

Question1

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

- (A) Physical or Medical Examination**
- (B) Checking references**
- (C) Filling in of blank application form**
- (D) Employment test**

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), (D), (B), (A)**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: D

Solution:

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

Logical order of the selection process:

1. (C) Filling in of blank application form – candidate applies for the job.
2. (D) Employment test – assesses skills and suitability.
3. (B) Checking references – verifies background and reliability.
4. (A) Physical or Medical examination – ensures fitness before final selection.

Other options are wrong because they place medical or reference checks before application or testing, which is illogical.

Question2

Identify the process with the help of which a manager brings order out of chaos, removes conflict among people over work, and creates an environment suitable for teamwork.

- 1. Planning**
- 2. Delegation**
- 3. Organising**
- 4. Directing**

Options:

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

Answer: C

Solution:

Explanation:

Organising is the process through which a manager brings structure and coordination to work. It helps:

- Bring order out of chaos by clearly defining roles, responsibilities, and authority.
- Remove conflict among employees by properly dividing work and establishing reporting relationships.
- Create an environment suitable for teamwork by ensuring coordination and cooperation between departments and individuals.

Why Other Options Are Incorrect:

1. Planning:

Planning only decides what is to be done in the future — it sets objectives and strategies but does not resolve work conflicts or establish teamwork structure.

2. Delegation:

Delegation refers to assigning authority and responsibility to subordinates. It is a part of organising, not the complete process of creating order and teamwork

.

4. Directing: Directing involves guiding, supervising, and motivating employees to achieve goals. It comes after organising and focuses on implementation, not structural order.

Question3

Which of the following is NOT an advantage of formal organization?

- 1. Fixation of Responsibility**
- 2. Clarity of Roles**
- 3. Unity of Command**
- 4. Speed**

Options:

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

Answer: D

Solution:

Correct Answer: (4) Speed

Explanation:

A formal organization is a well-structured system of authority, responsibility, and communication that defines roles and relationships clearly.

While it provides clarity and discipline, it often lacks flexibility and therefore reduces speed in decision-making and communication because everything must follow proper channels and hierarchy.

Hence, Speed is NOT an advantage of a formal organization.

Why Other Options Are Correct Advantages:

1. Fixation of Responsibility:

In a formal structure, each individual's duties and responsibilities are clearly defined. This helps in accountability and avoids confusion — an important advantage.

2. Clarity of Roles:

Formal organization provides a clear definition of roles, authority, and relationships, ensuring everyone knows what to do.

This eliminates overlap and misunderstanding — another advantage.

3. Unity of Command:

Every employee receives orders from only one superior, which maintains discipline and reduces conflict. This is a core benefit of a formal structure.

Question4

Which of the following clearly explains the manner in which decision-making authority is dispersed at hierarchical levels?

- 1. Communication**
- 2. Decentralisation**
- 3. Centralisation**
- 4. Coordination**

Options:

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

Answer: B

Solution:

Correct Answer: (2) Decentralisation

Explanation:

Decentralisation means systematic delegation of authority to lower levels of management in an organisation. It describes how decision-making power is distributed among various levels — top, middle, and lower —

allowing managers at different levels to take decisions within their authority.

Hence, decentralisation clearly explains the dispersion of decision-making authority at hierarchical levels.

Why Other Options Are Incorrect:

- 1. Communication: Communication refers to the process of sharing information and ideas between people. It does not deal with how decision-making power is distributed.
- 3. Centralisation:Centralisation is the opposite of decentralisation. In centralisation, decision-making power remains concentrated at the top level, so authority is not dispersed.
- 4. Coordination:Coordination is about aligning efforts and activities of different departments to achieve a common goal. It ensures harmony in action, not distribution of authority.

Question5

Match List–I with List–II

List–I (Functions)	List–II (Activity)
(A) Planning	(I) Analysing Deviations
(B) Organising	(II) Setting goals in advance
(C) Directing	(III) Communicating effectively
(D) Controlling	(IV) Grouping tasks

Options:

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

Options:

- A.
1
- B.
2
- C.

3

D.

4

Answer: C

Solution:

The correct answer is **Option (3): (A) – (II), (B) – (IV), (C) – (III), (D) – (I).**

Planning is correctly matched with setting goals in advance because it involves deciding in advance what to do, when to do it, and how to do it, by setting objectives and targets for the organisation. Organising is matched with grouping tasks as it deals with arranging and assigning activities, resources, and authority in a structured manner. Directing corresponds to communicating effectively since it involves guiding, motivating, and leading employees through proper communication and supervision. Controlling is linked with analysing deviations because it focuses on comparing actual performance with planned results and taking corrective actions wherever necessary.

The other options are incorrect because they mismatch the functions and activities. For example, analysing deviations belongs to controlling, not planning; grouping tasks belongs to organising, not planning; and communicating effectively belongs to directing, not organising. Hence, the correct logical pairing of functions and activities is Planning – Setting goals in advance; Organising – Grouping tasks; Directing – Communicating effectively; Controlling – Analysing deviations.

Question6

Identify the internal factor that motivates a person to become an entrepreneur.

- 1. Passion**
- 2. Availability of raw material**
- 3. Demand of the product**
- 4. Government assistance and support**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Correct Answer: (1) Passion

Explanation:

Passion is an internal factor that drives an individual to become an entrepreneur. It comes from within a person — the desire to create, innovate, and build something of their own. Passion motivates entrepreneurs to take risks, stay committed despite challenges, and pursue their goals with enthusiasm. It reflects the inner drive or psychological motivation, which is essential for entrepreneurial success.

Why Other Options Are Incorrect:

2. Availability of raw material:

This is an external factor, as it depends on the external business environment and supply conditions, not on the individual's internal motivation.

3. Demand of the product:

Demand is also an external factor because it relates to market conditions and customer preferences — things outside the entrepreneur's personal control or inner drive.

4. Government assistance and support:

This too is an external factor, as it depends on government policies, incentives, and schemes, not on the entrepreneur's internal motivation.

Question7

Which of the following is NOT the consumer's responsibility while purchasing goods and services?

- 1. Buy only standardized goods**
- 2. Engage in scrupulous practices**
- 3. Read labels carefully**
- 4. Ensure a fair deal**

Options:

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

Answer: B

Solution:

The correct answer is (2) Engage in scrupulous practices.

This is not a consumer’s responsibility because it means acting dishonestly or unethically. Consumers are expected to act fairly and truthfully, not engage in deceitful behavior. On the other hand, buying standardized goods, reading labels carefully, and ensuring a fair deal are genuine consumer responsibilities as they promote awareness, safety, and fairness in the marketplace.

Question8

Match List-I with List-II

List-I (Types of Plan)	List-II (Description)
(A) Policies	(I) General statement or understanding that guides thinking in decision-making
(B) Rules	(III) Pre-determined decision which has to be applied in special circumstances
(C) Procedures	(IV) Exact way of doing work
(D) Programme	(II) Detailed statement about a project

Options:

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

Explanation (Summary):

- Policies (A–I): Policies are general statements that guide decision-making in an organization.
- Rules (B–III): Rules are predetermined decisions that must be followed strictly without exception.
- Procedures (C–IV): Procedures define the exact steps or way of doing work.
- Programme (D–II): A programme is a detailed plan or statement about a project, including objectives and actions.

