

SAMPLE PAPER 8

Maximum Marks : 200

Time : 45 Minutes

General Instructions:

- (i) This paper consists of 50 MCQs, attempt any 40 out of 50.
- (ii) Correct answer or the most appropriate answer: Five marks (+5).
- (iii) Any incorrect option marked will be given minus one mark (- 1).
- (iv) Unanswered/Marked for Review will be given no mark (0).
- (v) If more than one option is found to be correct then Five marks (+5) will be awarded to only those who have marked any of the correct options.
- (vi) If all options are found to be correct then Five marks (+5) will be awarded to all those who have attempted the question.
- (vii) If none of the options is found correct or a Question is found to be wrong or a Question is dropped then all candidates who have appeared will be given five marks (+5).
- (viii) Calculator / any electronic gadgets are not permitted.

1. Principles of management provide managers with useful insights into reality. Which of the following statements explain this appropriately:
 - (1) Adds to managerial knowledge
 - (2) Enables managers to learn from past mistakes
 - (3) Helps managers conserve time by solving recurring problems quickly
 - (4) All the above
2. Match the FEATURES of Business Environment in Column I with the appropriate EXPLANATION in Column II.

	Column I	Column II
(i)	Complexity	Very difficult to predict future happenings .
(ii)	Specific forces	Easier to understand in parts but difficult to grasp in its totality.
(iii)	Uncertainty	Affect individual enterprises directly and immediately.

- (1) (ii), (iii), (i)
 - (2) (iii), (ii), (i)
 - (3) (ii), (i), (iii)
 - (4) (iii), (i), (ii)
3. McDonald's keeps introducing new variety of Burgers in its menu. Which characteristic of management is highlighted in this?
 - (1) Management is multi-dimensional
 - (2) Management is dynamic
 - (3) Management is pervasive
 - (4) Management is goal-oriented
 4. Without function of Management, the controlling function is not possible.

- (1) Directing
 - (2) Staffing
 - (3) Organising
 - (4) Planning
5. Which of the following importance of organising reduces the workload as well as enhances productivity:
 - (1) Clarity in working relationships
 - (2) Benefits of specialisation
 - (3) Adaptation to change
 - (4) Effective administration
 6. Which of the following is correct about Aptitude Tests?
 - (1) Measures individual's potential for learning new skills
 - (2) Measures person's capacity to develop
 - (3) Good index of a person's future success score
 - (4) All of the above
 7. "Consumer has a right to acquire knowledge". Identify the right.
 - (1) Right to be informed
 - (2) Right to Choose
 - (3) Right to Consumer Education
 - (4) Right to seek Redressal
 8. A manufacturer sells the goods to a retailer and retailer sells the goods to Customer Identify the type of channel of distribution.
 - (1) Direct channel
 - (2) One level channel
 - (3) Two level channel
 - (4) Three level channel

9. Controlling involves:
- (1) Comparison of actual and standard performance.
 - (2) Checking deviations
 - (3) Taking corrective actions
 - (4) All the above
10. The organisation/institution which provides scope for speculation is:
- (1) Stock exchange
 - (2) SEBI
 - (3) Brokers
 - (4) None of the above
11. A complaint can be made to the State Commission, when the claim value is:
- (1) More than ₹50 lakhs
 - (2) Less than ₹50 lakhs
 - (3) More than ₹50 lakhs, but less than ₹2 crore
 - (4) More than ₹2 crore
12. Which channel of distribution does not include indirect channels?
- (1) Zero Level
 - (2) One level
 - (3) Two level
 - (4) Three level
13. Which money market instrument is used to finance credit sales of firms?
- (1) Commercial Bill
 - (2) Commercial Paper
 - (3) Certificate of Deposit
 - (4) Call Money
14. _____ is used extensively for all types of activities and mainly for taking charge of different activities in any enterprise.
- (1) Planning
 - (2) Management
 - (3) Coordination
 - (4) Staffing
15. Mr. Saxam, production manager of Creative Concepts, discusses with his staff about the new export order. All the staff members unanimously agree that they all will work together to do overtime to complete the order and meet the deadline. Mr. Saxam is following _____ Leadership Style.
- (1) Democratic
 - (2) Autocratic
 - (3) Authoritative
 - (4) Laissez Faire
16. ____ debt-equity ratio is preferred by the commercial banker over the years as it indicates financial strength of a unit
- (1) Declining
 - (2) Increasing
 - (3) Stable
 - (4) Fluctuating
17. Management principles are contingent or dependent upon the situations prevailing in the organization. Which is the correct explanation associated with this statement:
- (1) Application of principles is suitable in similar situations in a large number of cases
 - (2) Application of principles has to be changed as per requirements
 - (3) Principles of management can be modified
 - (4) None of the above
18. "Even after opening up of the Indian economy in 1991 foreign companies found it extremely difficult to cut through the bureaucratic red tape to get permits for doing business in India, which created a negative impact on business."
Identify the dimension of the business environment which led to creation of the negative impact on business.
- (1) Social Environment
 - (2) Technological Environment
 - (3) Political Environment
 - (4) Legal Environment
19. "Management is a force that cannot be seen but its presence can be felt in the way the organisation functions."
Which feature has been explained in this statement of Management?
- (1) Pervasive
 - (2) Dynamic
 - (3) Multi-dimensional
 - (4) Intangible
20. "Once a plan is formed by the top management and is conveyed to the whole team, it is very difficult to alter it." Which limitation of planning is being indicated in the given statement?
- (1) Planning leads to rigidity
 - (2) Planning is time-consuming
 - (3) Planning reduces creativity
 - (4) Planning does not guarantee success
21. Why accurate cause and effect relationship cannot be established by principles of management?
- (1) Because they mainly apply to human behaviour
 - (2) Because real life, situations are not identical
 - (3) Both (1) and (2)
 - (4) Neither (1) nor (2)
22. Directing is initiated at _____ level of management.
- (1) Lower
 - (2) Middle
 - (3) Top
 - (4) All of the above
23. Which of the following dimensions of Business Environment includes legislations passed by the Government administrative orders issued by government authorities:
- (1) Technological Environment
 - (2) Social Environment
 - (3) Legal Environment
 - (4) Economic Environment
24. Which of the following is true regarding Promotion?
- (1) Involves more pay
 - (2) Involves higher responsibility
 - (3) Gives job satisfaction
 - (4) All of the above

