

Question1

A tube of toothpaste usually comes in a cardboard box. Consumers dispose off the box and start using the toothpaste.

What level of packaging is this?

- 1. Protection Packaging**
- 2. Secondary Packaging**
- 3. Primary Packaging**
- 4. Transportation Packaging**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Answer:2. Secondary Packaging

Explanation:

The cardboard box that contains the toothpaste tube is secondary packaging. It is used to protect the primary package (the tube) from damage, help in handling, and enhance the product's appearance for display. Once the consumer buys it, this outer box is usually discarded before using the product.

Why other options are incorrect:

- (1) Protection Packaging: This is not a recognized level of packaging. Protection is a function of all packaging types, not a specific level.
- (3) Primary Packaging: This is the first layer that directly encloses the product — in this case, the toothpaste tube itself, not the box.

- (4) Transportation Packaging: This refers to the large cartons or boxes used to transport multiple units safely from factory to retailer, not the individual product's box.
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Question2

Which of the following aspects of the staffing process is/are NOT properly stated?

(A) Managers need to design activities to serve employees' short-term interests only.

(B) Compensation is decided in the form of direct financial payments, which may be time-based or performance-based.

(C) Orientation implies the introduction of new employees to existing employees.

(D) Placement is the process of choosing from among the pool of prospective job candidates developed at the stage of recruitment.

Choose the correct answer from the options given below:

- 1. (A) and (D) only**
- 2. (A), (B), and (C) only**
- 3. (A) only**
- 4. (B), (C), and (D) only**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: (A) and (D) only

Explanation:

(A) Incorrect: Managers should design activities to serve employees' long-term as well as short-term interests to ensure sustained motivation and growth. Limiting activities to short-term interests only is wrong.

(B) Correct: Compensation indeed consists of direct financial payments (like wages or salaries) that can be time-based or performance-based.

(C) Correct: Orientation means introducing new employees to the organization, its culture, policies, and existing employees. The statement is correct.

(D) Incorrect: Placement refers to assigning the selected candidate to the right job, not "choosing from among the pool." The choosing part is selection, not placement.

Question3

Which of the following refers to a complete offer for a product or service, having given features like size, quality, taste, etc.; at a certain price; available at a given outlet or location and so on?

- 1. Market Offering**
- 2. Marketing**
- 3. Satisfying needs and wants**
- 4. Selling**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: 1. Market Offering

Explanation:

A Market Offering refers to the complete combination of goods, services, information, or experiences offered to a market to satisfy a need or want. It includes all elements such as product features (size, quality, taste), price, availability, and place of sale. Hence, it is a "complete offer" from the seller to the buyer.

Why other options are not correct:

- (2) Marketing:
Marketing is the broader process of identifying customer needs and satisfying them profitably. It involves creating, communicating, and delivering value not the specific product or service offer itself.
 - (3) Satisfying needs and wants:
This describes the purpose of marketing, not the tangible or actual “offer” made to the customer.
 - (4) Selling:
Selling focuses only on the act of persuading customers to buy the product. It does not include other aspects like design, quality, or distribution that form part of the total offer.
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Question4

Which of the following is not believed to be a mere issue of communication but encompasses many elements like supervision, motivation and leadership?

- 1. Planning**
- 2. Directing**
- 3. Coordination**
- 4. Communication**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: 2. Directing

Explanation:

Directing is not limited to just communication, it is a comprehensive managerial function that involves supervision, motivation, leadership, and communication to guide employees toward achieving organizational goals.

It ensures that employees understand their roles, feel motivated to perform, and are supervised and led effectively.

Why other options are not correct:

- (1) Planning:
Planning is about deciding in advance what to do, when, and how. It focuses on goal-setting and preparing strategies, not on managing people through supervision or motivation.
 - (3) Coordination:
Coordination ensures that all departments and efforts are aligned and harmonious. It is more about synchronization between activities than managing or leading individuals.
 - (4) Communication:
Communication is a part of directing, but by itself, it does not include leadership or motivation. It is only one component used within directing.
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Question5

Identify from the options given below, which is NOT an importance of packaging?

- 1. Physical distribution**
- 2. Product identification**
- 3. Product protection**
- 4. Product promotion**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: 1. Physical distribution

Explanation:

Packaging is concerned with designing and producing the container or wrapper of a product. It serves several purposes such as protecting the product, identifying it, and promoting it through attractive design and labeling. It helps in enhancing brand recognition and customer appeal.

However, physical distribution deals with the movement of goods from the manufacturer to the consumer through transportation, warehousing, and inventory management. It is a logistics function, not a part of packaging.

Why other options are not correct:

- (2) Product identification:
Packaging helps in identifying the product through labels, brand names, and design — customers can easily distinguish it from others.
 - (3) Product protection:
One of the primary functions of packaging is to protect the product from damage, leakage, contamination, or theft during storage and transport.
 - (4) Product promotion:
Attractive packaging helps promote the product and influences buying decisions by appealing to customers visually.
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Question6

“Benefits of Specialisation” is one of the importances of:

- 1. Coordination**
- 2. Communication**
- 3. Directing**
- 4. Organising**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

Correct Answer: 4. Organising

Explanation:

Organising is the process of defining and grouping activities, assigning duties, and establishing authority relationships so that people can work together effectively to achieve goals. One of its key importances is that it leads to specialisation — by dividing work into smaller jobs and assigning them to people based on their skills and abilities. This improves efficiency, productivity, and expertise, as each person focuses on a specific task.

Why other options are not correct:

- (1) Coordination:
Coordination is about harmonizing individual efforts towards a common goal. It ensures unity of action

but does not directly lead to specialisation. It focuses on integration, not division of work.

- (2) Communication:

Communication is the exchange of information between people. While essential in management, it does not create specialisation; it only facilitates understanding and cooperation.

- (3) Directing:

Directing involves guiding, motivating, and leading employees. It focuses on influencing behaviour and achieving goals, not on division of work or task specialisation.

Question7

Entrepreneurship is dependent upon several economic, social, political, legal, and other environmental factors. Careful monitoring of the environment for detecting early signs of opportunities and threats may influence current and future plans. This process is known as:

- 1. Opportunity Recognition**
- 2. Problem Solving**
- 3. Environmental Scanning**
- 4. Feasibility Analysis**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Correct Answer: 3. Environmental Scanning

Explanation:

Environmental Scanning is the process of carefully monitoring and analyzing the external environment to identify early signs of opportunities and threats that may affect an organization or entrepreneurial venture. Entrepreneurs study factors like economic trends, government policies, social changes, and technology to anticipate future developments and make informed decisions. This helps in adjusting strategies and maintaining business competitiveness.

Why other options are not correct:

- **(1) Opportunity Recognition:**
This refers to identifying a specific business idea or gap in the market that can be exploited. It is a **result** of environmental scanning, not the process itself.
 - **(2) Problem Solving:**
This involves finding solutions to specific issues that arise during business operations. It deals with addressing internal challenges, not analyzing external environments.
 - **(4) Feasibility Analysis:**
This comes **after** an opportunity is identified. It involves assessing whether a business idea is practical and profitable, not about scanning external factors.
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Question8

Arrange the following current assets in order of liquidity:

- (A) Cash in hand**
- (B) Bills receivable**
- (C) Marketable securities**
- (D) Finished goods inventory**

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)**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: 2. (A), (C), (B), (D)

Explanation:

Liquidity refers to how quickly and easily an asset can be converted into cash without loss of value.
Let's arrange each asset based on this principle:

1. Cash in hand (A) → Most liquid form; it's already cash.
2. Marketable securities (C) → Easily sold in financial markets and quickly converted to cash.
3. Bills receivable (B) → Amounts expected to be received from customers; takes some time to realize.
4. Finished goods inventory (D) → Least liquid; needs to be sold before turning into receivables or cash.