Question9

Match List-I with List-II

List-I (Statement)	List-II (Fayol’s Principles)
(A) Each individual should be assigned one part of the work.	(IV) Division of Work
(B) There should be one plan of actions for a group of activities.	(III) Unity of Direction
(C) An employee should take orders from one superior only.	(II) Unity of Command
(D) A place for everything and everything in its place.	(I) Principle of Order

Options:

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

Explanation (Summary):

According to Henri Fayol's Principles of Management:

- (A) Division of Work: Each person should be assigned one part of the work to improve efficiency and specialization.
 - (B) Unity of Direction: All activities with the same objective should have one plan and one head to ensure coordination.
 - (C) Unity of Command: An employee should receive orders from only one superior to avoid confusion.
 - (D) Principle of Order: There should be an organized arrangement—"a place for everything and everything in its place."
-

Question10

Which of the following is NOT an 'On the Job Method' of training?

- 1. Apprenticeship**
- 2. Job Rotation**
- 3. Internship Training**
- 4. Vestibule Training**

Options:

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

Answer: D

Solution:

Correct Answer: (4) Vestibule Training

Explanation (Summary):

Vestibule training is not an on-the-job method because it is conducted away from the actual workplace in a simulated environment. Trainees practice using the same equipment and conditions as the real job but without affecting actual work operations. It is therefore an off-the-job training method.

The other options — Apprenticeship, Job Rotation, and Internship Training — are all on-the-job methods, as employees learn while actually working:

- Apprenticeship: Training under a skilled supervisor while doing real work.
- Job Rotation: Employees shift between jobs to gain varied experience.
- Internship Training: Learners work within an organization to gain practical experience.

Thus, Vestibule Training is the only option not conducted at the workplace, making it the correct answer.

Question11

Which of the following elements is closely linked to overseeing the work, guiding, and ensuring that targets are met by workers and employees?

- 1. Motivation**
- 2. Leadership**
- 3. Supervision**
- 4. Communication**

Options:

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

Answer: C

Solution:

Correct Answer: (3) Supervision

Explanation (Summary):

Supervision means overseeing the work of subordinates to ensure that they perform their tasks efficiently and achieve organizational goals. A supervisor provides guidance, direction, and feedback to workers and ensures discipline and coordination at the operational level. Thus, it is directly related to guiding and ensuring that targets are met.

- Motivation inspires employees to work willingly but does not involve overseeing or guiding their daily work.
- Leadership focuses on influencing and inspiring people rather than directly monitoring their work.
- Communication facilitates the exchange of information but is only a part of supervision, not its essence.

Hence, Supervision is the element most closely associated with overseeing and ensuring task completion.

Question12

Which of the following is NOT an external source of recruitment?

1. Direct Recruitment
2. Advertisements
3. Employment Exchange
4. Transfer

Options:

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

Answer: D

Solution:

Correct Answer: (4) Transfer

Explanation (Summary):

Transfer is an **internal source of recruitment** because it involves shifting an existing employee from one department, branch, or location to another within the same organization. No new person is hired from outside; instead, the vacancy is filled by someone already employed by the company.

On the other hand:

- **Direct Recruitment** is an **external source** as it involves hiring candidates directly from outside, often at the entry level.
- **Advertisements** are used to invite applications from the general public, making them an **external source**.
- **Employment Exchange** provides names of job seekers from outside the organization, which also makes it an **external source**.

Hence, **Transfer** is not an external source of recruitment because it takes place within the organization.

Question13

Which of the following is NOT a factor affecting working capital requirements?

- 1. Production Cycle**
- 2. Inflation**
- 3. Growth Prospects**
- 4. Floatation Cost**

Options:

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

Answer: D

Solution:

Correct Answer: (4) Floatation Cost

Explanation:

Floatation Cost refers to the expenses incurred while raising capital through the issue of shares or debentures. It affects the cost of capital and long-term financing decisions, not the day-to-day funds needed for operations. Therefore, it does not influence the working capital requirement of a business.

Why the other options are correct factors:

- **Production Cycle:** The longer the production process, the more funds are tied up in raw materials and work-in-progress, increasing working capital needs.
- **Inflation:** Rising prices increase the cost of inputs like raw materials and wages, thereby raising working capital requirements.
- **Growth Prospects:** Expanding businesses require more stock, debtors, and cash to support higher levels of activity, thus increasing the need for working capital.

Hence, Floatation Cost is the only option unrelated to determining working capital requirements.

Question14

Which of the following factors are related to the economic environment?

- 1. Balance of Payments and Budgets**
- 2. Life expectancy and expectations from the workforce**
- 3. Legislations passed by the government and regulations laid down by government authorities**
- 4. Technological developments and innovations**

Options:

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

Answer: A

Solution:

Correct Answer: (1) Balance of Payments and Budgets

Explanation:

The economic environment includes all economic factors that influence business activities and decision-making, such as national income, budgets, interest rates, inflation, employment levels, and balance of payments. Balance of Payments and Budgets directly indicate the financial health and stability of an economy, affecting investment, consumption, and business growth. Hence, they are related to the economic environment.

Why other options are not the answers:

- (2) Life expectancy and expectations from the workforce: These are part of the social environment, as they deal with demographics, lifestyle, and societal values.
- (3) Legislations and government regulations: These fall under the legal or political environment, since they concern laws and policies imposed by the government.
- (4) Technological developments and innovations: These belong to the technological environment, which focuses on advances in machinery, production methods, and innovation.

Therefore, among the given options, Balance of Payments and Budgets is the only factor related to the economic environment.

Question15

Arun has been promoted as production manager of the North-East division of a company. Now he is working at:

- 1. Top level of management**
- 2. Supervisory level of management**
- 3. Middle level of management**
- 4. Operational level of management**

Options:

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

Answer: C

Solution:

Correct Answer: (3) Middle level of management

Explanation:

A production manager works as a link between the top management (which formulates overall plans and policies) and the lower management (which executes those plans). The middle level of management includes departmental and divisional heads such as production managers, marketing managers, or branch heads. Their main role is to implement the policies of top management and coordinate with supervisors to ensure smooth operations in their respective divisions. Hence, Arun, as the production manager of a division, belongs to the middle level of management.

Why other options are not correct:

- (1) Top level of management: This includes directors, CEOs, and managing directors who are responsible for framing overall objectives, policies, and long-term plans for the entire organization—not for individual divisions.
- (2) Supervisory level of management: This level consists of foremen and supervisors who directly oversee workers and handle day-to-day operations, not divisional or departmental management.
- (4) Operational level of management: This is the lowest level, consisting of actual workers and employees who carry out the physical work, not managerial duties.

Therefore, Arun's designation as Production Manager of a division clearly places him at the middle level of management.

Question16

“An attempt to control everything results in controlling nothing.”

This refers to:

- 1. Management by Objectives**
- 2. Management by Control**
- 3. Management by Exception**
- 4. Remedial Plan**

Options:

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

Answer: C

Solution:

Correct Answer: (3) Management by Exception

Explanation:

The statement means managers should focus only on major deviations from expected results instead of trying to control every small task. Management by Exception helps save time and effort by addressing only significant issues, while routine matters are handled by subordinates.