25. Which of the following input resources are required by management to complete a task effectively and efficiently:

- (1) Money (2) Materials
(3) Manpower (4) All the above

26. Which of the following importance of organising stimulates creativity amongst the managers :

- (1) Development of personnel
(2) Optimum utilization of resources
(3) Expansion and growth
(4) None of these

27. Match the FEATURES of Planning in Column I with the appropriate EXPLANATION in Column II.

	Column I	Column II
(i)	Mental exercise	Involves looking ahead and is regarded as a forward looking function.
(ii)	Futuristic	An intellectual activity of thinking rather than doing.
(iii)	Continuous	Need for a new plan on the basis of new requirements and future conditions.

- (1) (ii), (iii), (i) (2) (iii), (ii), (i)
(3) (ii), (i), (iii) (4) (iii), (i), (ii)

28. Corrective action is a part of:

- (1) Planning (2) Organising
(3) Controlling (4) All of the above

29. Which instrument of money market is generally used for inter-bank transactions?

- (1) Treasury Bill (2) Commercial Paper
(3) Call Money (4) Commercial Bill

30. Planning is deciding in advance, what to do and how to do. The first step of planning process is :

- (1) Setting objectives
(2) Follow up
(3) Implementation of plan
(4) Developing premises

31. Control is exercised:

- (1) When something goes wrong
(2) When efficiency is to be improved
(3) Regularly
(4) When the Management desires

32. Assertion (A): Personal selling plays a very important role in the introduction stage of a new product.

Reason (R): Personal selling helps in persuading customers about the merits of the product.

- (1) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(2) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(3) (A) is true, but (R) is false.
(4) (A) is false, but (R) is true.

(3) (A) is true, but (R) is false.

(4) (A) is false, but (R) is true.

33. Assertion (A): The design of the product contributes to making the product attractive to the target customers.

Reason (R): Customer support services are very effective in bringing repeat sales from the customers and developing brand loyalty for a product.

- (1) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(2) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(3) (A) is true, but (R) is false.
(4) (A) is false, but (R) is true.

34. Name the right, which require manufacture to provide information like ingredients, date of manufacture, price, quantity, directions for use, etc. on the product.

- (1) Right to Safety
(2) Right to be informed
(3) Right to Choose
(4) Right to Consumer Education

35. Goods or services reach the market with the help of _____

- (1) Marketing channels (2) Multilevel
(3) Monopolies (4) Multiplication

36. Under which of the following function of management, employees are guided and inspired:

- (1) Directing (2) Planning
(3) Controlling (4) Organizing

37. Which market directly contributes to capital formation?

- (1) Money market (2) Capital market
(3) Primary market (4) Secondary market

38. Sandeep purchased a packet of biscuits from a nearby shop. He observed that the ingredients given on the label were not legible. He complained about it to the customer care of the company. The company sent a written apology besides stating that it will be ensured that the existing packets in the market will be withdrawn with immediate effect and new packets with legible labels will be made available. Which consumer right did Sandeep exercise?

