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**Answer with Detail Analytical Explanation based on ANSWER-KEY**

# NTA/UGC-NET/JRF

# COMMERCE

## Solved Papers

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# NTA UGC NET/JRF Exam, June 2011

## COMMERCE (Paper-II)

### Solved Paper

1. Match the following components of Business Environment :

- |                           |                                   |
|---------------------------|-----------------------------------|
| (a) Economic Environment  | (i) Exim Policy                   |
| (b) Social Environment    | (ii) Customs                      |
| (c) Political Environment | (iii) Social Values               |
| (d) Legal Environment     | (iv) Business Law and Banking Act |

- |     |       |      |       |       |
|-----|-------|------|-------|-------|
|     | (a)   | (b)  | (c)   | (d)   |
| (a) | (i)   | (ii) | (iii) | (iv)  |
| (b) | (iii) | (iv) | (ii)  | (i)   |
| (c) | (iii) | (i)  | (ii)  | (iv)  |
| (d) | (i)   | (ii) | (iv)  | (iii) |

Ans. (a) : The code of correct matching List - I with List - II

List - I	List - II
a. Economic Environment	i. Exim policy
b. Social Environment	ii. Customs
c. Political Environment	iii. Social Values
d. Legal Environment	iv. Business Law and Banking Act.

2. Planning is a \_\_\_\_\_ process.

- (a) Goal oriented                      (b) Flexible  
(c) Time bound                        (d) All of the above

Ans. (d) : Planning is concerned with deciding in advance what, when, where, why and how is to be done and who shall do it. Thus, planning is the process of setting goals and choosing the means to achieve those goals.

**Characteristics of planning**



3. Which among the following have not been opened for private sector participation?

- (a) Power Sector  
(b) Telecommunication Sector  
(c) Education Sector  
(d) Railways

Ans. (d) : Indian Railways (IR) is a Statutory body under the ownership of ministry of Railways, Government of India that operates India's national Railway system.

4. VAT is imposed

- (a) Directly on consumers  
(b) On final stage of production  
(c) On all stages from production to final sales  
(d) None of the above

Ans. (c) : Value Added Tax (VAT) is imposed on the value added to each commodity by a firm during all stages of production and distribution. In simple terms, it is a fee assessed against businesses at each step of the production and distribution process usually whenever a product is resold or value is added to it.

5. In which of the following countries the Industrial Revolution took place first?

- (a) France                                      (b) Germany  
(c) England                                    (d) U.S.A.

Ans. (c) :

- The first Industrial revolution began in Great Britain in the 1700s and 1800s and was a time of significant innovation.
- The industrial Revaluation transformed economics that had been based on agriculture and handicrafts into economics based on large - scale industry mechanized manufacturing and the factory system.

6. Accounting Standards Board of India was established in the year

- (a) 1970                                        (b) 1972  
(c) 1973                                        (d) 1977

Ans. (d) : On 21st April 1977, the Institute of chartered Accountants of India as the premier accounting body in our country. Set up "Accounting standard Board" (ASB) to harmonize the diverse accounting policies and practice prevalent in our country.

7. X and Y are partners in a firm. They withdrawn @ ` 1,500 and ` 1,000 respectively on 15<sup>th</sup> day of every months for all the twelve months during 2009. Interest on drawings is chargeable @ 10% per annum. What would be the interest on drawings respectively?

- (a) ` 1,800 and ` 1,200  
(b) ` 900 and ` 600  
(c) ` 18,000 and ` 12,000  
(d) ` 150 and ` 100

Ans. (\*) : X = withdrawn @ ` 1,500 per month  
Y = withdrawn @ ` 1,000 per month  
Chargeable @10% per annum  
'X'  $1500 \times 12 = 18000$

$$Y = 1000 \times 12 = 12000$$

$$'X' = 18000 \times \frac{10}{100} = 1800$$

$$Y = 12000 \times \frac{10}{100} = 1200$$

Therefore Interest on drawings  
 X = 1800  
 Y = 1200

8. If the purchase consideration is calculated by adding the various payments to be made, the methods is called

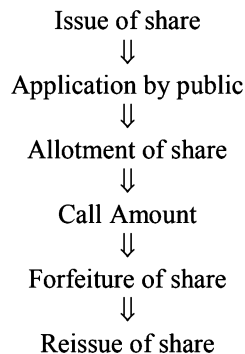
- (a) Lump-sum method
- (b) Net-worth method
- (c) Net-payments method
- (d) Value of shares method

Ans. (c) : Net Payment Method in this case purchase consideration is calculated by adding all the payments made by the transferee company to the share holders of the transferor company payment can be in the form of cash shares or debentures.

9. The following relate to the shares of a company. What is the correct order?

- (a) Issue, Application, Call and Forfeiture
- (b) Application, Call, Forfeiture and Issue
- (c) Call, Issue, Application and Forfeiture
- (d) Forfeiture, Application, Issue and Call

Ans. (a) : The correct order of shares of a company:



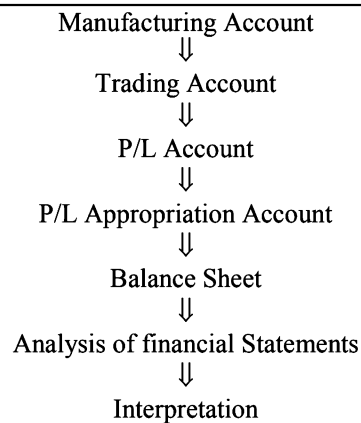
10. The final accounts of a manufacturing company generally include the following statements :

- (i) Balance Sheet
- (ii) Manufacturing Account
- (iii) Profit and Loss Account
- (iv) Trading Account
- (v) Profit and Loss Appropriation Account

The correct sequence in which the statements are prepared is

- (a) (i), (ii), (iii), (iv), (v)
- (b) (ii), (iv), (iii), (v), (i)
- (c) (v), (ii), (iv), (iii), (i)
- (d) (i), (iv), (iii), (ii), (v)

Ans. (b) : In the final accounts of a manufacturing company, generally the following accounts and statements are prepared in a certain order, which is as follows :



11. The theory of Revealed Preference was propounded by

- (a) A. Marshall
- (b) P.F. Drucker
- (c) Paul Samuelson
- (d) J.R. Hicks

Ans. (c) : Revealed preference theory, in economics, a theory introduced by the American economist Paul Samuelson in 1938, that holds that consumer preference can be revealed by what they purchase under different circumstances, particularly under different Income and price circumstances.

12. Which of the following concepts is considered as a myth?

- (a) Oligopoly
- (b) Perfect competition
- (c) Monopoly
- (d) Imperfect competition

Ans. (b) : The perfect competition : The firms are usually price takers. The buyers is aware of the prevailing prices in the market. The entry and exit of firms have least effect on the market. Till now, perfect competition was considered to be a myth.

13. A perfectly competitive market in the short run will be in equilibrium where

- (a) MC = AC
- (b) MC = MR
- (c) M/C = Zero
- (d) None of the above

Ans. (b) : A firm is in equilibrium when it has no tendency to change its level of output. It needs neither expansion nor contraction. It wants to earn maximum profits in by equating its marginal cost with its marginal revenue i.e. MC = MR

Conditions -

- The MC curve must equal the MR curve.
- The MC curve must cuts the MR curve.