Why other options are not correct:

- (1) Management by Objectives: Focuses on goal-setting, not selective control.
- (2) Management by Control: A general term for monitoring performance, not specific to exceptions.
- (4) Remedial Plan: Involves corrective action after problems occur, not focusing on exceptions during control.

Question17

In an organization, the major departments are toys, telecommunications, fabrics, and automobiles. The type of organizational structure adopted here is:

- 1. Staff organisation**
- 2. Functional structure**

3. Committee organisation

4. Divisional structure

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

Correct Answer: (4) Divisional structure

Explanation:

When an organization is divided into departments based on products or lines of business such as toys, telecommunications, fabrics, and automobiles, it follows a Divisional Structure. Each division operates as a semi-autonomous unit responsible for its own functions like production, marketing, and finance. This structure is suitable for large organizations dealing with diverse products or markets, as it ensures better accountability and focus on product performance.

Why other options are not correct:

- (1) Staff organisation: This refers to specialists who advise and assist line managers; it is not a type of overall structure.
- (2) Functional structure: Departments are created based on functions like marketing, finance, or HR — not products.
- (3) Committee organisation: This involves decision-making by committees rather than structuring based on products. It's a coordination mechanism, not an organizational structure type.

Question18

Arrange the steps of the controlling process in a logical sequence.

(A) Corrective action might involve training of employees if the production target could not be met.

(B) Setting standards of performance

(C) Performance of a worker in terms of units produced is measured against the standard output.

(D) Critical point control and management by exception should be used in case of deviations.

Choose the correct answer from the options given below:

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

Options:

A.

1

B.

2

C.

3

D.

4

Answer: C

Solution:

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

Explanation:

The logical sequence of the controlling process involves four main steps:

1. Setting standards of performance (B): Establishing benchmarks or targets against which performance will be measured.
2. Measuring actual performance (C): Evaluating actual results in terms of the set standards.
3. Comparing performance and analyzing deviations (D): Using tools like critical point control and management by exception to focus on major deviations.
4. Taking corrective action (A): Implementing solutions like employee training or process improvement to fix deviations and achieve targets.

Hence, the correct sequence is (B) → (C) → (D) → (A).

Question19

Which of the following are the roles of NGOs and consumer organizations for the protection of consumers?

(A) Carrying out testing of consumer products

(B) Taking initiatives in filing cases in consumer courts for individuals only

(C) Providing legal assistance to consumers by way of providing aid, legal advice, etc.

(D) Publishing periodicals to impart knowledge about consumer problems and relief available

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:

NGOs and consumer organizations play a vital role in protecting consumers through various activities. They carry out product testing (A) to ensure quality and safety standards, provide legal aid and advice (C) to help consumers fight unfair practices, and publish periodicals and awareness materials (D) to educate consumers about their rights and remedies available. These roles aim to empower consumers and promote ethical business practices.

Why other options are not correct:

- Option (B) (“Taking initiatives in filing cases in consumer courts for individuals only”) is incorrect because NGOs can file complaints on behalf of a group of consumers or in the public interest — not for individuals *only*.

- Option (2) includes (B), so it is incorrect.
- Option (3) includes (B), so it is incorrect.
- Option (4) excludes (A), which is wrong since testing products is one of the main roles of consumer organizations.

Hence, the correct answer is (A), (C), and (D) only.

Question20

Arrange the following elements of communication in a logical sequence:

- (A) Message**
- (B) Media**
- (C) Encoding**
- (D) Receiver**

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

Options:

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

Answer: B

Solution:

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

Explanation:

The logical sequence of the communication process starts with the Message, which is the idea or information the sender wants to convey. The sender then Encodes the message into symbols, words, or gestures that can be understood by the receiver. Next, the encoded message is transmitted through an appropriate Medium or

Media such as spoken words, writing, email, or social media. Finally, the message reaches the Receiver, who decodes and interprets it.

So, the correct order is:

Message → Encoding → Media → Receiver

Why other options are not correct:

- Option (1) (A), (B), (C), (D): Incorrect because the medium (B) cannot come before encoding (C); the message must first be encoded before choosing the channel.
- Option (3) (B), (A), (D), (C): Incorrect because communication cannot start with the medium; there must first be a message to transmit.
- Option (4) (A), (B), (D), (C): Incorrect because the receiver (D) cannot come before encoding (C); the message must be encoded and transmitted before it can be received.

Hence, the correct and logical sequence is (A), (C), (B), (D).

Question21

Which of the following are the importance of business environment?

- (A) Helping firms to identify the opportunities**
- (B) Helping firms in improving performance**
- (C) Helping firms in planning and policy formulation**
- (D) Helping firms in coping with turbulent market conditions**

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: C

Solution:

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

Explanation:

All the given statements represent the importance of the business environment.

- The business environment helps firms identify opportunities (A) and recognize threats, enabling them to capitalize on favorable conditions.
- It assists firms in improving performance (B) by adapting to changes and using environmental insights for better decision-making.
- It supports planning and policy formulation (C) as understanding external trends helps managers set realistic goals and make informed strategies.
- It enables firms to cope with turbulent market conditions (D) by anticipating changes and responding proactively.

Hence, all four (A), (B), (C), and (D) are correct.

Question22

Which of the following sets the upper limit of price which a buyer is ready to pay?

- 1. Product Cost**
- 2. Utility and Demand**
- 3. Extent of competition in the market**
- 4. Pricing Objectives**

Options:

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

Answer: B

Solution:

Which of the following sets the upper limit of price which a buyer is ready to pay?

1. Product Cost
2. Utility and Demand
3. Extent of competition in the market
4. Pricing Objectives

Correct Answer: (2) Utility and Demand

Explanation:

The utility (usefulness) of a product and the demand for it in the market determine how much a consumer is willing to pay — this sets the upper limit of the price. If buyers find high utility and strong desire for the product, they are willing to pay more; if the utility or demand decreases, the maximum price they are ready to pay also falls. Thus, the upper limit of pricing depends on buyers' perception of value and demand intensity.

Why other options are not correct:

- (1) Product Cost: This determines the lower limit of price, i.e., the minimum at which a seller can afford to sell without incurring losses, not the maximum a buyer is willing to pay.
- (3) Extent of competition in the market: Competition affects the market price level, but it does not define the buyer's maximum willingness to pay.
- (4) Pricing Objectives: These guide the seller's pricing strategy (e.g., profit maximization or market penetration) but do not influence how high a buyer is ready to pay.

Hence, utility and demand alone determine the upper price limit for a product.

Question23

The CFO of a company wants to change the capital structure of the company. Identify the factors which affect the choice of capital structure.

- (A) Stock Market Condition**
- (B) Tax Rate**
- (C) Cost of Equity**
- (D) Level of Competition**

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: C

Solution:

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

Explanation:

All the given factors: Stock Market Condition, Tax Rate, Cost of Equity, and Level of Competition — influence a company's choice of capital structure.