- (1) Right to be informed
(2) Right to be heard
(3) Both (1) and (2)
(4) Neither (1) nor (2)

39. What should be the 'focus point' for a manager while controlling, as controlling at each and every step is not possible?

- (1) Special area (2) Key result area
(3) Normal area (4) None of these

- 40.** Which of the following is not a benefit of Organising :
- (1) Clarity in working relationship
 - (2) Adaptation to change
 - (3) Expansion and growth
 - (4) Identification and obtaining competitive personnel
- 41.** Management is concerned with which of the following :
- (1) Doing the right task
 - (2) Completing activities and achieving goals
 - (3) Considering the cost benefit
 - (4) All the above
- 42.** Which of the following is not an element of social environment:
- (1) Birth and death rate
 - (2) Constitution of the country
 - (3) Population shifts
 - (4) Life expectancy
- 43.** Which of the following is not the feature of Planning:
- (1) Planning provides direction
 - (2) Planning involves decision-making
 - (3) Planning promotes innovative ideas
 - (4) Planning may not work in a dynamic environment
- 44.** Which of the following statements is incorrect ?
- (1) When jobs are simple, easy to learn and influenced to only a small degree by technological changes, there is little need for employees to upgrade or alter their skills.
 - (2) Training and development help only the organisation and not the individual.
 - (3) Training attempts to improve their performance on the current job or prepare them for any intended job.
 - (4) Development is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.
- 45.** _____ refers to the time period between placing an order its receipts in stock.
- (1) Lead time
 - (2) Carrying time
 - (3) Shortage time
 - (4) Over time
- 46.** How are the Management principles derived?
- (1) Observation
 - (2) Experimentation
 - (3) Personal experiences
 - (4) All the above
- I. Read the following text and answer the following questions on the basis of the same:**
- Mr. A. Bose is running a successful business. Mr. Bose is the owner of R. K. Cement Ltd. Mr. Bose decided to expand his business by acquiring a Steel Factory. This required an investment of ₹ 60 crores. To seek advice in this matter, he called his financial advisor Mr. T. Ghosh who advised him about the judicious mix of equity (40%) and Debt (60%). Employ more of cheaper debt may enhance the EPS. Mr. Ghosh also suggested him to take loan from a financial institution as the cost of raising funds from financial institutions is low. Though this will increase the financial risk but will also raise the return to equity shareholders. He also apprised him that issue of debt will not dilute the control of equity shareholders. At the same time, the interest on loan is a tax-deductible expense for computation of tax liability. After due deliberations with Mr. Ghosh, Mr. Bose decided to raise funds from a financial institution.
- 47.** Identify the concept of Financial Management as advised by Mr. Ghosh in the above situation.
- (1) Capital Budgeting
 - (2) Capital Structure
 - (3) Dividend Decision
 - (4) Working Capital Decision
- 48.** In the above case Mr. Ghosh suggested to raised more funds from debt. Higher debt-equity ratio results in:
- (1) Lower financial risk
 - (2) Higher degree of operating risk
 - (3) Higher degree of financial risk
 - (4) Higher earning of profit
- 49.** "Mr. T. Ghosh who advised him about the judicious mix of equity (40%) and Debt (60%)." The proportion of debt in the overall capital is called
- (1) Working Capital
 - (2) Financial Leverage
 - (3) Total Assets
 - (4) None of these
- 50.** Employ more of cheaper debt may enhance the EPS. Such practice is called:
- (1) Equity Trading
 - (2) Financial Leverage
 - (3) Investment Decision
 - (4) Trading on Equity



SOLUTIONS

1. Option (4) is correct.

Explanation: Principles of management acts a base for managers to act accordingly. It enables them to analyses part mistakes and use proper principles for solving recurring problems.

2. Option (1) is correct.

3. Option (2) is correct.

Explanation: Business environment is dynamic in nature so the organisations introduce new varieties accordingly. Management helps the business to keep themselves updated accordingly.

4. Option (4) is correct.

Explanation: Without planning, controlling cannot take place as the predetermined plans are analysed for finding deviations occurring in the business.

5. Option (2) is correct.

Explanation: When the work in an organization is divided according to the specialization it leads to minimum wastage of resources as well effective and efficient working.

6. Option (4) is correct.

Explanation: Aptitude test is all about analyzing a person's ability and capacity to learn new skills.

7. Option (1) is correct.

Explanation: Every consumer has a right to acquire knowledge about the quality, quantity and specifications of a product.

8. Option (3) is correct.

Explanation: Three level channel include 2 intermediaries wholesaler and a retailer.

9. Option (4) is correct.

Explanation: Controlling refers to the comparing of actual and standard performance. It analyses the deviations and take corrective measures accordingly.

10. Option (1) is correct.

Explanation: Every buyer and sellers have different perspective and reason for their activity but the stock exchange is a little bit cased on speculation.