14. Match the following

- |                              |                                |
|------------------------------|--------------------------------|
| (a) Perfect competition      | (i) No control                 |
| (b) Monopolistic competition | (ii) Some Control              |
| (c) Oligopoly                | (iii) Practically Some Control |
| (d) Monopoly                 | (iv) Usual control             |

- |     |            |            |            |            |
|-----|------------|------------|------------|------------|
|     | <b>(a)</b> | <b>(b)</b> | <b>(c)</b> | <b>(d)</b> |
| (a) | (i)        | (ii)       | (iii)      | (iv)       |
| (b) | (ii)       | (iii)      | (iv)       | (i)        |
| (c) | (iii)      | (ii)       | (iv)       | (i)        |
| (d) | (iv)       | (iii)      | (ii)       | (i)        |

**Ans. (a) :** The code of correct Matching List - I with List - II

List - I		List - II	
a.	Perfect competition	i.	No control
b.	Monopolistic Competition	ii.	Some control
c.	Oligopoly	iii.	Practically some control
d.	Monopoly	iv.	Usual control

15. **Statement (A) :** The demand for the product of a firm under Oligopoly is at prices higher than the prevailing market prices.

**Reason (R) :** The Oligopolistic firm faces a kinked demand curve.

- (a) Both (A) and (R) are false  
 (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A)  
 (c) (A) is true, but (R) is false  
 (d) (A) is false, but (R) is true

**Ans. (d) : Assertion (A) :** The demand for the product of a firm under Oligopoly is at prices higher than the prevailing market prices

Therefore Assertion (A) is the False.

**Reason (R) :** The oligopolistic firm faces a kinked demand curve.

Therefore Reason (R) is the True.

16. **In a factory, there are 1000 workers consisting of 400 A-Grade workers and 600 B-Grade workers. In A-Grade, 300 are male workers; and in B-Grade, only 200 are male workers. How many female workers are there in the factory?**

- (a) 300 (b) 400  
 (c) 500 (d) 600

**Ans. (c) :** Total worker in the factory = 1000

A - Grade workers of 400

B - Grade workers of 600

In A - Grade Male workers = 300

B - Grade Male workers = 200

Then Female workers in the factory?

A - Grade Female workers

= Total workers – Male workers

= 400 – 300 = 100

B Grade Female workers

= 600 – 200 = 400

Total Female workers = 400 + 100 = 500

17. **When a population is heterogeneous, it is divided into groups, so that there is homogeneity within the group and heterogeneity between the groups, and some items are selected at random from each group. It is a case of**

- (a) Cluster Random Sampling  
 (b) Systematic Random Sampling  
 (c) Quota Sampling  
 (d) Stratified Random Sampling

**Ans. (d) :** In stratified sampling, researchers divide subjects into subgroup called strata based on characteristics that they share (e.g. race, gender, educational attainment etc). Once divided, each subgroup is randomly sampled using another probability sampling method.

18. **Which one among the following is a small sample?**

- (a) 5 (b) 10  
 (c) 29 (d) All the above

**Ans. (d) :** People consider a sample of 30 or less units as small while a majority cases a sample of. Less than 30 units is considered as a small sample.

In this study the second view has been accepted and on this basis a sample is said to be a small if, the size of sample is less than  $n < 30$ .

Therefore option (b) are correct.

19. **Which one of the following softwares is used for Research Analysis?**

- (a) SAP (b) ERP  
 (c) SPSS (d) TALLY

**Ans. (c) :** SPSS (Statistical Package for Social Science) : A general - purpose statistical package widely used in academic research for editing, analysing and presenting. numerical data. It is compatible with all file formats that are commonly used for structured data such as Excel, plain text files and relational (SQL) database.

20. **Which one of the following is a Database Management System?**

- (a) MS Access (b) MS Excel  
 (c) MS Outlook (d) None of the above

**Ans. (a) : Microsoft Access :-** is a Database Management system (DBMS) from Microsoft that combines the relational Access Data - Base Engine (ACE) with a graphical user interface and software - development tools. It is a member of the **Microsoft 365** suite of applications, included in the professional and higher editions or sold separately.

21. **Match the following:**

- |              |                             |
|--------------|-----------------------------|
| (a) Maslow   | (i) Hygiene Theory          |
| (b) Herzberg | (ii) X and Y Theory         |
| (c) Ouchi    | (iii) Need Hierarchy Theory |
| (d) McGregor | (iv) Z Theory               |

- |            |            |            |            |
|------------|------------|------------|------------|
| <b>(a)</b> | <b>(b)</b> | <b>(c)</b> | <b>(d)</b> |
| (a) (i)    | (ii)       | (iii)      | (iv)       |
| (b) (ii)   | (i)        | (iv)       | (iii)      |
| (c) (iv)   | (iii)      | (ii)       | (i)        |
| (d) (iii)  | (i)        | (iv)       | (ii)       |

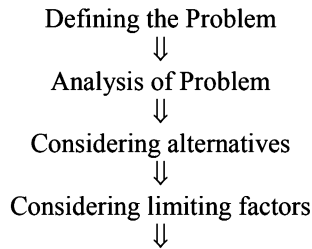
**Ans. (d) :** The code of correct matching List - I with List - II :

List - I		List - II	
a.	Maslow	iii.	Need Hierarchy Theory
b.	Herzberg	i.	Hygiene Theory
c.	Ouchi	iv.	Z Theory
d.	MC Gregor	ii.	'X' and Y Theory

22. Consider the following steps in the decision making process; and select the correct sequence

- (i) Defining the problem
  - (ii) Considering alternatives
  - (iii) Considering limiting factors
  - (iv) Selection of the best alternative and implementation
- (a) (i), (ii), (iii), (iv)      (b) (iii), (i), (iv), (ii)  
 (c) (i), (iv), (iii), (ii)      (d) (i), (iii), (iv), (ii)

Ans. (a) :Correct Sequence of Decision making process:



23. "Unity of Objectives" principle states that there should be

- (a) Only one objective
- (b) Pre-determined objectives
- (c) Coordination among objectives
- (d) None of the above

Ans. (c) : Principle of unity of objectives : An enterprise must have clearly defined objective (or objectives). An organization structure is effective if it facilitates the contribution made by all individuals in the enterprise to the attainment of the objectives of enterprise.

This is the pre-determined objectives.

24. The concept of M.B.O. originally came from

- (a) F.W. Taylor                      (b) A.H. Maslow
- (c) Henry Fayol                      (d) Peter F. Drucker

Ans. (d) :

–Management by objectives (MBO) is a strategic management model that aims to improve organizational performance by clearly defining objectives that are agreed to by both management and employees.

–Management by objective (MBO), also known as management by planning (MBP), was first popularized by Peter Drucker in his 1954 book the practice of management.

25. Which one is the most important principle of Business Ethics

- (a) Principle of unity of direction
- (b) Principle of proportional judgement
- (c) Principle of scalar chain
- (d) Principle of span of control

Ans. (b) : Ethical principles in business refer to the moral standards set by a company as a whole and individual employees within an organization. These principles take into account values standards, regulations and industry norms that dictate how people conduct themselves in the workplace and now a business operates in the community. Principle of proportional Judgement is the most important principle of Business Ethics.