Thus, the order of liquidity is:

Cash in hand → Marketable securities → Bills receivable → Finished goods inventory
→ (A), (C), (B), (D)

Question9

In functional foremanship technique, who among the following works under the planning incharge:

- (A) Instruction Card Clerk**
- (B) Inspector**
- (C) Disciplinarian**
- (D) Time and Cost Clerk**

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. (A), (C) and (D) only**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

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

Explanation:

Functional Foremanship was introduced by F.W. Taylor as part of Scientific Management. He proposed eight foremen to supervise workers — four under the Planning Incharge and four under the Production Incharge.

Under the Planning Incharge:

1. Instruction Card Clerk : Prepares detailed instructions about how work should be done.
 2. Time and Cost Clerk : Prepares time schedules and keeps track of production costs.
 3. Route Clerk: Decides the sequence and route of production (not in the options).
 4. Disciplinarian : Does not work under planning; works under production incharge.
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Question10

 involves setting objectives and developing appropriate courses of action to achieve these objectives.

1. Controlling
2. Directing
3. Planning
4. Organising

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Correct Answer: 3. Planning

Explanation:

Planning is the process of setting objectives and deciding in advance the best course of action to achieve them. It involves determining what to do, how to do it, when to do it, and who will do it. It is the first function of management because it lays the foundation for all other managerial activities. Planning helps an

organization prepare for the future and minimize uncertainty by formulating a detailed roadmap to reach desired goals.

Why other options are incorrect:

- 1. Controlling:
Controlling focuses on monitoring and comparing actual performance with planned objectives to ensure goals are achieved. It comes after planning, not before.
 - 2. Directing:
Directing involves guiding, motivating, and leading employees to implement plans effectively. It deals with execution, not setting objectives.
 - 4. Organising:
Organising is about arranging resources and assigning tasks after plans are made. It focuses on structure and coordination, not goal-setting.
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Question11

Arrange the following steps of the selection process in a logical sequence:

- (A) Selection Tests**
- (B) Employment Interview**
- (C) Reference and Background Checks**
- (D) Preliminary Screening**

Choose the correct answer from the options given below:

- 1. (D), (A), (B), (C)**
- 2. (A), (C), (B), (D)**
- 3. (B), (A), (D), (C)**
- 4. (C), (B), (D), (A)**

Options:

- A. 1**
- B. 2**
- C. 3**
- D. 4**

Answer: A

Solution:

Correct Answer: 1. (D), (A), (B), (C)

Explanation:

The **selection process** in human resource management involves several systematic steps to choose the most suitable candidate from a pool of applicants. The logical order is as follows:

1. Preliminary Screening (D):

This is the first step, where applications are initially reviewed to eliminate unqualified or unsuitable candidates. It helps filter out those who do not meet the basic requirements.

2. Selection Tests (A):

Candidates who pass screening are given various tests (aptitude, intelligence, or personality) to evaluate their skills, knowledge, and suitability for the job.

3. Employment Interview (B):

After tests, shortlisted candidates are interviewed to assess their communication skills, attitude, motivation, and overall fit with the organization.

4. Reference and Background Checks (C):

Finally, employers verify the candidate's past employment, qualifications, and character to confirm authenticity before final selection.

Thus, the correct sequence is:

Preliminary Screening → Selection Tests → Employment Interview → Reference and Background Checks

or **(D), (A), (B), (C)**

Question12

With growing competition and an attempt to increase their sales and market share using unfair means, the manufacturers, sellers and service providers may be tempted to engage in:

- 1. Unscrupulous Practices**
- 2. Ethical Practices**
- 3. Lowering Price**
- 4. Increasing Advertisement**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: 1. Unscrupulous Practices

Explanation:

When manufacturers or sellers try to increase sales and market share using unfair means, it indicates they are not following ethical or fair trade practices. Such behavior is referred to as unscrupulous practices for example, false advertising, adulteration, black marketing, or misleading claims.

These are done to deceive consumers and gain an unfair advantage in a competitive market.

Hence, the correct answer is Unscrupulous Practices.

Why other options are incorrect:

- (2) Ethical Practices:
Ethical practices involve honesty, transparency, and fairness not unfair means. The question clearly says “using unfair means”, so this is opposite in meaning.
- (3) Lowering Price:
Reducing prices is a legal and fair marketing strategy, not an unfair one. It’s part of competitive pricing, not unethical conduct.
- (4) Increasing Advertisement:
Advertising to promote products is normal business practice, not necessarily unfair, unless it involves false claims.

Question13

“Controlling should focus on Key Result Areas which are critical to the success of an organization” is suggested under which of the following concepts?

- 1. Critical Point Control**
- 2. Management by Exception**
- 3. Self Control**
- 4. Control by Exception**

Options:

- A. 1
- B. 2
- C. 3

D. 4

Answer: A

Solution:

Correct Answer: 1. Critical Point Control

Explanation:

The concept of Critical Point Control (CPC) suggests that control efforts should focus on Key Result Areas (KRAs) — the activities or points which are most critical to the success of an organization.

Instead of controlling every single activity, management should focus on those areas where a deviation would cause the most serious harm to the organization's performance.

Why other options are incorrect:

- (2) Management by Exception:
This concept says that only significant deviations from standards should be brought to management's attention, while minor deviations can be ignored.
It focuses on degree of deviation, not on key result areas.
 - (3) Self Control:
Self-control means allowing individuals to set their own standards and monitor their performance. It is about personal discipline, not focusing on key result areas.
 - (4) Control by Exception:
This is another term for Management by Exception and carries the same meaning — it deals with exceptions, not critical points.
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Question14

Which of the following are related to the social objectives of management?

- (A) Using environmentally friendly methods of production**
- (B) Providing financial loans to suppliers**
- (C) Providing basic amenities like schools and crèches to employees**
- (D) Giving employment opportunities to economically weaker sections of society**

Choose the correct answer from the options given below:

- 1. (A), (C) and (D) only**
- 2. (A), (B) and (C) only**
- 3. (A), (B), (C) and (D)**

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

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Correct Answer: 1. (A), (C) and (D) only

Explanation:

Social objectives of management refer to the organization's responsibility toward society, aiming to contribute to the welfare of people and the environment. These objectives go beyond profit-making and focus on sustainable and ethical practices.

- (A) Using environmentally friendly methods of production: correct
This helps reduce pollution and conserves natural resources, which directly benefits society. Hence, it is a social objective.
- (C) Providing basic amenities like schools and crèches to employees: correct
This improves the quality of life for employees and their families, promoting social welfare.
- (D) Giving employment opportunities to economically weaker sections of society: correct
This promotes equality and supports social upliftment, fulfilling a social responsibility.

Hence, A, C, and D are related to social objectives.

Question15

_____ integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance.

1. Planning
2. Controlling
3. Staffing
4. Directing

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

Correct Answer: 4. Directing

Explanation:

Directing is the function of management that involves guiding, motivating, leading, and supervising employees so that their efforts are aligned with the goals of the organisation.

It integrates individual efforts and ensures that each employee contributes effectively to the overall performance. It builds team spirit, provides motivation, and maintains communication, leading to coordinated effort.

Hence, Directing is the correct answer.