- **Stock Market Condition:** Affects investor confidence and the ease of raising funds through equity. During a booming market, companies prefer issuing equity; during a downturn, they rely more on debt.
 - **Tax Rate:** Since interest on debt is tax-deductible, higher tax rates make debt financing cheaper and more attractive.
 - **Cost of Equity:** A higher cost of equity discourages companies from issuing more shares and encourages them to opt for debt financing.
 - **Level of Competition:** In highly competitive markets, firms may prefer stable financing (like equity) to maintain liquidity and flexibility, while less competitive firms might take more leverage.
-

Question24

Which of the following is an important factor to be considered in long-term investment decisions?

- 1. Control Consideration**
- 2. Stability of Earnings**
- 3. Contractual Constraints**
- 4. Rate of Return**

Options:

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

Answer: D

Solution:

Correct Answer: (4) Rate of Return

Explanation:

Rate of Return is the most important factor in long-term investment decisions because it measures the profitability or financial benefit expected from an investment over time. In capital budgeting, firms evaluate projects by comparing expected returns with the cost of capital — only investments offering a satisfactory rate of return are undertaken. It helps determine whether the investment will enhance the firm's value and shareholders' wealth.

Why other options are not correct:

1. Control Consideration:

This is relevant in financing decisions (e.g., when choosing between debt and equity) because issuing more equity may dilute control. It is not a key factor in deciding long-term investments.

2. Stability of Earnings:

Stability of earnings affects the company's ability to service debt or pay dividends, but it is a consequence of investment decisions, not a deciding factor in selecting investment projects.

3. Contractual Constraints:

These are external limitations (like loan covenants or agreements) that may restrict financial flexibility, but they are not central to evaluating the profitability or desirability of a long-term investment.

Question25

Arrange the following steps of organizing in a logical manner.

(A) Grouping similar activities

(B) Determining the key activities

(C) Assigning responsibilities

(D) Coordinating relationships

Choose the correct answer from the options given below:

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

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

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

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

Options:

A. 1

B. 2

C. 3

D. 4

Answer: C

Solution:

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

Explanation:

The logical sequence of steps in the process of organizing is as follows:

1. Determining key activities (B):
The first step in organizing is identifying and defining the key activities or tasks that need to be performed to achieve organizational objectives. This gives clarity on what needs to be done.
 2. Grouping similar activities (A):
Once activities are identified, they are grouped based on their similarity or related nature — such as production, marketing, or finance — to create departments or divisions.
 3. Assigning responsibilities (C):
After grouping, specific tasks are assigned to individuals or departments according to their roles, qualifications, and authority. This establishes accountability.
 4. Coordinating relationships (D):
Finally, relationships among departments and individuals are coordinated to ensure harmony and smooth workflow within the organization.
-

Question26

Which of the following are inseparable twins of management functions?

- 1. Planning and Organising**
- 2. Directing and Controlling**
- 3. Planning and Directing**
- 4. Planning and Controlling**

Options:

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

Answer: D

Solution:

Explanation:

Planning and Controlling are called the inseparable twins of management because both are closely related

and interdependent functions.

- Planning sets the objectives and outlines the course of action to achieve them.
- Controlling ensures that the actual performance conforms to the planned performance by measuring deviations and taking corrective actions.

Thus, controlling is the complement of planning — planning is meaningless without control, and control is impossible without plans.

They both complete the management cycle: Planning → Execution → Controlling → Replanning.

Why other options are not correct:

- (1) Planning and Organising:
These are sequential functions — organizing follows planning, but they are not interdependent to the extent of being called twins. Organizing simply structures resources, not ensures achievement of plans.
- (2) Directing and Controlling:
Though both are execution-related, directing focuses on guiding people, while controlling focuses on evaluating results. They are not interlinked like planning and controlling.
- (3) Planning and Directing:
Planning sets objectives, while directing motivates employees — but directing can occur without strict dependence on planning. Hence, they are not “inseparable.”

Question27

Match List–I with List–II

List–I (Decision)	List–II (Activity)
(A) Long-term Investment Decision	(I) Choice of Technique
(B) Working Capital Decision	(II) Cash Management
(C) Fixed Capital Decision	(III) Raising capital by issuing shares/debentures
(D) Financing Decision	(IV) Capital Budgeting

Options:

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

Options:

A.

1

B.

2

C.

3

D.

4

Answer: A

Solution:

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

Explanation:

(A) Long-term Investment Decision → (IV) Capital Budgeting

This involves investment of funds in long-term assets like machinery, land, or projects. Capital budgeting techniques (like NPV or IRR) are used to evaluate such investments. Hence, (A) matches with (IV).

(B) Working Capital Decision → (II) Cash Management

Working capital deals with short-term assets and liabilities—mainly managing current assets such as cash, inventory, and receivables. Thus, cash management is a key component. Hence, (B) matches with (II).

(C) Fixed Capital Decision → (I) Choice of Technique

Fixed capital refers to investment in long-term productive assets. The “choice of technique” (e.g., labour-intensive vs. capital-intensive methods) affects how much fixed capital is needed. Hence, (C) matches with (I).

(D) Financing Decision → (III) Raising capital by issuing shares/debentures

Financing decisions determine the sources of funds—whether equity, debt, or a mix. Issuing shares or debentures is a part of financing. Hence, (D) matches with (III).

Question28

Delegation of authority is an important instrument for effective management.

Which of the following is another point of importance of delegation?

- 1. Employee development**
- 2. Leads to slow and better decisions**
- 3. Dependence on executives**
- 4. Increase in labor turnover**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: A

Solution:

Explanation:

Delegation of authority means transferring responsibility and authority from a superior to a subordinate. It allows managers to share their workload, empowers employees, and improves efficiency.

(1) Employee development – Correct

Delegation gives subordinates the chance to make decisions and take responsibility. This builds confidence, enhances skills, and develops leadership qualities. Thus, it promotes employee development, which is a key importance of delegation.

Why Other Options Are Incorrect:

(2) Leads to slow and better decisions – Incorrect

Delegation actually leads to quick and efficient decisions, since authority is distributed. Saying “slow and better decisions” is opposite to the real advantage of delegation.

(3) Dependence on executives – Incorrect

Delegation reduces dependence on a few top executives by empowering subordinates to take decisions. Hence, this option contradicts the concept.

(4) Increase in labor turnover – Incorrect

Delegation usually increases job satisfaction and reduces labor turnover, since employees feel trusted and valued. So, this is also incorrect.

Question29

Money required for carrying out the business activities is known as:

- 1. Financial Planning**
- 2. Money Measurement**
- 3. Business Finance**
- 4. Money Market**

Options:

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

Answer: C

Solution:

Explanation:

Business Finance refers to the money or funds required for carrying out business activities such as purchasing assets, meeting day-to-day expenses, paying wages, and expanding operations. It ensures smooth functioning and growth of the business. Without adequate finance, a business cannot run effectively.

Why Other Options Are Incorrect:

(1) Financial Planning – Incorrect:

Financial planning refers to estimating future financial needs and deciding how to arrange funds. It deals with planning the use of finance, not the finance itself. Hence, it is not the money required but the process of planning it.

(2) Money Measurement – Incorrect:

This is an accounting concept that states only transactions measurable in monetary terms are recorded in books of accounts. It does not refer to funds required for business.

(4) Money Market – Incorrect:

The money market is a financial market where short-term funds are borrowed and lent. It is a source from where funds can be obtained, not the term used for funds needed in business.

