing to increase its earnings per share (EPS) because debt has a fixed cost, which doesn't dilute the ownership of shareholders.

Quick Tip

When the ROI exceeds the cost of debt, using debt financing can boost EPS by leveraging borrowed capital without issuing more equity.

Question 48:

Read the following passage and answer the questions.

A finance manager in an outlet raised Rs. 3.5 crore through a mix of debt and equity in a ratio of 4:3 to open a new outlet, but the actual amount required was Rs. 3 crore. The aim of the finance manager is to maximize the shareholder's wealth. Keeping this in mind, he reinvested the excess amount of Rs. 50 lakh in a fixed deposit carrying 6% interest p.a. while the cost of capital is 10% p.a.

"The aim of the finance manager is to maximize the shareholder wealth." It is reflected as an aim of:

(1) Financial Management

(2) Marketing Management

(3) Financial Leverage

(4) Capital Structure

Answer: (1) Financial Management

Solution:

The aim of financial management is to maximize shareholder wealth by making decisions that improve the value of the company. This involves careful management of the firm's finances to ensure a high return on investment.

Quick Tip

The main goal of financial management is to maximize shareholder wealth by increasing the company's stock price and overall value.

Question 49:

Read the following passage and answer the questions.

A finance manager in an outlet raised Rs. 3.5 crore through a mix of debt and equity in a ratio of 4:3 to open a new outlet, but the actual amount required was Rs. 3 crore. The aim of the finance manager is to maximize the shareholder's wealth. Keeping this in mind, he reinvested the excess amount of Rs. 50 lakh in a fixed deposit carrying 6% interest p.a. while the cost of capital is 10% p.a.

To open an outlet, funds required was amounting to Rs. 3 crore, but the actual fund raised from the market was Rs. 3.5 crore. This situation is:

(1) Ideal Finance

(2) Idle Finance

(3) Debt Financing

(4) Equity Financing

Answer: (2) Idle Finance

Solution:

The excess amount raised, which was not immediately required for the project, results in idle finance, meaning the extra funds are not being used efficiently at the moment.

Quick Tip

Idle finance refers to funds raised but not currently utilized, leading to inefficiency in capital management.

Question 50:

Read the following passage and answer the questions.

A finance manager in an outlet raised Rs. 3.5 crore through a mix of debt and equity in a ratio of 4:3 to open a new outlet, but the actual amount required was Rs. 3 crore. The aim of the finance manager is to maximize the shareholder's wealth. Keeping this in mind, he reinvested the excess amount of Rs. 50 lakh in a fixed deposit carrying 6% interest p.a. while the cost of capital is 10% p.a.

Finance manager raised ______ through owner's fund and ______ through borrowed fund.

(1) 15,00,000, 20,00,000

(2) 20,00,000, 15,00,000

(3) 1,50,00,000, 2,00,00,000

(4) 2,00,00,000, 1,50,00,000

Answer: (4) 2,00,00,000, 1,50,00,000

Solution:

Based on the given ratio of 4:3 (debt to equity), the finance manager raised Rs. 2 crore through owner's equity and Rs. 1.5 crore through debt (borrowed funds).

Quick Tip

The ratio of debt to equity indicates the proportion of borrowed funds to owner's capital, often used to optimize the capital structure.