Why other options are not correct:

- (1) Planning:
Planning involves setting objectives and deciding in advance what needs to be done. It does not deal with coordinating or integrating employees' efforts it only lays down the path.
- (2) Controlling:
Controlling is concerned with comparing actual performance with planned performance and taking corrective action. It happens after the work is done, not while efforts are being integrated.
- (3) Staffing:
Staffing involves recruitment, selection, and placement of employees. It ensures that the right person is at the right job but does not focus on integrating their efforts.

Question16

ABC Ltd. has debt equity ratio of 3:1, whereas XYZ Ltd. has debt equity ratio of 1:1. Name the advantage ABC Ltd will have over XYZ Ltd., when the rate of interest is lower than the rate of return on investment of the company.

1. Trading on Equity

- 2. Low Risk
- 3. Trading on Debt
- 4. Greater flexibility

Options:

- A.
- 1
- B.
- 2
- C.
- 3
- D.
- 4

Answer: A

Solution:

The correct answer is: Trading on Equity

Explanation:

- ABC Ltd. has a higher **debt-equity ratio (3:1)**, meaning it uses more debt financing.
- When the **rate of return on investment (ROI)** is **higher than the rate of interest on debt**, the company earns more on borrowed funds than it pays as interest.
- This situation creates a **financial leverage advantage**, known as **trading on equity**.

As a result, **equity shareholders of ABC Ltd. benefit more**, because the extra earnings (after paying lower interest) increase their returns.

Question17

Match List-I with List-II

List-I	List-II
(A) Sales Promotion	(I) Managing public opinion of an organisation
(B) Advertising	(II) Short-term incentives to boost sales
(C) Personal Selling	(III) An impersonal form of communication, which is paid for by the marketers

List-I	List-II
(D) Public Relations	(IV) Developing an interactive relationship between the seller and the buyer

Choose the correct answer from the options given below:

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

Options:

A.

1

B.

2

C.

3

D.

4

Answer: A

Solution:

Correct Answer:

Option 1: (A) – (II), (B) – (III), (C) – (IV), (D) – (I)

Explanation:

- **(A) Sales Promotion → (II) Short-term incentives to boost sales**
Sales promotion refers to short-term measures such as discounts, coupons, or offers that temporarily increase sales.
Hence, (A) matches with (II).
- **(B) Advertising → (III) An impersonal form of communication, which is paid for by marketers**
Advertising is a non-personal (impersonal) and paid medium of communication aimed at a mass audience.
Hence, (B) matches with (III).
- **(C) Personal Selling → (IV) Developing an interactive relationship between the seller and the buyer**
Personal selling involves direct face-to-face interaction with customers to build trust and persuade

them.

Hence, (C) matches with (IV).

- **(D) Public Relations → (I) Managing public opinion of an organisation**

Public relations is about creating and maintaining a positive image and public goodwill for the organisation.

Hence, (D) matches with (I).

Question18

Which of the following are the disadvantages of Functional Structure?

- (A) A functional structure leads to occupational specialisation, since emphasis is placed on specific functions.**
- (B) It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments.**
- (C) It may lead to inflexibility as people with the same skills and knowledge base may develop a narrow perspective.**
- (D) Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas.**

Choose the correct answer from the options given below:

- 1. (A), (B) and (D) only**
- 2. (A), (B), (C) and (D)**
- 3. (A), (B) and (C) only**
- 4. (B), (C) and (D) only**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

Correct Answer:

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

Explanation:

A **functional structure** groups employees based on their specialised functions (like marketing, finance, or HR). While this provides efficiency and expertise, it also creates several disadvantages:

- **(B) It may lead to problems in coordination:**
True Since departments work independently, communication and coordination between them can be slow and difficult. Each department may focus on its own goals rather than the organisation's overall objectives.
 - **(C) It may lead to inflexibility:**
True Employees working in the same area for a long time may become rigid and develop a limited viewpoint, making them resistant to change or innovation.
 - **(D) Functional heads do not get training for top management:**
True Since functional managers only deal with one specific area, they lack exposure to diverse functions, which is essential for higher managerial positions.
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Question19

Which of the following is termed as the ‘Essence of Management’?

- 1. Coordination**
- 2. Cooperation**
- 3. Leadership**
- 4. Motivation**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer:1. Coordination

Explanation:

Coordination is known as the essence of management because it is required at every level and in every function of management. Management is about getting work done through others, and this is possible only when all efforts and activities of different departments and individuals are harmonized towards a common goal. Coordination ensures unity of action, prevents duplication of effort, and helps achieve organizational objectives efficiently.

Every managerial function — planning, organizing, staffing, directing, and controlling — requires coordination to ensure that all parts of the organization work together smoothly. Hence, coordination runs through all management functions like a golden thread.

Why Other Options Are Incorrect:

- 2. Cooperation:
While cooperation means willingly working together, it is voluntary and may or may not happen naturally. Coordination, on the other hand, is a deliberate managerial function that ensures all activities align with organizational goals. Thus, cooperation alone is not the essence of management.
 - 3. Leadership:
Leadership involves influencing and guiding employees, which is just one aspect of management. It helps in direction but does not cover all management functions the way coordination does.
 - 4. Motivation:
Motivation is about encouraging employees to perform better, but it is again one element of management, not its essence. Coordination integrates motivation, leadership, planning, and other functions together.
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Question20

In the process of _____, companies usually modify the relationships within the management hierarchy to suit the goals.

- 1. Organising**
- 2. Planning**
- 3. Staffing**
- 4. Controlling**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer:1. Organising

Explanation:

Organising is the process of defining and establishing relationships among people, tasks, and resources to achieve organizational goals. During this process, companies modify or create a structure of authority and responsibility that is, they determine who will report to whom and how various departments and employees will coordinate.

In other words, organising involves creating a management hierarchy and ensuring that reporting relationships and job roles are clearly defined and aligned with company objectives. Hence, when companies modify relationships within the management hierarchy to suit goals, they are engaging in the process of organising.

Why Other Options Are Incorrect:

- 2. Planning:
Planning involves setting goals and deciding in advance what actions are needed to achieve them. It does not involve changing or defining relationships in the management hierarchy that comes after planning, during organising.
 - 3. Staffing:
Staffing focuses on filling organizational roles with the right people through recruitment, selection, and training. It deals with people, not the structure or hierarchy.
 - 4. Controlling:
Controlling involves monitoring performance, comparing it with goals, and taking corrective actions. It happens after organising and does not modify the structure of relationships within the organization.
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Question21

Identify the INCORRECT statement from the following:

- 1. Coordination is the essence of management.**
- 2. Functions of management are interrelated.**
- 3. Functions of management are not interrelated.**
- 4. Management is based on practice and creativity.**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Correct Answer:3. Functions of management are not interrelated.

Explanation:

The functions of management: planning, organising, staffing, directing, and controlling are closely interrelated and interdependent. Each function affects and is affected by the others. For example, planning lays the foundation for organising, organising provides the structure for staffing, and directing ensures that people work effectively, while controlling ensures that everything proceeds according to plan. Therefore, saying they are not interrelated is incorrect.

Why Other Options Are Correct:

- (1) Coordination is the essence of management:
Correct. Coordination unites all activities and efforts of different departments and individuals toward achieving common goals. Hence, it is rightly called the essence of management.
 - (2) Functions of management are interrelated:
Correct. As explained above, all management functions are interconnected and continuous, not isolated.
 - (4) Management is based on practice and creativity:
Correct. Management is both a science and an art :it relies on practical experience (practice) and innovative problem-solving (creativity).
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Question22

If an Indian firm finds that a foreign multinational is entering the Indian market with new substitutes, it can prepare itself to meet the threat by adopting which of the following measures:

- (A) Improving the quality of the products**
- (B) Reducing cost of production**
- (C) Engaging in aggressive advertising and making false claims**
- (D) Upgrading technology**

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**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Correct Answer:

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

Explanation:

When a foreign multinational enters the market with new substitutes, the Indian firm faces increased competition.