26. Match the following statements with their authors

- |   |                      |
|---|----------------------|
| (a) "Marketing is the delivery of standard of living."  | (i) Peter F. Drucker |
| (b) "Marketing comprises both buying and selling activities."   | (ii) Philip Kotler   |
| (c) "Marketing is human activity directed at satisfying needs and wants through exchange process."                                    | (iii) Paul Mazur     |
| (d) "Marketing is a process which converts a resource, distinct knowledge into a contribution of economic value in the market place." | (iv) Pyle            |
- (a) (iv)      (b) (iii)      (c) (i)      (d) (ii)  
 (a) (iv)      (b) (ii)      (c) (iii)      (d) (i)  
 (c) (iii)      (d) (iv)      (a) (ii)      (b) (i)  
 (d) (i)      (a) (ii)      (c) (iv)      (b) (iii)

Ans. (c) : The code of correct matching List - I with List - II :

	List - I	List - II	
a.	"Marketing is the delivery of standard of living"	iii.	Paul Mazur
b.	"Marketing comprises both buying and selling activities."	iv.	Pyle
c.	"Marketing is human activity directed at satisfying needs and wants through exchange process."	ii.	Philip Kotler
d.	"Marketing is a process which converts a resource, distinct knowledge into a contribution of economic value in the market place."	i.	Peter F. Drucker

27. Which one of the following is not the mode of Direct Distribution System

- (a) Trading mediators      (b) Vending machines
- (c) Own sales depot      (d) Franchise shops

Ans. (a) : Direct distribution system is a mode of distribution where the manufacturer directly sells its product to the consumer without the involvement of middleman and intermediaries Trading mediators can be referred as wholesaler, retailer, distributors and agents.

28. Which one of the following is matched correctly?

- (a) Consumer Promotion – Sales Meetings
- (b) Dealer Promotion – Display Allowance
- (c) Internal Sales Promotion – Free Samples
- (d) None of the above

**Ans. (b) :** A display Allowance is given to them for arranging special displays of the product. After verifying the promotional work of the dealer, the manufacturers will give a certain amount of money for promotional activities. They hope that additional efforts will be taken to increase the sales at retail level.

29. **Statement (A) :** "The Electronic Media has a strong impact on consumers' behaviour in India."

**Reason (R) :** "Most of the Indian consumers take their decision with the help of Electronic Media."

- (a) Statement (A) is correct, but Reason (R) is false
- (b) Reason (R) is correct, but Statement (A) is false
- (c) Both Statement (A) and Reason (R) are false
- (d) Both Statement (A) and Reason (R) are correct

**Ans. (d) : Statement (A) :** "The Electronic Media has a strong impact on consumers behaviour in India". Therefore statement (A) is the correct statement.

**Statement (R) :** "Most of the Indian consumers take their decision with the help of Electronic Media." Therefore statement (R) is the also correct statement.

30. Road blocking advertisement is

- (a) Advertising a product by blocking a road
- (b) Putting an advertisement on a blocked road
- (c) A technique of gathering potential customers on the road
- (d) Advertising a product on all similar TV/Radio channels at the same time

**Ans. (d) :** The Road blocking advertisement is an advertising strategy or a method in which a commercial is **broad cast simultaneously on various radio stations and/or television channels**. This leads to blocking the road for the competitors to broadcast their advertisements.

31. Read the following statements :

- (i) "Working Capital is the amount of funds necessary to cover the cost of operating the enterprise."
  - (ii) "Circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another."
- (a) (i) and (ii) both are correct
  - (b) (i) and (ii) both are false
  - (c) (i) is correct, but (ii) is false
  - (d) (i) is false, but (ii) is correct

**Ans. (a) : Statement (i) :** "Working capital is the amount of funds necessary to cover the cost of operation the enterprise. Therefore statement (i) is the correct.

**Statement (ii) :** "circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another." Therefore statement (ii) is the also correct.

32. Examine the following statements :

- (i) Pay Back Period method measures the true profitability of a project
  - (ii) Capital Rationing and Capital Budgeting mean the same thing
  - (iii) Internal Rate of Return and Time Adjusted Rate of Return are the same thing
  - (iv) Rate of Return Method takes into account the time value of money
- (a) (i), (ii) and (iii) are correct
  - (b) (ii) and (iii) are correct
  - (c) Only (iii) is correct
  - (d) All (i), (ii), (iii) and (iv) are false

**Ans. (c) :** The correct form of the given statements is as follows :

- (i) The pay back period method does not accurately measure the profitability of the project as the time factor is not taken into account.
- (ii) Both capital rationing and capital budgeting one different from each other.
- (iii) Internal rate of return and Time Adjusted rate of Return are the same thing.
- (iv) The rate of return method does not take into account the time value element of the currency.

33. Which one of the following is correct?

- (i) A ratio is an arithmetical relationship of one number to another number
  - (ii) Liquid ratio is also known as acid test ratio
  - (iii) Rule of thumb for current ratio is 2 : 1
  - (iv) Debt equity ratio is the relationship between outsiders' fund and shareholders' fund
- (a) All (i), (ii), (iii) and (iv) are correct
  - (b) Only (i), (ii) and (iii) are correct
  - (c) Only (ii), (iii) and (iv) are correct
  - (d) Only (ii) and (iii) are correct

**Ans. (a) :** The correct form of the given statement is as follows :

- (i) A ratio is an arithmetical relationship of one number to another number.
- (ii) Liquid ratio is also known as acid test ratio.
- (iii) Rate of thumb for current ratio is 2 : 1
- (iv) Debt equity ratio is the relationship between outsiders' fund and shareholders fund.

34. The basic objective of Financial Management is

- (a) Maximization of profits
- (b) Profit Planning of the organization
- (c) Maximization of shareholders' wealth
- (d) Ensuring financial discipline in the organization

**Ans. (c) :** Wealth maximization (shareholders' value maximization) is also a main objective of financial management. Wealth maximization means to earn maximum wealth for the shareholders. So, the finance manager tries to give maximum dividend to the shareholders. He also tries to increase the market value of the shares. The market value of the shares is



directly related to the performance of the company. Better the performance, higher is the market value of shares and vice - versa. So, the finance manager must try to maximise shareholders value.

35. Which of the following term is used to represent the proportionate relationship between debt and equity
- (a) Cost of Capital (b) Capital Budgeting  
(c) Assets Structure (d) Capital Structure

**Ans. (d) :** The term used to represent the proportionate relationship between debt and equity is capital structure. Because by capital structure we mean to define the mix or proportion in which the capital of the company should be so as to maximize the benefit for the shareholders.

36. HRM is amalgam of
- (a) Job analysis, recruitment and selection  
(b) Social behaviour and business ethics  
(c) Organizational behaviour, personnel management and industrial relation  
(d) Employer and employees

**Ans. (c) :** Human Resource management is amalgam of organizational behaviour, personnel management and Industrial relation. Under this, mainly the management and control of human resource is done.

37. Recruitment is concerned with the process of
- (a) Selection of right candidate  
(b) Developing a pool of potential employees  
(c) Inviting applications for jobs  
(d) None of the above

**Ans. (b) :** The Recruitment is concerned with development a pool of candidates in line with the human resources plan. In human resource management, "recruitment" is the process of finding and hiring the best and most qualified candidates for a job opening, in a timely and cost -effective manner.