Question30

Question:

In the context of the types of plan, identify the correct statement.

- 1. Objectives need to be expressed in specific terms.**
- 2. Policy refers to specific statements which are decided for the guidance of top management only.**
- 3. Procedure refers to the plan which tells us what is to be done and what not to be done.**
- 4. Rules refer to a plan that covers a large organizational activity and specifies main steps and its orders.**

Options:

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

Answer: A

Solution:

Correct Answer: 1. Objectives need to be expressed in specific terms.

Explanation:

Objectives represent the end results that an organization seeks to achieve. They need to be expressed in specific and measurable terms so that they can guide all managerial activities and provide a clear direction. For example, “To increase sales by 10% within six months” is a specific and measurable objective.

Why Other Options Are Incorrect:

(2) Policy refers to specific statements which are decided for the guidance of top management only – Incorrect

Policies are general guidelines for decision-making that guide all levels of management, not just top management. They help in consistent decision-making throughout the organization.

(3) Procedure refers to the plan which tells us what is to be done and what not to be done – Incorrect
A procedure specifies the sequence of steps to be followed for performing a particular task, not what is to be done or avoided. The description “what not to be done” fits more with rules, not procedures.

(4) Rules refer to a plan that covers a large organizational activity and specifies main steps and its orders – Incorrect

Rules do not cover large organizational activities. They are specific statements that define what is allowed or not allowed in certain situations. The statement here is confusing rules with programmes or procedures.

Question31

Barriers which are concerned with problems and obstructions in the process of encoding and decoding of message into words or impressions are known as:

- 1. Psychological barriers**
- 2. Organisational barriers**
- 3. Semantic barriers**

4. Personal barriers

Options:

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

Answer: C

Solution:

Correct Answer: 3. Semantic barriers

Explanation:

Semantic barriers arise due to problems and misunderstandings in the encoding and decoding of messages — that is, when the sender and receiver interpret words, symbols, or language differently. These barriers occur because the meaning of words or expressions may vary based on context, background, or perception. For example, if a manager uses technical jargon that employees do not understand, the intended message gets distorted. Thus, semantic barriers are directly linked to the use and understanding of language and symbols, which makes communication ineffective.

Why Other Options Are Incorrect:

(1) Psychological barriers – Incorrect:

These arise from the mental or emotional state of individuals, such as fear, mistrust, lack of attention, or poor attitude. They do not relate to the process of encoding or decoding words, but rather to how people perceive or react emotionally to communication.

(2) Organisational barriers – Incorrect:

These occur due to structural or policy-related issues within an organization, such as long communication channels, lack of clarity in hierarchy, or rigid rules. They affect the flow of communication, not the interpretation of words.

(4) Personal barriers – Incorrect:

These stem from individual factors like lack of confidence, status differences, or unwillingness to communicate. They are based on personal attitudes or behavior, not on the meaning or understanding of language.

Question32

Match List-I with List-II

List-I (Consumer Rights)	List-II (Statement)
(A) Right to be informed	(I) Manufacturing date, ingredients, price, quantity of the product etc.
(B) Right to safety	(II) Customers can raise complaints with the customer care division of the company.
(C) Right to seek redressa	(III) Warning: Use only for low current devices.
(D) Right to be heard	(IV) A consumer has a right to get relief in case the product falls short of his expectations.

Options:

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

Explanation:

(A) Right to be informed → (I) Manufacturing date, ingredients, price, quantity of the product etc.
Consumers have the right to get complete information about a product, including its contents, price, quantity, and manufacturing details. This ensures they can make informed purchasing decisions and are protected against unfair trade practices or misleading advertisements.

(B) Right to safety → (III) Warning: Use only for low current devices.

This right protects consumers from products and services that are hazardous to health or life. Labels such as “Warning: Use only for low current devices” ensure that consumers are aware of potential dangers, helping them use products safely.

(C) Right to seek redressal → (IV) A consumer has a right to get relief in case the product falls short of his expectations.

If a product or service is defective, deficient, or unsatisfactory, consumers can file complaints and claim compensation or replacement. This right ensures fairness and accountability from manufacturers and sellers.

(D) Right to be heard → (II) Customers can raise complaints with the customer care division of the company.

This right ensures that consumers’ complaints and concerns are heard and addressed at appropriate forums.

Companies are required to provide platforms such as customer care centers for grievance redressal.

Question33

Which of the following are the objectives of standardisation in a business organisation?

(A) To reduce a given line or product to fixed types, sizes and characteristics.

(B) To establish interchangeability of manufactured parts and products.

(C) To establish standards of excellence and quality in materials.

(D) To establish standards of performance appraisal for human resources only.

Options:

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: B

Solution:

Correct Answer: 2. (A), (B) and (C) only

Explanation:

Standardisation in business refers to setting uniform specifications for products, materials, and production methods to ensure consistency, efficiency, and quality. The main objectives of standardisation are:

- (A) To reduce a given line or product to fixed types, sizes and characteristics:
This helps simplify production, reduce variety, and ensure uniformity, making mass production and cost control easier.
- (B) To establish interchangeability of manufactured parts and products:
Standardisation allows components or products from different batches or suppliers to be interchangeable without modification, ensuring efficiency and ease in maintenance.
- (C) To establish standards of excellence and quality in materials:
Setting specific quality benchmarks ensures that materials used meet the required level of performance, durability, and customer satisfaction.

Thus, (A), (B), and (C) represent the key objectives of standardisation.

Question34

Which of the following is NOT a characteristic of coordination?

- 1. Coordination disintegrates group efforts**
- 2. Coordination ensures unity of action**
- 3. Coordination is a continuous process**
- 4. Coordination is a deliberate function**

Options:

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

Answer: A

Solution:

Correct Answer: 1. Coordination disintegrates group efforts

Explanation:

Coordination means synchronizing the activities of different departments and individuals to ensure unity of action towards a common goal. Its purpose is to integrate, not disintegrate, group efforts.

Hence, statement 1 is NOT a characteristic of coordination because it directly contradicts the very objective of coordination — instead of uniting efforts, it suggests breaking them apart.

Question35

"A manager starts planning before the work begins and when work is accomplished, planning for the other work starts."

Identify the feature of planning reflected by the given statement.

- 1. Planning is goal oriented**
- 2. Planning is pervasive**
- 3. Planning is continuous**
- 4. Planning is forecasting**

Options:

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

Answer: C

Solution:

Correct Answer: 3. Planning is continuous

Explanation:

The given statement highlights that planning does not stop once a task is completed; new plans are made for upcoming activities. This shows that planning is an ongoing process — it is never static. Managers constantly review and update plans as situations change or new goals arise.

Hence, the feature reflected here is “Planning is continuous.” It emphasizes that planning is a cyclical process involving constant review, evaluation, and modification.

Question36

Which of the following is NOT a Right under the Consumer Protection Act, 2019?

- 1. Right to Consumer Education**
- 2. Right to be Heard**
- 3. Right to Sale**
- 4. Right to Seek Redressal**

Options:

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

Answer: C

Solution:

Correct Answer: 3. Right to Sale

Explanation:

Under the Consumer Protection Act, 2019, there are six consumer rights officially recognized. These are:

1. Right to Safety – protection from hazardous goods/services.
2. Right to be Informed – about quality, quantity, price, etc.
3. Right to Choose – freedom to choose among a variety of products.
4. Right to be Heard – consumers’ interests must be considered in policy decisions.
5. Right to Seek Redressal – right to compensation against unfair trade practices.
6. Right to Consumer Education – awareness about consumer rights and responsibilities.