To effectively counter this competition, the firm must strengthen its product quality, efficiency, and technology—not use unethical practices.

(A) Improving the quality of the products: Correct

- Enhancing quality helps the firm maintain or increase its customer base.
- Better quality creates brand loyalty and justifies the price, making customers less likely to switch to substitutes.

(B) Reducing cost of production: Correct

- Lower costs allow competitive pricing and higher profit margins.
- It makes the firm more efficient and helps survive in a price-sensitive market.

(C) Engaging in aggressive advertising and making false claims :Incorrect

- While advertising itself is a fair competitive tool, making false claims is unethical and illegal.
- This can damage reputation, invite legal action, and is against business ethics and fair competition principles.

(D) Upgrading technology :Correct

- Upgrading technology leads to improved production efficiency, innovation, and cost-effectiveness.
- It helps the firm stay up to date with competitors and cater to modern consumer demands.

Question23

_____ system keeps a careful check on the changes taking place in the organization and in the environment and helps to review and revise the standards in light of such changes.

1. Good Personnel Management
2. Effective and Efficient Coordination
3. Efficient Control Mechanism
4. Good Compensation and Promotion

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Correct Answer: 3. Efficient Control Mechanism

Explanation:

An efficient control mechanism is the system that keeps a careful check on activities within the organization and external environmental changes. It ensures that actual performance aligns with planned standards and reviews or revises those standards when needed. Control is the last step of management functions, it monitors, evaluates, and corrects deviations to achieve organizational goals.

Why Other Options Are Incorrect:

- 1. Good Personnel Management: Incorrect
It focuses on managing employees — recruitment, training, motivation — but not on reviewing or revising standards or monitoring changes.
 - 2. Effective and Efficient Coordination: Incorrect
Coordination integrates efforts across departments but does not review standards or check performance against goals.
 - 4. Good Compensation and Promotion: Incorrect
This is part of motivation and HR policy, not a mechanism to evaluate performance or revise organizational standards.
-

Question24

Match List-I with List-II

List-I (Principles of Directing)	List-II (Description)
(A) Maximum Individual Contribution	(I) Receiving instructions from one manager only
(B) Managerial Communication	(II) Bringing out untapped energies of employees for the efficiency of organisation
(C) Unity of Command	(III) Reviewing continuously whether orders are being implemented accordingly
(D) Follow Through	(IV) Convey clear instructions to create total understanding to subordinates

Options:

1. (A) – (III), (B) – (II), (C) – (I), (D) – (IV)
2. (A) – (IV), (B) – (III), (C) – (II), (D) – (I)
3. (A) – (II), (B) – (IV), (C) – (I), (D) – (III)
4. (A) – (II), (B) – (IV), (C) – (I), (D) – (III)

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

Explanation (in paragraph form):

The principle of **Maximum Individual Contribution** refers to bringing out the untapped energies and potential of employees to ensure that they contribute to the best of their ability for the efficiency and success

of the organization. This principle emphasizes aligning individual efforts with organizational goals to achieve maximum productivity.

The principle of **Managerial Communication** focuses on conveying clear instructions and creating total understanding among subordinates. Effective communication ensures that all employees are well-informed about what is expected from them, which reduces confusion and improves coordination within the organization.

The **Unity of Command** principle states that an employee should receive instructions from only one superior at a time. This helps prevent confusion, duplication of work, and conflicting instructions, ensuring discipline and clarity in the chain of command.

Finally, the principle of **Follow Through** involves continuously reviewing whether the orders and directions given by managers are being properly implemented. It ensures that plans are executed as intended and that corrective actions are taken in case of deviations or shortcomings.

Question25

Arrange the following steps involved in setting up a business in a logical order:

- (A) Resource Mobilisation**
- (B) Development of Product/Service idea**
- (C) Environmental scanning for entrepreneurial opportunities**
- (D) Assessment of feasibility of the idea and preparation of a business plan**

Options:

- 1. (C), (B), (D), (A)**
- 2. (C), (A), (D), (B)**
- 3. (B), (A), (D), (C)**
- 4. (A), (C), (B), (D)**

Options:

- A. 1**
- B. 2**
- C. 3**
- D. 4**

Answer: A

Solution:

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

Explanation:

The correct logical sequence for setting up a business follows these steps:

1. Environmental Scanning for Entrepreneurial Opportunities (C):
The first step is to analyze the environment and identify possible opportunities in the market. This helps an entrepreneur understand consumer needs, competition, and gaps in the market.
2. Development of Product/Service Idea (B):
Once opportunities are identified, the entrepreneur develops a suitable product or service idea that can fill the market gap.
3. Assessment of Feasibility and Preparation of Business Plan (D):
After selecting the idea, the next step is to evaluate its practicality : financial, technical, and market feasibility - and prepare a business plan.
4. Resource Mobilisation (A):
Finally, resources such as finance, human power, machinery, and raw materials are arranged to bring the plan into action.

Why Other Options Are Incorrect:

- Option 2 (C, A, D, B): Incorrect because resources cannot be mobilized before the business idea and feasibility are finalized.
- Option 3 (B, A, D, C): Incorrect because the environment must be scanned before developing a product idea.
- Option 4 (A, C, B, D): Incorrect because resource mobilization is the last step, not the first.

Hence, the logical order is (C) → (B) → (D) → (A).

Question26

Individual freedom, social justice, equality of opportunity, and national integration are examples of:

- 1. Legal Environment**
- 2. Social Environment**
- 3. Economic Environment**
- 4. Political Environment**

Options:

- A. 1
- B. 2
- C. 3

D. 4

Answer: B

Solution:

Correct Answer: 2. Social Environment

Explanation:

The social environment refers to the customs, values, beliefs, lifestyles, and social institutions that exist in a society. Elements such as individual freedom, social justice, equality of opportunity, and national integration reflect the social values and attitudes that shape how individuals and organizations interact within that society. These values influence consumer preferences, employee behavior, and business ethics — all of which are part of the social environment.

Why Other Options Are Incorrect:

- (1) Legal Environment: Refers to the laws, regulations, and judicial decisions that govern business operations ,not social values or principles.
- (3) Economic Environment: Deals with economic factors like income levels, inflation, GDP, and employment, not freedom or justice.
- (4) Political Environment: Concerns government policies, political stability, and administrative framework ,not societal values or moral principles.

Hence, individual freedom, social justice, equality, and national integration are part of the social environment.

Question27

Anita works at the middle level of a business organisation. She might be:

- 1. The Vice President**
- 2. A Divisional Head**
- 3. Chief Operating Officer**
- 4. A Supervisor**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

Correct Answer: 2. A Divisional Head

Explanation:

The middle level of management acts as a bridge between the top and lower levels of management. It is responsible for implementing the plans and policies framed by top management and coordinating with lower-level managers to ensure that work is carried out effectively. Typical positions at the middle level include Divisional Heads, Departmental Managers, and Functional Heads. Therefore, Anita, being at the middle level, might be a Divisional Head.

Why Other Options Are Incorrect:

- (1) The Vice President: This is a top-level management position responsible for policy-making, strategic decisions, and long-term planning.
- (3) Chief Operating Officer (COO): Also a top-level executive, involved in overall organizational strategy and major decision-making.
- (4) A Supervisor: Belongs to the lower level of management, responsible for directly overseeing workers and day-to-day operations.