11. Option (1) is correct.

Explanation: The revised jurisdiction for entertaining consumer complaints for state commission is more than 50 Lakh to Rs 2 crore.

12. Option (1) is correct.

Explanation: Direct channel *i.e.*, zero level not involve any intermediaries. It promotes direct relationship between the manufacturer and the customer.

13. Option (1) is correct.

Explanation: Commercial bill is a type of unsecured short-term debt instrument issued by corporation for financing of account payable and inventories, short-term liabilities and payable.

14. Option (2) is correct.

Explanation: Participative leadeshship is about involving all the members of the group, take a participative role in decision making.

15. Option (1) is correct.

Explanation: A democratic leader will develop action plans and makes decisions in consultation with his subordinates. He will encourage them to participate in decision-making.

16. Option (1) is correct.

Explanation: Declining debt-equity ratio is considered by a commercial banker as it shows the financial stability of an organisation.

17. Option (2) is correct.

Explanation: Principles of management can be changed according to the nature of the business and the environment prevailing and affecting the business.

18. Option (3) is correct.

Explanation: Political environment include all the factors relating to the Government ruling party and legislations approved by them.

19. Option (4) is correct.

Explanation: Management is intangible as it cannot be seen or touched one can feel its presence through efficient working, enthusiasm among employees and orderliness.

20. Option (1) is correct.

Explanation: Planning reduces creativity as the employees cannot work according to the conditions occurring or the dynamic environment because of the orders given by the top level management.

21. Option (3) is correct.

22. Option (3) is correct.

Explanation: Directing refers to the process in which the top level management instructs, encourages and guide subordinates to achieve goals.

23. Option (3) is correct.

Explanation: Legal environment includes all the actions and changes taken by the government and the ruling party.

24. Option (4) is correct.

Explanation: Promotion leads to increase in salary and gives job satisfaction to the employee but it gradually comes with higher responsibility.

25. Option (4) is correct.

Explanation: Money, Material and Menopause all are important for the effective and efficient working of an organization.

26. Option (1) is correct.

Explanation: Development of personnel enhances the creativity and learning capacity of an employee.

27. Option (3) is correct.

28. Option (3) is correct.

Explanation: Corrective actions is a part of controlling as the deviations are found by comparing actual and standard performance.

29. Option (3) is correct.

Explanation: Call money is used for inter banking transactions. Inter Bank transactions has no maturity date and is payable on demand Banks use call money to maintain cash liquidity ratio as per RBI guidelines.

30. Option (1) is correct.

Explanation: Planning starting with identification of problem and setting objectives accordingly.

31. Option (1) is correct.

Explanation: Control is exercised when the actual performance does not match with the standard goals.

32. Option (1) is correct.

Explanation: Personal selling is a very effective promotional tool, which helps in influencing the prospects about the merits of a product and thereby increasing its sale.

33. Option (2) is correct.

Explanation: A good design can improve performance of a product and also give it a competitive advantage in the market.

34. Option (2) is correct.

Explanation: Right to information refers to the informations that should be provided regarding the product. It includes the quality, quantity and other specifications related to the product.

35. Option (1) is correct.

36. Option (1) is correct.

Explanation: Directing refers to giving instructions guiding, counselling, motivating and leading the staff in an organization in doing work to achieve organisational goals.

37. Option (3) is correct.

Explanation: Primary market is a new issue market where securities are sold for the first time.

38. Option (3) is correct.

Explanation: Every consumer has a right to be informed about the specifications of the product consumers grievances should be heard and solved at its earliest.

39. Option (2) is correct.

40. Option (4) is correct.

Explanation: Identification and obtaining competitive personnel is a benefit of staffing.

41. Option (4) is correct.

Explanation: Management is all about doing the right task at the right time in an effective and efficient manner for achieving the organizational goals.

42. Option (2) is correct.

Explanation: Constitution of the country forms the part of legal environment.

43. Option (3) is correct.

Explanation: Planning encourages innovative ideas as it is the primary functions of management, new approaches can take the form of actual plans.

44. Option (2) is correct.

45. Option (1) is correct.

46. Option (4) is correct.

47. Option (2) is correct.

Explanation: Capital structure refers to the mix between owners and borrowed funds. Capital structure of a company affects both the profitability and the financial risk. A capital

structure will be said to be optimal when the proportion of debt and equity is such that it results in an increase in the value of the equity share.

48. Option (3) is correct.

49. Option (2) is correct.

Explanation: As the financial leverage increases, the cost of funds declines because of increased use of cheaper debt but the financial risk increases. The impact of financial leverage on the profitability of a business can be seen through EBIT-EPS (Earning before Interest and Taxes-Earning per Share) analysis.

50. Option (4) is correct.

Explanation: Trading on Equity refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest.