The term “Right to Sale” is not among these rights and therefore is not recognized under the Act.

Question37

Which of the following is a long-term source of finance?

- 1. Debt**
- 2. Bills Receivable**
- 3. Cash at Bank**
- 4. Bank Overdraft**

Options:

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

Answer: A

Solution:

Explanation:

Debt refers to borrowed funds that are repayable over a long period, generally more than one year. It is a long-term source of finance because it provides funds for a longer duration, helping businesses finance fixed assets like land, building, and machinery. Long-term debts include debentures, bonds, and term loans from financial institutions.

Why Other Options Are Not Correct:

- (2) Bills Receivable:
This is a short-term asset that represents money owed by customers, usually payable within a few months. It is part of current assets, not a source of long-term finance.
- (3) Cash at Bank:
This is a form of liquid asset, not a source of finance. It shows available cash balance for immediate or short-term use, not funds raised for long-term investments.
- (4) Bank Overdraft:
 This is a short-term borrowing facility that allows a business to withdraw more money than is available in its bank account. It is used to meet temporary working capital needs, not for long-term purposes.

Question38

Which of the following is NOT an element of directing?

- 1. Supervision**
- 2. Motivation**
- 3. Leadership**

4. Performance Appraisal

Options:

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

Answer: D

Solution:

Explanantion: Directing is one of the key functions of management that involves guiding, supervising, motivating, and leading employees towards achieving organizational goals.

The main elements of directing are:

- Supervision – overseeing the work of subordinates.
- Motivation – inspiring employees to perform better.
- Leadership – influencing and guiding employees.
- Communication – ensuring effective exchange of information.

Performance Appraisal, however, is not part of directing — it belongs to the controlling and staffing functions. It involves evaluating employee performance after the work is done, not guiding or motivating during the process.

Question39

Arrange the following steps of the process of entrepreneurial development in a logical sequence:

- (A) Gathering resources**
- (B) Changing with time**
- (C) Persuading others**
- (D) Sensing an opportunity**

Choose the correct answer from the options given below:

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

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

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

Options:

A. 1

B. 2

C. 3

D. 4

Answer: D

Solution:

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

Explanation:

The process of entrepreneurial development follows a systematic sequence that begins with identifying opportunities and ends with adapting to changing conditions. The correct logical order is:

1. Sensing an opportunity (D):

This is the first step where an entrepreneur identifies a gap in the market or a need that can be fulfilled through a product or service. Without recognizing an opportunity, the process cannot begin.

2. Gathering resources (A):

Once an opportunity is identified, the next step is to collect the necessary resources — financial, human, and material — required to start the business.

3. Persuading others (C):

After gathering resources, the entrepreneur needs to convince investors, employees, and customers to support or believe in the idea. This helps in turning the concept into a reality.

4. Changing with time (B):

The final step is adapting to changing market trends, technology, and consumer preferences. Flexibility ensures sustainability and growth of the business over time.

Question40

Financial leverage is associated with which of the following?

(A) Debt/Debt+Capital

(B) Debt/Equity

(C) Equity/Debt+Capital

(D) Debt/Debt+Equity

Choose the correct answer from the options given below:

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

Options:

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

Answer: D

Solution:

Explanation:

Concept:

Financial leverage refers to the use of debt in the capital structure of a firm. It shows the relationship between borrowed funds (debt) and owner's funds (equity).

The higher the proportion of debt compared to equity, the higher the financial leverage — indicating greater financial risk but also higher potential returns to shareholders.

Why (B) and (D) are correct:

- Option (B) → $\frac{\text{Debt}}{\text{Equity}}$
This is the Debt-Equity Ratio, a key measure of financial leverage.
It directly compares how much of the firm's financing comes from debt versus owners' equity.
- Option (D) → $\frac{\text{Debt}}{\text{Debt} + \text{Equity}}$
This shows the proportion of debt in total capital employed (Debt + Equity).
It is another valid representation of leverage, as it expresses what share of total capital is financed through borrowed funds.

Hence, both (B) and (D) are correct indicators of financial leverage.

Question 41

Read the passage and answer the following questions:

Shilpa Rai is a 37-year-old entrepreneur who grew up in a rural district of South Kannada. She was very good at art and craft, particularly wax molds. She loved to make candles. Often she makes toys and small pieces of art with wax and uses them as a gift for her friends and relatives. She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills. She believes that she is getting her work done as well as helping the needy section of society. Since it is a small business, she performs all the functions of business management herself. But she knows that the workers are not from a sound background, and they need motivation to perform efficiently and effectively. Slowly, the business is growing noticeably as the number of orders is increasing. As the orders are increasing, the production cost is declining. Based on the knowledge and experience that Shilpa acquired in her business, she smartly handles all the critical situations.

“Based on the knowledge and experience that Shilpa acquired in her business, she smartly handles all the critical situations.”

This statement suggests that management is based on:

- 1. Flexibility**
- 2. Practice and Creativity**
- 3. Systematised body of knowledge**
- 4. Relativity**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

Correct answer:(2) Practice and creativity

Explanation:

The statement highlights that Shilpa manages situations based on the knowledge and experience she has gained, which reflects that management is a systematic and organized body of knowledge derived from principles, theories, and experiences. Management, as a discipline, is not random but structured and guided by certain established principles that can be learned and applied to handle different situations effectively.

- Why Option 1 (Flexibility) is not correct:
Flexibility refers to the ability to adapt to changes, but the statement focuses on knowledge and experience, not adaptability.
 - Why Option 3 (Systemized body of knowledge) is not correct:
While Shilpa may be creative in her work, the statement emphasizes her use of knowledge and experience,
 - Why Option 4 (Relativity) is not correct:
Relativity means management principles change according to situations, but this statement is not about situational variation—it's about the basis of knowledge and experience.
-

Question42

Read the passage and answer the following questions:

Shilpa Rai is a 37-year-old entrepreneur who grew up in a rural district of South Kannada. She was very good at art and craft, particularly wax molds. She loved to make candles. Often she makes toys and small pieces of art with wax and uses them as a gift for her friends and relatives. She is always involved in helping poor women of the area by providing them with jobs after imparting necessary

skills. She believes that she is getting her work done as well as helping the needy section of society. Since it is a small business, she performs all the functions of business management herself. But she knows that the workers are not from a sound background, and they need motivation to perform efficiently and effectively. Slowly, the business is growing noticeably as the number of orders is increasing. As the orders are increasing, the production cost is declining. Based on the knowledge and experience that Shilpa acquired in her business, she smartly handles all the critical situations.

“Since it is a small business, she performs all the functions of business management herself.”

Identify the functions of management performed by Shilpa in the above case.