Hence, the most appropriate answer is A Divisional Head, as this position fits the middle-level management role.

Question28

An organization has no control over which factors?

- 1. External factors**
- 2. Internal factors**
- 3. Organisational factors**
- 4. Informal factors**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: 1. External factors

Explanation:

An organization has no control over external factors because these exist outside the organization and are influenced by the broader environment. These include political, economic, social, technological, legal, and environmental (PESTLE) conditions. Since these are determined by external forces like government policies, market trends, or technological innovations, the organization can only adapt to them but cannot control them.

For example, changes in taxation laws, inflation rates, or consumer preferences directly affect business operations but are beyond the company's control.

Why Other Options Are Incorrect:

- (2) Internal factors: These exist within the organization, such as employees, management structure, policies, and company culture. The organization has complete control over these and can modify them as needed.
 - (3) Organisational factors: These are also internal, including hierarchy, processes, and work culture. They are determined by management decisions and can be altered or improved by the organization.
 - (4) Informal factors: Though less structured, such as informal communication or group norms, they still exist within the organization and can be influenced indirectly through leadership and culture.
-

Question29

The CEO of a firm is involved regularly in personal observation, statistical report making and trying to ensure that current activities conform to planned targets. Which function of management is he performing?

- 1. Controlling**
- 2. Financial Planning**
- 3. Financing Decision**
- 4. Managerial Planning**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: 1. Controlling

Explanation:

The function of Controlling in management involves monitoring and evaluating the progress of work to ensure that actual performance matches the planned targets.

Here, the CEO is:

- Observing activities personally,
- Using statistical reports to compare results, and
- Ensuring that current performance aligns with planned objectives.

These actions clearly show that he is engaged in Controlling, as it is the process of measuring performance, comparing it with standards, and taking corrective actions if deviations occur.

Why Other Options Are Incorrect:

- (2) Financial Planning:
Financial planning focuses on estimating the financial requirements and allocating funds for business operations. It does not involve observing or comparing performance. Hence, it is not the function being described.
 - (3) Financing Decision:
This refers to decisions about the sources of finance — like equity, debt, or retained earnings. The CEO here is not making financial source decisions, so this is irrelevant.
 - (4) Managerial Planning:
Planning is about setting future goals and deciding how to achieve them. The CEO in this case is reviewing and ensuring that actual results match the plans — which happens after planning. Thus, this belongs to controlling, not planning.
-

Question30

When _____ workers go on strike, they wear a black badge but work more than normal working hours to gain the sympathy of the management.

- 1. Japanese**
- 2. Dutch**
- 3. American**
- 4. French**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Correct Answer: 1. Japanese

Explanation:

When Japanese workers go on strike, they do not stop working. Instead, they continue to work harder and longer hours than usual, often while wearing black armbands or badges to show protest. This unique form of protest is called a “Japanese strike” or “Go-slow strike”, which reflects their discipline, commitment, and loyalty to the organization even while expressing disagreement.

The goal is to demonstrate their dedication and gain management’s sympathy, rather than harming the company’s productivity.

Why Other Options Are Incorrect:

- (2) Dutch:
Dutch workers generally follow the traditional method of strike — stopping work to demand better conditions. They do not practice the symbolic "work-harder" form of protest.
- (3) American:
American strikes usually involve complete work stoppage and picketing outside workplaces. The intent is to exert pressure through production loss — not sympathy.
- (4) French:
French workers are known for demonstrations and public protests during strikes. Their approach is often more confrontational and politically expressive, not symbolic through overwork.

Question31

Arrange the following steps of organizing process in a logical manner:

- (A) Dividing the work into manageable activities**
- (B) Allocating the work to the members of each department in accordance to their skills and competencies**
- (C) Creation of hierarchical structure and coordination among various departments**
- (D) Departments are created on the basis of several criteria such as territory and products**

Choose the correct answer from the options given below:

1. (A), (B), (C), (D)
2. (A), (D), (B), (C)
3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: (2) (A), (D), (B), (C)

Explanation:

The process of organizing in management follows a logical sequence of steps:

1. (A) Dividing the work into manageable activities:
The first step is division of work — breaking down the total work into smaller, manageable tasks or activities to ensure specialization and efficiency.
2. (D) Departments are created on the basis of several criteria such as territory and products:
Once work is divided, similar or related activities are grouped together to form departments. This grouping can be based on function, product, region, or customer type.
3. (B) Allocating the work to the members of each department in accordance to their skills and competencies:
After departmentalization, work is assigned to individuals based on their skills, qualifications, and abilities.
4. (C) Creation of hierarchical structure and coordination among various departments:
Finally, a hierarchical structure is established, defining authority relationships and ensuring coordination between departments.

Thus, the correct logical order is:

(A) → (D) → (B) → (C)

Question32

Match List-I with List-II

List-I (Decision)	List-II (Factor affecting the decision)
(A) Detailed Statement	(I) Method
(B) Prescribed Way	(II) Rule
(C) What is to be done?	(III) Programme
(D) Routine Steps	(IV) Procedure

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

Options:

A.

1

B.

2

C.

3

D.

4

Answer: C

Solution:

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

Explanation:

This question relates to types of plans in management—programme, rule, method, and procedure. Each of these represents a specific form of managerial decision-making and guidance for action.

1. (A) Detailed Statement → Programme (III):

A programme is a detailed statement that outlines what is to be done, how it will be done, and who will do it. It includes objectives, policies, procedures, and rules.

Hence, a detailed statement corresponds to a programme.

2. (B) Prescribed Way → Rule (II):

A rule specifies the prescribed way of performing an activity or not performing it. It is rigid and leaves no room for discretion.

Thus, a prescribed way matches with a rule.

3. (C) What is to be done? → Method (I):

A method defines the best way or technique to perform a particular task or operation. It answers the question “how is the work to be done?”

Hence, what is to be done aligns with method.

4. (D) Routine Steps → Procedure (IV):

A procedure is a series of steps followed in a definite order to carry out an activity. It describes the routine steps required to execute a policy or programme.

Therefore, routine steps correspond to procedure.

Question33

Which of the following is not an important factor influencing the pricing of a product?

- 1. Managerial Skills**
- 2. Utility of the Product**
- 3. Government and Legal Regulations**
- 4. Competitors' Prices**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: A

Solution:

Correct Answer: 1. Managerial Skills

Explanation:

Pricing decisions are influenced by several key factors that directly affect how a product is valued in the market. These include product-related, market-related, and external factors.

- Managerial skills refer to the capabilities and expertise of managers in planning, organizing, and controlling business operations. While important for overall business success, they do not directly influence the price of a product. Hence, this is not a factor influencing pricing.

Why the Other Options Are Correct Factors:

- (2) Utility of the Product:
The value or usefulness (utility) that customers derive from a product determines how much they are willing to pay. Higher utility often justifies a higher price. Thus, it is a crucial factor in pricing.
 - (3) Government and Legal Regulations:
Laws like price controls, anti-profiteering regulations, or GST norms influence pricing decisions. Companies must adhere to these while setting prices.
 - (4) Competitors' Prices:
Prices of similar products in the market affect how a company prices its own products to stay competitive. This is a key market factor in pricing strategy.
-

Question34

Which of the following is NOT related to the importance of consumer protection from a consumer's viewpoint?