38. The mechanism to identify employees growth potentials is done through
- (a) Job enrichment  
(b) Job evaluation  
(c) Job assessment centre  
(d) Position description

**Ans. (a) :** Job enrichment is a process that is characterized by adding dimensions to existing jobs to make them more motivating examples of Job enrichment include adding extra task (also called job enlargement), increasing skill variety, adding meaning to jobs, creating autonomy, and giving feed back. The mechanism to identify employees growth potentials is done through job enrichment.

39. An interview conducted at the time of an employee leaving the organization is called
- (a) Exit interview  
(b) Feedback interview  
(c) Convincing interview  
(d) Directed interview

**Ans. (a) :** Exit interviews are ways for employers to learn why an employee is ending their time at a company. employee can use these to express thier opinions and offer suggestions for improvement. If you

are leaving a company soon, consider preparing potential answers to exit survey questions. An exit interview is a survey of employees who are leaving a company.

40. **Statement (A) :** A Manager delegates authority.  
**Reason (R) :** The Manager wants to shirk his responsibility.
- (a) Both Statement (A) and Reason (R) are correct  
(b) Both Statement (A) and Reason (R) are false  
(c) Statement (A) is correct, but Reason (R) are false  
(d) Statement (A) is false, but Reason (R) is correct

**Ans. (c) :** **Statement (A) :** A manager delegates authority.  
Therefore statement (A) is the correct statement.  
**Reason (R) :** The manager wants to shirk his responsibility.  
Therefore Reason (R) is the false Statement.

41. Match the following
- |     |                        |       |      |
|-----|------------------------|-------|------|
| (a) | Unit Trust of India    | (i)   | 1921 |
| (b) | Banking Regulation Act | (ii)  | 1949 |
| (c) | Imperial Bank of India | (iii) | 1964 |
| (d) | NABARD                 | (iv)  | 1982 |
- |     |       |       |       |       |
|-----|-------|-------|-------|-------|
|     | (a)   | (b)   | (c)   | (d)   |
| (a) | (i)   | (iii) | (ii)  | (iv)  |
| (b) | (iv)  | (i)   | (ii)  | (iii) |
| (c) | (ii)  | (iv)  | (iii) | (i)   |
| (d) | (iii) | (ii)  | (i)   | (iv)  |

**Ans. (d) :** The code of correct matching of Institutions with years

	Institutions		Establish years.
a.	Unit Trust of India	iii.	1964
b.	Banking Regulation Act	ii.	1949
c.	Imperial Bank of India	i.	1921
d.	NABARD	iv.	1982

42. Capital Adequacy Norms declared in the year, 1996, is applicable to
- (a) Foreign Banks  
(b) Co-operative Banks  
(c) Private Sector Banks  
(d) Nationalized Bank

**Ans. (d) :** Capital adequacy Norms is the ratio of a banks capital in relation to its risk weighted assets and current liabilities. It is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process.

43. Which one of the following is used for International Money Transfer?

- (a) RTGS (b) NEFT  
(c) SWIFT (d) None of the above

**Ans. (c) :** Society for world wide Interbank financial Telecommunication (SWIFT) is a member-owned cooperative providing secure messaging for international transfers of money between participating banks.

Started in 1973 by 239 banks from 15 countries, SWIFT began providing messaging services in 1977.

44. In order to control credit and investment, the Central Bank of a country should

- (a) Sell securities in the open market and hike the Cash Reserve Ratio  
(b) Buy securities from the open market and lower the Cash Reserve Ratio  
(c) Buy securities from the open market and hike the Cash Reserve Ratio  
(d) Sell securities in the open market and lower the Cash Reserve Ratio

**Ans. (a) :** In order to control credit and investment, the central bank of a country should :

- Sell securities in the open market and hike the cash Reserve Ratio.
- Buy security from the open market and lower the cash reserve ratio.
- Buy securities from the open market and hike the cash reserve ratio

45. India has been witnessing high rate of inflation because

- (a) Public expenditure and money supply both are continuously increasing  
(b) The agricultural and industrial sectors have not performed adequately  
(c) Both agricultural and administered prices have been hiked  
(d) All of the above

**Ans. (d) :** India has been witnessing high rate of inflation because :

- Public expenditure and money supply both are continuously increasing.
- The agricultural and Industrial sector have not performed adequately.
- Both Agricultural and administered prices have been hiked.

Therefore all option is the correct.

46. In India \_\_\_\_\_ has a pre-dominant share in the debt market

- (a) Government Securities  
(b) Corporate Deposits  
(c) Corporate Equities  
(d) Global Depository Receipts

**Ans. (a) :** Debt market refers to the financial market where, investors buy and sell debt securities, mostly in the form of bonds. These markets are important source of funds, especially in a developing economy like India. India debt market is one of the largest in Asia.

It also the most dominant category in the India debt Market. Bond It consists of financial Institutions bonds, corporate bonds and debentures and public sector units bonds.

47. Which type of elasticity plays a crucial role in determining international trade?

- (a) Elasticity of demand  
(b) Price elasticity of demand  
(c) Income elasticity of demand  
(d) Cross elasticity of demand

**Ans. (b) :** Price elasticity of demand is a measurement of the change in the consumption of a product in relation to a change in its price.

Price elasticity of demand is crucial role in determining international trade.

48. DFEC stands for

- (a) Direct Foreign Exchange Control  
(b) Direct Finance Exchange Control  
(c) Duty Free Export Credit  
(d) Duty Free Exchange Credit

**Ans. (c) :** DFEC stands for Duty Free Credit, which enables duty free import of inputs for production of certain specific goods.

49. Suppose a Canadian firm imports bananas of \$ 1000 and sells them for \$ 2000. The effect on GDP would be

- (a) The GDP will decrease by \$ 3000  
(b) The GDP will increase by \$ 3000  
(c) The GDP will increase by \$ 2000  
(d) The GDP will increase by \$ 1000

**Ans. (d) :** Determination of effect on canadian GDP :

Selling price of Bananas \$ = 2000

Less : Bananas worth \$ = 1000

increase in GDP \$ = 1000

If a canadian firm imports bananas of \$ 1000 and sells them for \$ 2000, then the GDP would Increase by  $2000 - 1000 = \$ 1000$

50. In independent India, the first major foreign exchange crisis occurred in the year \_\_\_\_\_.

- (a) 1955 (b) 1956  
(c) 1969 (d) 1991

**Ans. (b) :** The 1991 Indian economic crisis was an economic crisis in India resulting from a balance of payments deficit due to excess reliance on imports and other external factors.

# NTA UGC NET/JRF Exam, Dec. 2011

## COMMERCE (Paper-II)

### Solved Paper

1. By which Act, the government checks restrictive trade practices?
- FEMA-1999
  - Consumer Protection Act, 1986
  - Industrial Policy Act, 1991
  - None of the above

**Ans. (a) : FEMA :-** The Central Government of India formulated an act to encourage external payments and across the borders in India known as the Foreign Exchange Management Act.

- \* FEMA was introduced in the year 1999 to replace an earlier act FERA (Foreign Exchange Regulation Act)
- \* FEMA was basically introduced to regularize and have a liberal economy in India.
- \* The main objective for which FEMA was introduced in India was to facilitate external trade and Payments.
- \* By the FEMA Act, the Government Checks restrictive trade practices.