- 1. Planning, Coordinating and Controlling**
- 2. Planning, Staffing, Training and Controlling**
- 3. Planning, Organising, Staffing, Directing and Controlling**
- 4. Planning, Organising, Coordinating and Controlling**

Options:

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

Answer: C

Solution:

Answer:  **Option 3 — Planning, Organising, Staffing, Directing and Controlling**

Explanation:

The statement mentions that Shilpa performs all the functions of business management herself. According to Henry Fayol, there are five main functions of management — Planning, Organising, Staffing, Directing, and Controlling.

- **Planning:** Shilpa plans her business activities such as production, marketing, and providing employment.
- **Organising:** She arranges resources (labour, materials, and tools) efficiently.
- **Staffing:** She hires and trains poor women, thus performing the staffing function.
- **Directing:** She motivates and guides her workers to perform effectively.
- **Controlling:** She monitors performance, reduces costs, and ensures smooth operations.

Therefore, all five functions are reflected in her role, which matches Option 3.

Question43

Read the passage and answer the following questions:

Shilpa Rai is a 37-year-old entrepreneur who grew up in a rural district of South Kannada. She was very good at art and craft, particularly wax molds. She loved to make candles. Often she makes toys and small pieces of art with wax and uses them as a gift for her friends and relatives. She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills. She believes that she is getting her work done as well as helping the needy section of society. Since it is a small business, she performs all the functions of business management herself. But she knows that the workers are not from a sound background, and they need motivation to perform efficiently and effectively. Slowly, the business is growing noticeably as the number of orders is increasing.

As the orders are increasing, the production cost is declining. Based on the knowledge and experience that Shilpa acquired in her business, she smartly handles all the critical situations.

“Slowly the business is growing as the number of orders are increasing, and the production cost is declining.”

Which of the following concepts is causing the decrease in production cost here?

- 1. Economies of Sale**
- 2. Economies of Production**
- 3. Economies of Scope**
- 4. Economies of Scale**

Options:

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

Answer: D

Solution:

Explanation:

The case states that as the number of orders increases, the production cost is declining. This means that when output increases, the average cost per unit decreases, which happens due to Economies of Scale.

Economies of Scale refer to the cost advantages a business obtains due to expansion. As production increases, fixed costs are spread over a larger number of units, and efficiency improves — leading to lower average costs.

In Shilpa’s case, as her business grows and more orders come in, her average production cost per candle decreases due to efficient use of resources and spreading of fixed expenses.

Question44

Read the passage and answer the following questions:

Shilpa Rai is a 37-year-old entrepreneur who grew up in a rural district of South Kannada. She was very good at art and craft, particularly wax molds. She loved to make candles. Often she makes toys and small pieces of art with wax and uses them as a gift for her friends and relatives. She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills. She believes that she is getting her work done as well as helping the needy section of society. Since it is a small business, she performs all the functions of business management herself. But she knows that the workers are not from a sound background, and they need motivation to perform efficiently and effectively. Slowly, the business is growing noticeably as the number of orders is increasing. As the orders are increasing, the production cost is declining. Based on the knowledge and experience that Shilpa acquired in her business, she smartly handles all the critical situations.

“She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills.”

Which objective of management is reflected in this statement?

- 1. Personal objective**
- 2. Organisational objective**

3. Social objective

4. Administrative objective

Options:

A. 1

B. 2

C. 3

D. 4

Answer: C

Solution:

Answer: Option 3 —Social Objective

Explanation:

The statement highlights Shilpa's efforts to help poor women by giving them employment opportunities and skill training. This action benefits society at large rather than just her business or personal interests. Hence, it reflects the social objective of management, which focuses on contributing to the welfare of society — for example, generating employment, ensuring fair wages, avoiding pollution, and supporting underprivileged groups.

In this case, Shilpa's initiative to empower poor women aligns perfectly with the social responsibility aspect of management.

Why other options are incorrect:

- Option 1: Personal Objective
Personal objectives relate to fulfilling the needs of individual employees, such as salary, promotion, recognition, and job satisfaction. The statement does not mention Shilpa's or her employees' personal gains — it focuses on helping society.
- Option 2: Organisational Objective
Organisational objectives aim at achieving business goals like earning profit, growth, or increasing productivity. The statement doesn't discuss business profitability or efficiency, but rather community welfare.
- Option 4: Administrative Objective
This is not a standard classification under management objectives. Management objectives are divided into organisational, social, and personal — hence this option is invalid in this context.

Question45

Read the passage and answer the following questions:

Shilpa Rai is a 37-year-old entrepreneur who grew up in a rural district of South Kannada. She was very good at art and craft, particularly wax molds. She loved to make candles. Often she makes toys and small pieces of art with wax and uses them as a gift for her friends and relatives. She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills. She believes that she is getting her work done as well as helping the needy section of society. Since it is a small business, she performs all the functions of business management herself. But she knows that the workers are not from a sound background, and they need motivation to perform efficiently and effectively. Slowly, the business is growing noticeably as the number of orders is increasing. As the orders are increasing, the production cost is declining. Based on the knowledge and experience that Shilpa acquired in her business, she smartly handles all the critical situations.

"She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills". identify the concept reflected in the above statement?

- 1. Personal objective**
- 2. Organisational objective**
- 3. Social objective**
- 4. Administrative objective**

Options:

A.

1

B.

2

C.

3

D.

4

Answer: C

Solution:

Explanation

Social Objective of Management

The social objective of management refers to the consistent creation of benefits or value for society as a part of the business operations.

- Definition: It involves the commitment of the management to contribute to society, often through economic, legal, and ethical responsibilities.
- Context in the Statement: The statement, "She is always involved in helping poor women of the area by providing them with jobs after imparting necessary skills", directly reflects a concern for the community's well-being and upliftment.
 - Providing jobs to poor women (a needy section of society).
 - Imparting necessary skills (contributing to human resource development).

These actions go beyond the purely financial or organizational goals of the business and focus on its social responsibility, which is the core of the social objective.

Question46

Read the passage and answer the following questions:

LuxeShoe is a premium footwear brand that recently launched a new line of sneakers. Their target audience consists of young, fashion-forward individuals who are willing to spend a bit more for quality and style.

LuxeShoe's marketing strategy focuses on creating an emotional connection with consumers through its branding, emphasizing comfort, durability, and sleek designs. The packaging of the shoes is carefully designed to reflect the brand's premium image, with each pair of sneakers coming in a sturdy, eco-friendly box adorned with the brand logo and minimalist graphics.

The brand uses a mix of traditional and digital marketing channels, including influencer partnerships, social media ads, and collaborations with fashion designers. LuxeShoe also offers a loyalty program, where customers receive discounts for every purchase and referrals. The brand's strong presence in retail stores, with dedicated sections for its products, further solidifies its image as a premium brand.

"The eco-friendly packaging strategy of LuxeShoe is part of which element of the marketing mix?"

- 1. Product**
- 2. Price**
- 3. Promotion**
- 4. Place**

Options:

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

Answer: A

Solution:

Answer:

1. Product

Explanation:

The eco-friendly packaging strategy of LuxeShoe is part of the Product element of the marketing mix. Packaging is considered an integral part of the product as it helps in protecting the product, enhancing its appeal, and reflecting the brand's identity. In this case, LuxeShoe uses sturdy, eco-friendly boxes with the brand logo and minimalist graphics, which highlight its premium and sustainable brand image—clearly a feature of the product design and presentation.