- 1. Unorganised Consumers**
- 2. Consumer Ignorance**
- 3. Social Responsibility of Consumers**
- 4. Widespread Exploitation of Consumers**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: C

Solution:

Correct Answer: 3. Social Responsibility of Consumers

Explanation:

From a consumer's viewpoint, consumer protection is important because consumers are often unorganised, ignorant of their rights, and vulnerable to exploitation by sellers. Hence, laws and awareness initiatives are needed to safeguard their interests.

However, social responsibility of consumers refers to the duties of consumers themselves, like using products wisely, paying taxes honestly, and avoiding misuse of goods, which is not a reason for why consumer protection is needed from the consumer's perspective.

Why the Other Options Are Related:

- (1) Unorganised Consumers:
Consumers in India are largely scattered and unorganised, which makes it difficult for them to collectively fight against unfair practices. Hence, consumer protection is necessary.
 - (2) Consumer Ignorance:
Many consumers are unaware of their rights, such as the right to safety or right to information. This ignorance makes protection laws and awareness crucial.
 - (4) Widespread Exploitation of Consumers:
Consumers often face cheating, false advertising, and substandard goods. This exploitation highlights the need for strong consumer protection measures.
-

Question 35

Match List-I with List-II

List-I (Selection Test)	List-II (Observation)
(A) Trade Test	(I) Ability to make decisions
(B) Interest Test	(II) Potential to acquire skills
(C) Aptitude Test	(III) Pattern of involvement of a person
(D) Intelligence Test	(IV) Actual skills possessed

Choose the correct answer from the options given below:

1. (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
2. (A) - (III), (B) - (IV), (C) - (II), (D) - (I)
3. (A) - (II), (B) - (I), (C) - (IV), (D) - (III)
4. (A) - (IV), (B) - (III), (C) - (II), (D) - (I)

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

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

Explanation:

1. Trade Test: Actual skills possessed (IV)
 - A trade test checks a candidate's practical knowledge and proficiency in a particular trade or skill (e.g., carpenter, electrician).
 - Hence, it measures actual skills possessed rather than potential or decision-making ability.
2. Interest Test: Pattern of involvement of a person (III)
 - This test identifies the area of interest or preference of a person, such as artistic, social, or technical interests.
 - It helps determine where the person is naturally inclined or motivated, i.e., their pattern of involvement.
3. Aptitude Test: Potential to acquire skills (II)
 - An aptitude test measures the ability to learn or develop skills in the future, not the skills the person already has.
 - It predicts how well a person can acquire new abilities or perform in a specific area.
4. Intelligence Test: Ability to make decisions (I)
 - Intelligence tests measure a person's mental capacity, including reasoning, problem-solving, and decision-making.
 - Thus, it reflects the ability to make judgments and decisions logically.

Question 36

Match List–I with List–II

List–I (Function)	List–II (Activity)
(A) Planning	(I) Establishing standards of performance and measuring current performance.
(B) Organizing	(II) Deciding a hierarchical structure.
(C) Directing	(III) Selecting an alternative to achieve goals efficiently and effectively.
(D) Controlling	(IV) Communicating effectively and supervising employees.

Choose the correct answer from the options given below:

1. (A)–(I), (B)–(II), (C)–(III), (D)–(IV)
2. (A)–(III), (B)–(II), (C)–(IV), (D)–(I)
3. (A)–(II), (B)–(I), (C)–(IV), (D)–(III)
4. (A)–(III), (B)–(IV), (C)–(I), (D)–(II)

Options:

A.

1

B.

2

C.

3

D.

4

Answer: B

Solution:

Correct Answer: Option 2

(A) **Planning** → (III) Selecting an alternative to achieve goals efficiently and effectively.

(B) **Organizing** → (II) Deciding a hierarchical structure.

(C) **Directing** → (IV) Communicating effectively and supervising employees.

(D) **Controlling** → (I) Establishing standards of performance and measuring current performance.

Question37

Sahil purchased an LCD TV worth Rs. 1.5 lakh and found that the panel of the TV was broken. The shopkeeper refused to entertain the issue. Where would Sahil complain about this?

1. District Court
2. District Commission
3. State Commission
4. National Commission

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: 2. District Commission

Explanation

Under the Consumer Protection Act, 2019, consumer disputes are handled by three-tier redressal agencies based on the value of goods or services paid as consideration.

District Commission

- Handles complaints where the value of goods or services paid is up to ₹50 lakh.
- Sahil's LCD TV costs ₹1.5 lakh, which falls well within this limit.
- Therefore, he should file his complaint before the District Commission.

Why Other Options Are Incorrect

Option 1: District Court

- The District Court deals with civil and criminal cases, not consumer disputes.
- Consumer cases are handled by the District Consumer Disputes Redressal Commission, not regular courts.

Option 3: State Commission

- The State Commission hears cases where the value of goods/services exceeds ₹50 lakh but is up to ₹2 crore.
- Since Sahil's product value is ₹1.5 lakh (below ₹50 lakh), this level is not applicable.

Option 4: National Commission

- The National Commission handles cases where the value of goods/services exceeds ₹2 crore.
- Sahil's case value is far below this threshold, so this option is not valid.

Question38

The marketing manager of Aricure Ltd. offers short-term incentives to encourage buyers to make immediate purchases. Which element of promotion mix is he referring to?

- 1. Public Relations**
- 2. Sales Promotion**
- 3. Advertising**
- 4. Personal Selling**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: 2. Sales Promotion

Explanation

Sales Promotion refers to short-term incentives or activities designed to encourage customers to make immediate purchases of a product or service.

These incentives may include discounts, coupons, contests, free samples, or limited-time offers.

In this question, the marketing manager is offering short-term incentives — which is the key phrase that directly indicates Sales Promotion.

Hence, the correct answer is Option 2: Sales Promotion.

Why Other Options Are Incorrect

Option 1: Public Relations

- Public Relations (PR) aims at building goodwill and a positive image of the company among the public.
- It involves press releases, sponsorships, and media relations.
- It does not involve short-term incentives or direct encouragement to buy.
Hence, not the correct answer.

Option 3: Advertising

- Advertising is a paid, non-personal form of promotion used to inform and persuade customers.

- It aims to create awareness and long-term brand image, not immediate sales through incentives. Therefore, it doesn't fit the phrase "short-term incentives."

Option 4: Personal Selling

- Personal selling involves direct face-to-face communication between a salesperson and a customer.
 - It focuses on relationship-building and persuasion, not on offering short-term schemes. Hence, this is not the element being referred to.
-

Question39

Arrange the following steps involved in controlling process in a proper sequence:

- (A) Measuring actual performance by personal observation or performance report**
- (B) Analyze the deviation**
- (C) Setting performance standards**
- (D) Taking corrective action**

Choose the correct answer from the options given below:

- 1. (A), (B), (C), (D)**
- 2. (C), (A), (B), (D)**
- 3. (B), (A), (D), (C)**
- 4. (C), (B), (D), (A)**

Options:

- A. 1**
- B. 2**
- C. 3**
- D. 4**

Answer: B

Solution:

Correct Answer: 2. (C), (A), (B), (D)

Explanation

The controlling process in management involves the following logical sequence of steps:

1. Setting Performance Standards (C)
 - This is the first step because standards act as benchmarks for measuring actual performance.
 - Examples: expected sales targets, production quantity, cost levels, etc.
2. Measuring Actual Performance (A)
 - Once work begins, managers measure actual results using reports, observation, or feedback.
 - This helps in identifying whether the work is proceeding as planned.
3. Analyzing Deviations (B)
 - After comparing actual results with standards, managers identify and analyze deviations: differences between expected and actual performance.
 - This step helps determine whether corrective action is needed.
4. Taking Corrective Action (D)
 - The final step involves correcting the causes of deviations to ensure performance meets standards.
 - Example: providing training, improving supervision, or revising unrealistic standards.