2. In which year the new Industrial Policy was announced?
- 1997
  - 1951
  - 1991
  - 1998

**Ans. (c) : Industrial Policy :-** Industrial policy is the set of standards and measures set by the Government to evaluate the progress of the manufacturing sector that ultimately enhances economic growth and development of the country.

**Objectives of Industrial Policy :-**

- To maintain steady growth in productivity.
- Utilize the available human resources better.
- To create more employment opportunities.
- to accelerate the progress of the country through different means.
- To match the level of international standard and competitiveness.

**Industrial Policy Resolution, 1948**

- \*It declared the Indian economy as mixed economy.
- \* Small scale and cottage Industries were given the importance.
- \* The government restricted foreign investments.
- Industrial Policy Resolution, 1956
- Industrial Policy Statement 1977
- Industrial Policy Statement, 1980
- New Industrial Policy, 1991 :-** The New Industrial Policy, 1991 had the main objective of providing facilities to market forces and to increase efficiency.
- \* Larger rules were provided by -
- L - Liberalization (Reduction of government control)

- P - Privatization (increasing the role & scope of the Private sector)
- G - Globalization (Integration of the Indian economy with the world economy)
- The government allowed Domestic firms to import better technology to improve efficiency and to have access to better technology.
- Industrial licensing was abolished except for 18 industries.

3. The Narasimham Committee made separate recommendations for the reforms of \_\_\_\_\_
- Manufacturing sector
  - Banking sector
  - Agriculture sector
  - Insurance Sector

**Ans. (b) :** Narasimham Committee on Financial System (1991) and the Narasimham Committee on Banking sector Reforms (1998) transformed the functionality of the Indian Banking sector is commendable.

- The banks were not functioning properly during India's economic liberalization in 1991.
- India felt the need for an efficient banking system that is required for a nation's economic development.
- That is why ex - finance Minister of India Dr. Manmohan Singh established the Narsimham committee to examine the functioning of banks.
- On 14<sup>th</sup> August 1991, Government of India appointed a nine - member team called the Narasimam committee. Its Chairman was Maidavolu Narasimham.
- The first report was introduced on 17<sup>th</sup> December 1991 in the parliament.

4. **Assertion (A) :** Disinvestment tends to arouse opposition from employees.  
**Reason (R) :** It may increase the cost of Production.
- Both (A) and (R) are true
  - (A) is true, but (R) is false
  - Both (A) and (R) are false
  - (A) is false, but (R) is true

**Ans. (b) : Assertion (A) :-** Disinvestment tends to arouse opposition from employees. **True Statements Reason (R) :-** It may increase the cost of Production. **False Statement**  
 In simple words, the process of selling government in public sector undertaking is called disinvestment. The idea of disinvestment emerged after the economic liberalization process, after which the government started increasing the participation of the private sector in loss - making public sector companies and undertakings.

- The given assertion (A) that Disinvestment generates a tendency to protest among the employees appears to be correct, as it leads to retrenchment of employees as a result of sale of government stake in disinvestment.
  - And the Reason (R) that it increases the cost of Production is not correct, because disinvestment is adopted only due to high cost and loss.
- It is clear that Assertion (A) correct, but Reason (R) is incorrect. Therefore, Option (b) correct Ans.

5. Match the following :

Books	Authors
a. India and Economic Reforms	i. Bhagwati. J.
b. Development planning : The Indian Experience	ii. Chakravarty. S
c. India : Economic Development and Social Opportunity	iii. Drenz, J and Amartya Sen
d. Fiscal Policy of Underdeveloped countries	iv. Chelliah, R.J.

Codes :

	a	b	c	d
(a)	i	ii	iii	iv
(b)	ii	iii	iv	i
(c)	iii	iv	ii	i
(d)	i	iv	iii	ii

Ans. (a) :

Books	Authors
a. India and Economic Reforms	i. Bhagwati. J.
b. Development planning : The Indian Experience	ii. Sukhamoy Chakravarty
c. India : Economic Development and Social Opportunity	iii. Drenz, J and Amartya Sen
d. Fiscal Policy of Underdeveloped countries	iv. Chelliah, R.J.

6. Which of the following accounting equations is not correct?

- Assets – Liabilities = Equity
- Assets – Equity = Liability
- Assets + Liabilities = Equity
- Liabilities + Equity = Assets

Ans. (c) : The shareholder's equity number is a company's total assets minus its total liabilities. Accounting Equation formula and calculation - [Assets = Liabilities + Owner's Equity] (or) Liabilities = Assets - owner's Equity (or) Equity = Assets – Liabilities.

7. Which one of the following statements is correct?

- Increases in liabilities are credits and decreases are debits
- Increases in assets are credits and decreases are debits
- Increases in capital are debits and decreases are credits
- Increases in expenses are credits and decreases are debits

Ans. (a) : Business transaction are events that have a monetary impact on the financial statement of an organization. When accounting for these transactions, number in two accounts are recorded, where the debit column is on the left side and the credit column is on the right side.

(i) A debit is an accounting entry that either increase an asset or expense account, or decreases a liability or equity account.

(ii) A credit is an accounting entry that either increases a liability or equity account. or decreases an asset or expense account.

• Increase in liabilities are credits and decrease are debits.

8. A and B are partners in a firm sharing profit and loss in the ratio of 3 : 2. They admit C into partnership for 1/4 share and the new ratio between A and B is 2 : 1. The sacrificing ratio is

- 1 : 1
- 2 : 1
- 3 : 1
- 2 : 3

Ans. (\*) : Old profit – loss ratio of A, B = 3 : 2  
Share of New partner C = 1/4

Note :- To calculate the sacrifice ratio, the new profit loss ratio is subtracted from the old profit ration, thus,

$$\text{Remaining profit for A, B} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{A's share in the remaining profit} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$$

$$\text{B's share in the remaining profit} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$$

$$\text{New profit Ratio} = \frac{9}{20} : \frac{6}{20} : \frac{1}{4} = \frac{9}{20} : \frac{6}{20} : \frac{5}{20}$$

$$\text{Then, Sacrificing ratio of A} = \frac{3}{5} - \frac{9}{20} = \frac{60-45}{100} = \frac{15}{100}$$

$$\text{B's Sacrifice ratio} = \frac{2}{5} - \frac{6}{20} = \frac{40-30}{100} = \frac{10}{100}$$

$$\text{Hence, Sacrifice Ratio of A and B} = \frac{15}{100} : \frac{10}{100} = 3 : 2$$

option is not matched with Ans.

9. Arrange the following liabilities in the order of company balance sheet.

- Bank Overdraft
- Bank Loan
- Share Capital
- Provision for Taxation

- i, ii, iii, iv
- iv, iii, ii, i
- iii, ii, i, iv
- iii, ii, iv, i

**Ans. (d) :**  
 • According to the established concept of accounting, the liabilities in the balance sheet are shown in the order :  
 • Share capital → Bank Loan → Provision for Taxation → Bank overdraft.