Why other options are not correct:

- 2. Price:
Price refers to the amount customers pay to acquire a product. It includes decisions about pricing strategy, discounts, and payment terms. Since the question is about packaging (not cost or pricing decisions), this option is incorrect.
- 3. Promotion:
Promotion involves activities that communicate the product's value to customers, such as advertising, public relations, and sales promotions. While eco-friendly packaging may indirectly promote brand values, it is primarily a product feature, not a promotional activity.
- 4. Place:
Place relates to distribution channels how and where a product is made available to consumers. It concerns logistics and retail presence, not packaging design. Hence, it doesn't apply here.

Question47

Read the passage and answer the following questions:

LuxeShoe is a premium footwear brand that recently launched a new line of sneakers. Their target audience consists of young, fashion-forward individuals who are willing to spend a bit more for quality and style.

LuxeShoe's marketing strategy focuses on creating an emotional connection with consumers through its branding, emphasizing comfort, durability, and sleek

designs. The packaging of the shoes is carefully designed to reflect the brand's premium image, with each pair of sneakers coming in a sturdy, eco-friendly box adorned with the brand logo and minimalist graphics.

The brand uses a mix of traditional and digital marketing channels, including influencer partnerships, social media ads, and collaborations with fashion designers. LuxeShoe also offers a loyalty program, where customers receive discounts for every purchase and referrals. The brand's strong presence in retail stores, with dedicated sections for its products, further solidifies its image as a premium brand.

LuxeShoe's use of social media ads primarily influences which part of the marketing mix?

- 1. Product**
- 2. Place**
- 3. Price**
- 4. Promotion**

Options:

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

Answer: D

Solution:

Answer:Promotion

Explanation:

Social media advertising is a tool used to inform, persuade, and remind customers about a brand's products and values. It is a part of the Promotion element of the marketing mix, which deals with all communication and marketing activities aimed at attracting and retaining customers.

In this case, LuxeShoe uses social media ads to create awareness, build brand image, and connect emotionally with its audience — all of which fall under promotion strategies.

Why other options are not correct:

- 1. Product:
This element refers to the actual good or service offered by the company — its features, design, quality, and packaging. Social media advertising does not change or define the product itself; it only communicates about it.
 - 2. Place:
Place relates to distribution channels how and where the product is made available to consumers (like retail stores or online platforms). Advertising doesn't decide where the product is sold, so this option is incorrect.
 - 3. Price:
Price is the amount charged to customers for the product. While advertising might influence customer perception of value, it doesn't directly set or represent the pricing element of the marketing mix.
-

Question48

Read the passage and answer the following questions:

LuxeShoe is a premium footwear brand that recently launched a new line of sneakers. Their target audience consists of young, fashion-forward individuals who are willing to spend a bit more for quality and style.

LuxeShoe's marketing strategy focuses on creating an emotional connection with consumers through its branding, emphasizing comfort, durability, and sleek designs. The packaging of the shoes is carefully designed to reflect the brand's premium image, with each pair of

sneakers coming in a sturdy, eco-friendly box adorned with the brand logo and minimalist graphics.

The brand uses a mix of traditional and digital marketing channels, including influencer partnerships, social media ads, and collaborations with fashion designers. LuxeShoe also offers a loyalty program, where customers receive discounts for every purchase and referrals. The brand's strong presence in retail stores, with dedicated sections for its products, further solidifies its image as a premium brand.

What aspect of the product packaging reflects the brand's premium image?

- 1. Bright Colors**
- 2. Sturdy, Eco-friendly box**
- 3. Large Logos**
- 4. Plastic Wrapping**

Options:

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

Answer: B

Solution:

Answer:

- 2. Sturdy, Eco-friendly box

Explanation:

The passage clearly states that “The packaging of the shoes is carefully designed to reflect the brand’s premium image, with each pair of sneakers coming in a sturdy, eco-friendly box adorned with the brand logo and minimalist graphics.”

This means the sturdy, eco-friendly box represents the premium quality and responsible branding of LuxeShoe — combining durability (sturdy) and sustainability (eco-friendly) to appeal to a high-end, conscious consumer base.

Question49

Read the passage and answer the following questions:

LuxeShoe is a premium footwear brand that recently launched a new line of sneakers. Their target audience consists of young, fashion-forward individuals who are willing to spend a bit more for quality and style.

LuxeShoe's marketing strategy focuses on creating an emotional connection with consumers through its branding, emphasizing comfort, durability, and sleek designs. The packaging of the shoes is carefully designed to reflect the brand’s premium image, with each pair of sneakers coming in a sturdy, eco-friendly box adorned with the brand logo and minimalist graphics.

The brand uses a mix of traditional and digital marketing channels, including influencer partnerships, social media ads, and collaborations with fashion designers. LuxeShoe also offers a loyalty program, where customers receive discounts for every purchase and referrals. The brand’s strong presence in retail stores, with dedicated sections for

its products, further solidifies its image as a premium brand.

Which of the following is part of LuxeShoe’s marketing mix?

- 1. Quality Control Process**
- 2. Packaging and Product Promotion**
- 3. Employee Training**
- 4. Shipping Logistics**

Options:

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

Answer: B

Solution:

Answer:

2. Packaging and Product Promotion

Explanation:

The marketing mix (also known as the 4 Ps of Marketing) includes — Product, Price, Place, and Promotion. From the passage, LuxeShoe’s marketing activities include attractive eco-friendly packaging and promotion through social media ads, influencer partnerships, and collaborations with designers. These directly relate to the Product and Promotion elements of the marketing mix.

Therefore, “Packaging and Product Promotion” is part of LuxeShoe’s marketing mix.

Question50

Read the passage and answer the following questions:

LuxeShoe is a premium footwear brand that recently launched a new line of sneakers. Their target audience consists of young, fashion-forward individuals who are willing to spend a bit more for quality and style.

LuxeShoe's marketing strategy focuses on creating an emotional connection with consumers through its branding, emphasizing comfort, durability, and sleek designs. The packaging of the shoes is carefully designed to reflect the brand's premium image, with each pair of sneakers coming in a sturdy, eco-friendly box adorned with the brand logo and minimalist graphics.

The brand uses a mix of traditional and digital marketing channels, including influencer partnerships, social media ads, and collaborations with fashion designers. LuxeShoe also offers a loyalty program, where customers receive discounts for every purchase and referrals. The brand's strong presence in retail stores, with dedicated sections for its products, further solidifies its image as a premium brand.

What is the role of LuxeShoe's loyalty program in their marketing strategy?

- 1. To reduce production costs**
- 2. To enhance customer retention**
- 3. To decrease the brand's value**
- 4. To increase packaging costs**

Options:

A. 1

B. 2

C. 3

D. 4

Answer: B

Solution:

Answer:

2. To enhance customer retention

Explanation:

LuxeShoe's loyalty program offers customers discounts for every purchase and referrals, which encourages them to buy repeatedly and stay connected with the brand. This is a classic marketing strategy used to increase customer loyalty and retention ensuring that existing customers continue purchasing rather than switching to competitors.

By rewarding repeat purchases, the brand strengthens long-term relationships and improves overall brand loyalty a key goal of the "Promotion" element in the marketing mix.