Hence, the correct sequence is:

(C) → (A) → (B) → (D)

Question40

Which of the following schools of thought of management is NOT referred to as the ‘Classical’ school?

- 1. Scientific Management**
- 2. Fayol’s Theory**
- 3. Max Weber’s Bureaucracy**
- 4. Maslow’s Theory of Hierarchy of Needs**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

Correct Answer: 4. Maslow’s Theory of Hierarchy of Needs

Explanation

The **Classical School of Management** focuses on improving efficiency, structure, and productivity through clear hierarchy and rules.

It includes three main approaches:

1. **Scientific Management** – by **F.W. Taylor**
→ Focuses on increasing productivity through scientific study of work methods.
2. **Administrative Management** – by **Henri Fayol**
→ Focuses on management principles and administrative structure.
3. **Bureaucratic Management** – by **Max Weber**
→ Focuses on authority, hierarchy, and rules-based functioning.

Together, these three form the **Classical School of Management**.

However, **Maslow's Theory of Hierarchy of Needs** belongs to the **Human Relations or Neo-Classical School**, which emphasizes human motivation and employee satisfaction.

Question41

Read the passage and answer the following questions:

XYZ Textiles Ltd., a mid-sized manufacturer of apparel, is facing several financial management challenges. The company needs to optimize its working capital management due to increasing inventory levels and longer accounts receivable cycles. The current ratio is 1.4, but the quick ratio is low at 0.7, indicating potential liquidity issues.

XYZ Textiles is considering expanding its operations by purchasing new machinery, costing \$10 million. The project is expected to generate cash flows of \$2 million annually for 7 years. The management is evaluating the project using capital budgeting techniques such as NPV and IRR. The company's cost of capital (WACC) is 9%,

and the calculated NPV is positive, while the IRR is 12%, suggesting the project is viable.

The company's capital structure consists of 60% equity and 40% debt. With interest rates rising, the management is weighing whether to increase debt financing to fund the expansion or issue additional equity, which could dilute shareholder control. They are also concerned about maintaining an optimal mix to minimize the weighted average cost of capital (WACC).

Finally, the company's dividend policy has been a consistent payout of 30% of net income. With expansion plans underway, the management debates whether to cut dividends to retain more earnings for reinvestment or maintain the payout to appease shareholders.

Capital budgeting decisions are known as:

- 1. Long-term Investment Decisions**
- 2. Payback Financing**
- 3. Accounting Rate of Return**
- 4. Return on Investment**

Options:

- A. 1**
- B. 2**
- C. 3**
- D. 4**

Answer: A

Solution:

Correct Answer:

1. Long-term Investment Decisions

Explanation:

Capital budgeting refers to the process of evaluating and selecting long-term investment projects that will generate returns over several years.

These decisions involve large financial commitments and determine the future profitability and growth of a business.

Hence, capital budgeting = long-term investment decision, because it involves choosing where to invest the company's capital for long-term benefits (e.g., new machinery, expansion, R&D).

Why the Other Options Are Incorrect:

Option 2: Payback Financing

- The Payback Period is just one technique used within capital budgeting to evaluate projects.
- It measures how long it takes to recover the initial investment, not the entire investment decision itself.
- Therefore, it's a tool or method, not what capital budgeting is called.

Option 3: Accounting Rate of Return (ARR)

- ARR is also a method of evaluating investment proposals under capital budgeting.
- It focuses on average accounting profit, not cash flows.
- Again, it's a part of capital budgeting, not a synonym for it.

Option 4: Return on Investment (ROI)

- ROI is a financial performance ratio that measures profit relative to investment cost.
- It is used after investment decisions to assess efficiency.
- It does not represent the decision-making process of choosing projects.

Question42

Read the passage and answer the following questions:

XYZ Textiles Ltd., a mid-sized manufacturer of apparel, is facing several financial management challenges. The company needs to optimize its working capital

management due to increasing inventory levels and longer accounts receivable cycles. The current ratio is 1.4, but the quick ratio is low at 0.7, indicating potential liquidity issues.

XYZ Textiles is considering expanding its operations by purchasing new machinery, costing \$10 million. The project is expected to generate cash flows of \$2 million annually for 7 years. The management is evaluating the project using capital budgeting techniques such as NPV and IRR. The company's cost of capital (WACC) is 9%, and the calculated NPV is positive, while the IRR is 12%, suggesting the project is viable.

The company's capital structure consists of 60% equity and 40% debt. With interest rates rising, the management is weighing whether to increase debt financing to fund the expansion or issue additional equity, which could dilute shareholder control. They are also concerned about maintaining an optimal mix to minimize the weighted average cost of capital (WACC).

Finally, the company's dividend policy has been a consistent payout of 30% of net income. With expansion plans underway, the management debates whether to cut dividends to retain more earnings for reinvestment or maintain the payout to appease shareholders.

Working Capital Management doesn't include:

- 1. Management of Cash**
- 2. Management of Non-Current Assets**
- 3. Management of Bills Receivable**
- 4. Management of Debtors**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: B

Solution:

Correct Answer: 2. Management of Non-Current Assets

Explanation:

Working Capital Management deals with managing **current assets** and **current liabilities** — that is, the short-term assets and obligations of a business that are used in daily operations.

The goal is to maintain sufficient liquidity to ensure smooth operations and meet short-term obligations.

Current assets include:

- Cash
- Bills Receivable
- Debtors (Accounts Receivable)
- Inventory

Therefore, **Non-Current Assets** (like land, buildings, machinery, etc.) are **long-term** investments and are **not** part of working capital management

Question 43

Read the passage and answer the following questions:

XYZ Textiles Ltd., a mid-sized manufacturer of apparel, is facing several financial management challenges. The company needs to optimize its working capital management due to increasing inventory levels and longer accounts receivable cycles. The current ratio is 1.4, but the quick ratio is low at 0.7, indicating potential liquidity issues.

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Finally, the company's dividend policy has been a consistent payout of 30% of net income. With expansion

plans underway, the management debates whether to cut dividends to retain more earnings for reinvestment or maintain the payout to appease shareholders.

Which of the following is an advantage of debt financing?

- 1. High flexibility in dividend payments**
- 2. Increased control for existing shareholders**
- 3. Lower financial risk**
- 4. Tax deductibility of interest payments**

Options:

- A. 1
- B. 2
- C. 3
- D. 4

Answer: D

Solution:

Correct Answer: 4. Tax deductibility of interest payments

Explanation:

Debt financing refers to raising capital through borrowing — typically through loans or bonds. One of its key advantages is that interest paid on debt is tax deductible, meaning it reduces the company's taxable income and therefore lowers the total tax liability.

This makes debt a cheaper source of finance compared to equity.

Why the Other Options Are Incorrect:

Option 1: High flexibility in dividend payments

- Dividends relate to equity financing, not debt.
- In debt financing, interest payments are mandatory, not flexible.
- Therefore, flexibility in dividends is not an advantage of debt.

Option 2: Increased control for existing shareholders

- This seems true indirectly, but it's not the main advantage.

- While issuing debt avoids dilution of ownership, the primary financial advantage lies in tax deductibility.
- Hence, this is a side benefit, not the key advantage asked in the question.