**10. Intrinsic value of a share is given by**

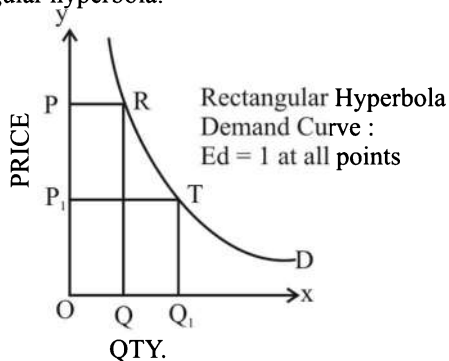
- (a)  $\frac{\text{Total net assets}}{\text{No. of shares}}$       (b)  $\frac{\text{Total assets}}{\text{No. of shares}}$   
 (c)  $\frac{\text{Share capital}}{\text{No. of shares}}$       (d)  $\frac{\text{Market capitalisation}}{\text{No. of shares}}$

**Ans. (a) : Intrinsic Value of Share or Stock :-**  
 • Intrinsic value is the anticipated or calculated value of a company, stock, currency or product determined through fundamental analysis.  
 • It includes tangible and intangible factors.  
 • Intrinsic value is also called the real value and may or may not be the same as the current market value.  
 • The following formula is used to calculate the intrinsic value of a share.  
 Intrinsic Value of a share =  $\frac{\text{Total net assests}}{\text{No. of Shares.}}$

**11. When demand curve is rectangular Hyperbola, the elasticity of demand will be**

- (a) Perfectly elastic      (b) Unit elastic  
 (c) Perfectly inelastic      (d) Highly elastic

**Ans. (b) :** Rectangular hyperbola is a curve under which all rectangular areas are equal. When the elasticity of demand is equal to unit ( $ed = 1$ ) at all points of demand curve, then the demand curve is rectangular hyperbola.



**12. Opportunity cost is a term which describes :**

- (a) A bargain price for a factor of production  
 (b) Cost related to an optimum level of production  
 (c) Average variable cost  
 (d) The cost of forgone opportunities

**Ans. (d) : Opportunity cost :-** represent the potential benefits that an individual, investor, Or business misses out on when choosing one alternative over another. Because opportunity costs are unseen by definition, they can be easily overlooked.  
 • Opportunity cost is the forgone benefit that would have been derived from an option not chosen.  
 Therefore, option (d) correct Ans.

**13. Arrange the following books in order (year) in which they appeared.**

- A. Economic Theory and Operations Analysis by W.J. Baumol  
 B. An introduction to positive Economics by R.G. Lipsey  
 C. Economics by P. Samuelson  
 D. Managerial Economics by Joel Dean  
 (a) A, B, C, D      (b) D, C, A, B  
 (c) B, D, A, C      (d) C, D, B, A

**Ans. (\*) :**

Books	Writer	Published year
(C) Economics	P. Samuelson	1948
(D) Managerial Economics	Joel Dean	1 Dec, 1951
(B) An introduction to Positive Economics	R.G. Lipsey	1963
(A) Economics Theory and operation Analysis	W.J. Baumol	1963

\* None of the option are correct.

**14. Marginal revenue is \_\_\_\_\_ at the quantity that generates maximum total revenue and negative beyond that point.**

- (a) Zero      (b) +2  
 (c) +1      (d) -1

**Ans. (a) :**  
 ■ Marginal revenue is zero at the quantity that generates maximum total revenue and negative beyond that point.  
 ■ Marginal revenue (MR) is the increase in revenue that results from the sale of one additional unit of output.

**15. Assertion (A) :** "Utility will be maximised when the marginal unit of expenditure in each direction brings the same increment of utility."

**Reason (R) :** A consumer will try to maximise his utility

- (a) Both (A) and (R) are true  
 (b) Both (A) and (R) are false  
 (c) (A) is true, but (R) is false  
 (d) (A) is false, but (R) is true

**Ans. (a) :** Assertion (A) :- "Utility will be maximized when the marginal unit of expenditure in each direction bring the same increment of Utility." Correct.  
 Explanation :- Utility of a consumer is maximized when the marginal utility derived from the product which he actually gets is equal to the marginal utility of the product which he desires to get.  
 Reason (R) :- A consumer will try to maximize his utility. Correct.  
 Explanation :- A consumer always try to maximize his utility and try to reach it's equilibrium point.  
 ■ Both (A) and (R) are true.

16. In a predominantly illiterate area consisting of 10,000 population, data has to be collected from 10% of them. The appropriate technique for data collection would be

- (a) Questionnaire (b) Schedule  
(c) Interview (d) All the above

Ans. (c) :

■ Therefore, in a predominantly illiterate area consisting of 10,000 population, data has to be collected from 10% of them. The appropriate technique for data collection would be interview.

17. In a unimodal and symmetric distribution, the relationship between averages is like this.

- (a) mean > median > mode  
(b) mean < median < mode  
(c) mean = median = mode  
(d) mean > median < mode

Ans. (c) :

■ If the distribution is symmetric then the mean is equal to the median and the distribution will have zero skewness.

■ And in addition to this, if the distribution is unimodal then mean = median = mode. Therefore, in a unimodal and symmetric distribution, the relationship between average is like

mean = median = mode.

Whereas -

- Positive asymmetric distribution -  
Mean > Median > Mode  
Negative asymmetric distribution -  
Mean < Median < Mode

18. Given the following tests :

- (i) 'Z' -test  
(ii) 't' -test  
(iii) 'F' -test  
(iv) ' $\chi^2$ ' -test

The concept of degrees of freedom is associated with

- (a) (i) and (ii) (b) (ii) and (iii)  
(c) (iii) and (iv) (d) (ii), (iii) and (iv)

Ans. (d) : The concept of an independent order is not related to the z test, that is the t - test, the F test and the  $\chi^2$  test are related to the concept of the degree of freedom.

19. Which one of the following is not an accounting software ?

- (a) Tally (b) Miracle  
(c) Profit (d) SPSS

Ans. (d) :

■ Tally is a computer software used for business accounting and inventory management.

■ Whereas SPSS (Statistical Package for the social Science) software related to Statistics was launched for the first time in the year 1968.

20. E-marketing is \_\_\_\_\_

- (a) Buying and selling of goods and services through internet  
(b) Buying of goods through internet

- (c) Selling of goods through internet  
(d) All of the above

Ans. (d) : E - Marketing or Electronic Marketing is such a marketing system, under which online buying and selling of goods and services is done through the internet. Under this, no physical space is required for buying and selling.

■ Digital Marketing can be broadly broken into 8 main categories including : Search Engine optimization, pay-per-click, Social Media Marketing, content Marketing, email Marketing, Mobile Marketing, Marketing Analytics and Affiliate Marketing.

21. Match the items in List-I with items in List-II.

List-I		List-II	
a.	Peter F. Druker	i.	M.D.O
b.	F.W. Taylor	ii.	Scientific Management
c.	Henri J. Fayol	iii.	Industrial Psychology
d.	Hugo Munsterberg	iv.	Functional Theory

Codes

	a	b	c	d
(a)	i	ii	iii	iv
(b)	i	ii	iv	iii
(c)	iv	iii	ii	i
(d)	iii	i	iv	ii

Ans. (b) :

Match the items in List-I with items in List-II

	List-I		List-II
a.	Peter F. Druker	i.	M.D.O
b.	F.W. Taylor	ii.	Scientific Management
c.	Henri J. Fayol	iii.	Functional Theory
d.	Hugo Munsterberg	iv.	Industrial Psychology

22. The main advantage of functional organization is

- (a) Simplicity (b) Specialization  
(c) Experience (d) Authority

Ans. (b) : Explanation :- Functional organization is a type of Organizational structure that uses the principle of specialization based on function or role. A functional organizational structure is a business structure that groups employees by specialty, skill or related roles. Functional Organization system of working was introduced by F.W. Taylor.