Option 3: Lower financial risk

- Debt actually increases financial risk, because interest and principal repayments are obligatory.
 - Failure to meet them can lead to insolvency.
 - So, debt does not lower risk — it increases it.
-

Question44

Read the passage and answer the following questions:

XYZ Textiles Ltd., a mid-sized manufacturer of apparel, is facing several financial management challenges. The company needs to optimize its working capital management due to increasing inventory levels and longer accounts receivable cycles. The current ratio is 1.4, but the quick ratio is low at 0.7, indicating potential liquidity issues.

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Finally, the company's dividend policy has been a consistent payout of 30% of net income. With expansion plans underway, the management debates whether to cut dividends to retain more earnings for reinvestment or maintain the payout to appease shareholders.

What is the consequence of increasing debt in a company's capital structure?

- 1. Lower financial risk**
- 2. Higher cost of equity**
- 3. Increased financial risk**
- 4. Increased dividend payout**

Options:

- A. 1**
- B. 2**
- C. 3**
- D. 4**

Answer: C

Solution:

Correct Answer:

3. Increased financial risk

Explanation:

A company's **capital structure** refers to the mix of debt and equity used to finance its operations. When a firm **increases debt**, it becomes **more leveraged**, meaning a larger portion of its capital comes from borrowed money.

While debt can be cheaper due to **tax-deductible interest**, it also brings the **obligation to make fixed interest and principal payments** regardless of profits.

This creates **financial risk** the risk that the company may not meet its fixed financial obligations.

Hence, increasing debt raises the company's financial risk.

Question45

Read the passage and answer the following questions:

XYZ Textiles Ltd., a mid-sized manufacturer of apparel, is facing several financial management challenges. The company needs to optimize its working capital management due to increasing inventory levels and longer accounts receivable cycles. The current ratio is 1.4, but the quick ratio is low at 0.7, indicating potential liquidity issues.

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Finally, the company's dividend policy has been a consistent payout of 30% of net income. With expansion plans underway, the management debates whether to cut dividends to retain more earnings for reinvestment or maintain the payout to appease shareholders.

_____ refers to the mix between owners' funds and borrowed funds?

- 1. Financing decision**
- 2. Capital structure**
- 3. Debt financing**
- 4. Dividend decision**

Options:

- A. 1**
- B. 2**
- C. 3**
- D. 4**

Answer: B

Solution:

Correct Answer: 2. Capital Structure

Explanation:

Capital Structure refers to the proportion or mix of owners' funds (equity) and borrowed funds (debt) used by a company to finance its overall operations and growth.

In simpler terms, it represents how a company finances its assets—whether by using money from shareholders or loans from external sources.

A well-balanced capital structure helps minimize the cost of capital and maintain a healthy balance between risk and return.

Why Other Options Are Incorrect:

Option 1: Financing decision

- A financing decision is a broader concept that involves deciding how much finance is needed and where to obtain it from (debt or equity).
- It includes choosing the capital structure but doesn't itself refer to the "mix" between debt and equity.
- Hence, it's not as specific as "capital structure."

Option 3: Debt financing

- Debt financing refers only to raising funds through borrowing (like loans, bonds, debentures).
- It doesn't include owners' funds (equity), so it represents only one part of the capital structure, not the full mix.

Option 4: Dividend decision

- A dividend decision relates to how much of the company's profits will be distributed to shareholders and how much will be retained for reinvestment.
- It has no connection to the mix of debt and equity funds used to finance the business.

Question 46

Read the passage and answer the following questions:

Manorama Retail is a rapidly expanding retail company with stores across multiple cities. As the company grows, managing the workforce becomes increasingly complex.

The HR department of XYZ faces several challenges, including hiring the right talent, managing employee turnover, and creating a training and development program to upskill employees.

The company's recruitment process involves several stages, including screening resumes, conducting interviews, and background checks. However, finding candidates who align with the company culture and have the necessary skills has been difficult.

Additionally, the company struggles with high employee turnover, especially in its sales and customer service departments. To address these challenges, XYZ Retail decides to focus on improving its staffing process. The company aims to enhance its recruitment strategies by using more advanced tools, such as data analytics, to match candidates with job roles more effectively. They also implement an employee retention program that includes career development opportunities and a more robust employee recognition system.

What is a key challenge faced by HR department at XYZ Retail?

- 1. Over qualified staff**
- 2. Lack of development programs for employees**
- 3. Inadequate pay**
- 4. Poor work environment**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: B

Solution:

Answer:(2) Lack of development programs for employees

Explanantion: Lack of development programs for employees: This option directly corresponds to the suggested solution of needing "career development opportunities." If employees lack development programs, the HR department faces the challenge of **retaining talent** and **managing skill gaps**, which is a core HR challenge, especially in retail where career progression can be a major motivator.

Question47

Read the passage and answer the following questions:

Manorama Retail is a rapidly expanding retail company with stores across multiple cities. As the company grows, managing the workforce becomes increasingly complex. The HR department of XYZ faces several challenges, including hiring the right talent, managing employee turnover, and creating a training and development program to upskill employees.

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What is the primary focus of staffing in an organization?

- 1. Marketing Research**
- 2. Accounting and Finance**
- 3. Training and Development**
- 4. Production Management**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: C

Solution:

Answer :**(3). Training and Development**

The options are all functional areas within an organization, but the concept of **staffing** is one of the core management functions. **Staffing** is the process of finding, selecting, and placing the right individuals for the jobs.

The correct answer, based on the options provided, is

Question48

Read the passage and answer the following questions:

Manorama Retail is a rapidly expanding retail company with stores across multiple cities. As the company grows, managing the workforce becomes increasingly complex. The HR department of XYZ faces several challenges, including hiring the right talent, managing employee turnover, and creating a training and development program to upskill employees.

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Recruitment is a:

- 1. Negative process**
- 2. Positive process**
- 3. Diversed process**
- 4. Additive process**

Options:

A.

1

B.

2

C.

3

D.

Answer: B

Solution:

Answer:(2) Positive process

Recruitment is typically described in Human Resource Management (HRM) literature as a **positive process**.

Question49

Read the passage and answer the following questions:

Manorama Retail is a rapidly expanding retail company with stores across multiple cities. As the company grows, managing the workforce becomes increasingly complex. The HR department of XYZ faces several challenges, including hiring the right talent, managing employee turnover, and creating a training and development program to upskill employees.

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decides to focus on improving its staffing process. The company aims to enhance its recruitment strategies by using more advanced tools, such as data analytics, to match candidates with job roles more effectively. They also implement an employee retention program that includes career development opportunities and a more robust employee recognition system.

What is the HR department's role in staffing?

- 1. Planning marketing campaign**
- 2. Inventory management**
- 3. Managing customers**
- 4. Recruitment and Managing talent**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

Answer:(4) Recruitment and Managing talent

The role of the Human Resources (HR) department is centered around managing the organization's workforce. **Staffing** is the function of ensuring the organization has the right people for the right jobs.

Question50

Read the passage and answer the following questions:

Manorama Retail is a rapidly expanding retail company with stores across multiple cities. As the company grows, managing the workforce becomes increasingly complex. The HR department of XYZ faces several challenges, including hiring the right talent, managing employee turnover, and creating a training and development program to upskill employees.

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career development opportunities and a more robust employee recognition system.

Which of the following is not part of the recruitment process in XYZ Retail?

- 1. Screening resumes**
- 2. Conducting interviews**
- 3. Providing bonuses**
- 4. Background checks**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: C

Solution:

Answer:(3)Providing bonuses.

The question asks which activity is **NOT** part of the **recruitment** process. Recruitment is the process of **generating a pool of candidates**. The subsequent process is **selection**, which involves assessing and choosing the best candidates, and the final stage is **compensation/retention**.