23. Which of the following is the most democratic form of organization ?

- (a) Line (b) Line and Staff  
(c) Functional (d) Committee

Ans. (a) : Line organization is the most democratic form of Organization as the authority flows from top to bottom in concern and also the line of command is carried out from top to bottom. It is the most Oldest and simplest form of administrative organization. Therefore option (A) correct Ans.

24. Plan made in the light of a competitor's plan is known as

- (a) Policy (b) Procedure  
(c) Strategy (d) Under-cover plan

**Ans. (c) : Explanation :- Strategy** - keeping in mind the plan of the competitor, an organization makes a plan, it is called strategy. The strategy outline a business organization. It establishes relationship in the long term decision and direction of the organization. Therefore, it can be said that strategy is a comprehensive plan which fulfills the objectives of the Organization.

25. A proposed organizational change may create \_\_\_\_\_.

- (a) Emotional Turmoil & Tension  
(b) Problem of social displacement  
(c) Fear of unknown  
(d) All of the above

**Ans. (d) :** Generally, when any kind of future change is proposed in the organization, it is called proposed organizational change. It can have the following effect.

- (a) Emotional Turmoil & Tension  
(b) Problem of social displacement  
(c) Fear of unknown

Hence, option (d) correct Ans.

26. Match the following statements with their authors :

- |   |                             |
|---|-----------------------------|
| a. "Marketing mix is a pack of four sets of variables, namely; product variables, price variables, promotion variables and place variables" | i. Wheeler                  |
| b. "The marketing mix is the set of marketing tools the firm uses to pursue its marketing objectives in the target market"                  | ii. Cundiff, Still & Govoni |
| c. "Marketing is the managerial process by which products are matched with markets and through which transfers of ownership are affected"   | iii. Mc Carthy              |

- |  |                   |
|--|-------------------|
| d. "Marketing is concerned with all the resources and activities involved in the flow of goods and services from producer to consumer" | iv. Philip Kotler |
|--|-------------------|

**Codes:**

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>a</b> | <b>b</b> | <b>c</b> | <b>d</b> |
| (a) | ii       | iv       | i        | iii      |
| (b) | i        | ii       | iv       | iii      |
| (c) | iv       | iii      | i        | ii       |
| (d) | iii      | iv       | ii       | i        |

**Ans. (d):** Match the following statement with their authors :

- |    | <b>List - I</b>  | <b>List - II</b>            |
|----|--|-----------------------------|
| a. | "Marketing mix is a pack of four sets of variables, namely; product variables, price variables, promotion variables and place variables" | iii. Mc Carthy              |
| b. | "The marketing mix is the set of marketing tools the firm uses to pursue its marketing objectives in the target market"                  | iv. Philip Kotler           |
| c. | "Marketing is the managerial process by which products are matched with markets and through which transfers of ownership are affected"   | ii. Cundiff, Still & Govoni |
| d. | "Marketing is concerned with all the resources and activities involved in the flow of goods and services from producer to consumer"      | i. Wheeler                  |

27. Which one of the following is not the mode of Direct Distribution system ?

- (a) Multiple shops (b) Door to door selling  
(c) Broking agent (d) Direct mail order

**Ans. (c) :**

- Direct Distribution System is such a system of distribution through which the process of distribution is accomplished through direct contact.
- Under this system, Multiple shops, Door to door selling and Direct mail order is adopted.
- Whereas distributing through broker agent is not the method of direct distribution system.

28. Which one of the following is not matched correctly?

- (a) Sales Portfolio – Internal Sales Promotion  
(b) Merchandise Allowance – Dealer Promotion  
(c) Count and Recount of Stock – Consumer Promotion  
(d) Advertising – Market Promotion

**Ans. (c) :** Efforts are made to increase the productive activity through the process of counting and recounting the stock, not the consumer promotion.

**29. Assertion (A) :** "Advertising plays a vital role in selling products/services."

**Reason (R) :** "Sales promotion is incomplete without a good advertising plan."

**Codes:**

- (a) (A) is correct, but (R) is false
- (b) (A) is false, but (R) is correct
- (c) Both (A) and (R) are correct
- (d) Both (A) and (R) are false

**Ans. (c) :** Assertion (A) : "Advertising plays a vital role in selling products/services." **Correct Statement Reason (R):-** "Sales promotion is incomplete without a good advertising plan." Reason is also correct. Therefore, Both (A) and (R) are correct

**30. Which one of the following contains the three elements of service marketing triangle?**

- (a) Management, Marketing Agency and Consumer
- (b) Marketing Agency, Government and Consumer
- (c) Management, Employees and Marketing Agency
- (d) Management, Employees and Consumer

**Ans. (d) :**

■ The service marketing triangle (Management, Employees and Consumer) Suggest that there are three types of marketing that must be successfully carried out for a service organization to succeed, and that all of them revolve around making and keeping promises to customers.

■ The internal marketing efforts between the management and the employees.

■ The external marketing efforts between management and consumer to set the promise.

■ The interactive marketing efforts between employees and consumer to deliver what is promised.

**31. Read the following statements :**

- (i) "The rate of return on investment increases with the shortage of working capital"
- (ii) "Net working capital is the excess of current assets over current liabilities."
- (iii) "Greater the size of the business unit, larger will be the requirement of working capital."
- (iv) "Working capital is also known as circulating capital"

**Which one of the following consists of the correct statements?**

- (a) (i), (ii) and (iii)
- (b) (ii), (iii) and (iv)
- (c) (iii), (iv) and (i)
- (d) (i), (ii) and (iv)

**Ans. (b) :** Given Statement are correct.

- (a) "The rate of return on investment decreases with the shortage of working capital."
- (b) "Net working capital is the excess of current assets over current liabilities."
- (c) "Greater the size of the business unit, larger will be the requirement of working capital."
- (d) "working capital is also known as circulating capital."

It is clear that option (d)'s statement (ii),(iii) and (iv) correct Ans.

**32. Match the following :**

- a. Capital Budgeting
  - b. Profitability Index
  - c. Internal rate of return
  - d. Capital investment decisions
- i. Time adjusted rate of return
  - ii. Irreversible
  - iii. Benefit/cost
  - iv. Planning capital Expenditure

**Codes:**

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>a</b> | <b>b</b> | <b>c</b> | <b>d</b> |
| (a) | iv       | iii      | ii       | i        |
| (b) | i        | iv       | ii       | iii      |
| (c) | iv       | iii      | i        | ii       |
| (d) | ii       | i        | iii      | iv       |

**Ans. (c):** Match the following

	List - I		List - II
a.	Capital Budgeting	iv.	Planning capital Expenditure
b.	Profitability Index	iii.	Benefit/cost
c.	Internal rate of return	i.	Time adjusted rate of return
d.	Capital investment decisions	ii.	Irreversible

**33. Which one of the following is correct?**

- (i) Liquidity ratios measure long term solvency of a concern.
  - (ii) Inventory is a part of liquid assets.
  - (iii) Rule of thumb for acid test ratio is 2 : 1.
  - (iv) The amount of gross assets is equal to net capital employed.
- (a) (i), (ii) and (iv)
  - (b) (ii), (iii) and (iv)
  - (c) (i), (ii), (iii) and (iv)
  - (d) None of the above

**Ans. (d) :**

■ The correct form of the given statement is as follows.

- (i) Liquidity ratios measure short term solvency of a concern.
- (ii) Inventory is part of current assets and not liquid asset.
- (iii) The ideal ratio of acid test is 0.5 :1.
- (iv) Gross Appropriated Capital is determined by deducting current liabilities from the amount of gross assets.

■ It is clear that none of the statement given in the question are correct.

**34. According to which of the following, the firm's market value is not affected by capital structure?**

- (a) M-M Hypothesis
- (b) Net Income approach
- (c) The Traditional view
- (d) None of the above



**Ans. (a) :**

- According to M.M Hypothesis, the firms' market value is not affected by capital structure.
- Capital - structure irrelevance proposition states that in perfect markets, the capital structure a company uses doesn't matter because the market value of a firm is determined by its earning power and the risk of its underlying assets.

**35. Modigliani and Miller's dividend policy of a firm is**

- (a) Relevant (b) Irrelevant  
(c) Unrealistic (d) None of the above

**Ans. (b) :**

- According to Modigliani and Miller (M -M), dividend policy of a firm is irrelevant as it does not affect the wealth of the shareholders. They argue that the value of the firm depends on the firms's earning which result from its investment policy.

**36. The concept of Quality circles is a brain child of**

- (a) Karou Ishikawa  
(b) Munchu  
(c) Japanese Union for Scientists & Engineers  
(d) None of the above

**Ans. (a) :**

- Quality circles were originally described by W. Edwards Deming in the 1950 s, Deming praised Toyota as an example of the practice.
- The idea was later formalized across Japan in 1962 and expanded by other such as Kaoru Ishikawa.

**37. Performance appraisal is**

- (a) Morale boosting  
(b) Training and Development Activity  
(c) Job Analysis  
(d) None of the above

**Ans. (b) :** Performance appraisal is a regular review of an employee's job performance and contribution to a company.

- Companies use performance appraisals to determine which employees have contributed the most to the company's growth, review progress, and reward high - achieving workers.

**38. The mechanism to identify employee's growth potential is done through**

- (a) Job enrichment  
(b) Job evaluation  
(c) Assessment centre  
(d) Position Description

**Ans. (c) :** Assessment Centre is a process where candidates are examined to determine their suitability for specific types of employment, especially management or military command.

- The candidates' personality and aptitudes are determined by techniques including interviews, group exercises presentation, examinations and psychometric testing.

**39. Statements:**

- (i) High moral always leads to high productivity.  
(ii) High morale need not necessarily lead to high productivity.  
(a) (i) is correct, (ii) is incorrect  
(b) (i) is incorrect, (ii) is correct  
(c) Both the correct  
(d) Both are incorrect

**Ans. (b) : Statement (i) :** High moral always leads to high productivity. False Statement-

**Statement (ii) :** High moral need not necessarily lead to high productivity. Correct Statement.

It is not necessary that high moral always lead to high productivity, nor does high morals necessarily lead to high productivity.

**40. Arrange the following in order :**

- (i) Promotion  
(ii) Performance appraisal  
(iii) Recruitment  
(iv) Training and Development  
(a) (iii), (iv), (ii), (i) (b) (iii), (ii), (i), (iv)  
(c) (i), (ii), (iii), (iv) (d) (iii), (iv), (ii), (i)

**Ans. (a) :** The following sequence of employee recruitment process is correct.

- Recruitment → Training and Development → performance appraisal → Promotion

**41. Find out the odd one out of the following :**

- (a) State Bank of India  
(b) Reserve Bank of India  
(c) Union Bank of India  
(d) Central Bank of India

**Ans. (b) :**

- State Bank of India, Union Bank of India, and Central Bank of India come Under the category of commercial banks while Reserve Bank of India is a central bank.

**42. SIDBI was set up in \_\_\_\_\_ as a wholly owned subsidiary of \_\_\_\_\_**

**SIDBI**

- (a) 1985 – EXIM (b) 1969 – RRBS  
(c) 1975 – IFCI (d) 1990 – IDBI

**Ans. (d) :**

- The SIDBI was established on April 02, 1990 by Government of India, as a wholly owned subsidiary of IDBI. It was delinked from IDBI Marc 27, 2000.

- The headquarters of the SIDBI is located in Lucknow, Uttar Pradesh.

**43. The most important reason for an investor to prefer a Bank deposit is**

- (a) The credit worthiness of the Bank  
(b) The Bank does not invest in the securities  
(c) The Bank offers a guarantee  
(d) All of the above

**Ans. (d) :**

■ An investor prefers bank deposits for the following reasons.

- (i) The credit worthiness of the Bank.
- (ii) The bank does not invest in the securities.
- (iii) The bank offers a guarantee.

**44. Main objective of CRR and SLR is to ensure :**

- (i) Liquidity position of Bank
  - (ii) Financial position of Bank
  - (iii) Profit position of Bank
- (a) Only (i) is correct    (b) Only (ii) is correct  
(c) Only (iii) is correct    (d) All are correct

**Ans. (a) : Statutory Liquidity Ratio (SLR) :-**

■ Statutory liquidity ratio is a monetary policy tool that the Reserve Bank of India (RBI) uses to assess the liquidity at the bank's disposal.

■ SLR requires bank to keep a certain amount of their money invested in specific central and state government securities.

**Objective of SLR :-**

i) To prevent commercial banks from liquidating their liquid assets when the RBI raises the CRR.

ii) SLR is used by the RBI to control credit flow in the banks.

iii) In a way, SLR also makes commercial banks invest in government securities.

iv) SLR might be a monetary policy tool, but it is also helped the government sell a lot of its securities. So SLR helps in the government's debt management program and RBI's monetary policy as well.

**CRR :-**

■ Cash Reserve Ratio ensures that a part of the bank's deposit is with the central Bank and is hence, secure.

■ Another objective of CRR is to keep inflation under control. During of CRR is to keep inflation under control. During high inflation in the economy RBI raises the CRR to reduce the amount of money left with banks to sanction loans.

**45. NABARD has taken over the entire functions of**

- (a) ARDC                      (b) ACD of RBI  
(c) RPCD of RBI              (d) All of the above

**Ans. (d) :**

■ The National Bank for Agriculture and Rural Development has appointed SRDC, ACD of Reserve Bank of India. And RPCD of Reserve Bank of India. He has taken all the responsibilities related to.

**46. Which of the following is the best example of Agreement between oligopolists?**

- (a) GATT                      (b) OPEC  
(c) WTO                      (d) UNIDO

**Ans. (b) :**

■ OPEC (Organization of the petroleum Exporting) is an organization of petroleum producing countries. This is the best example of compromise between oligopoly.

■ OPEC is an intergovernmental Organization of 13 countries. Founded on 14 September 1960 in Baghdad by the first five members, it has, since 1965, been headquartered in Vienna, Austria.

**47. Factor Endowment Theory of International Trade was propounded by**

- (a) David Ricardo              (b) Bertil – Ohlin  
(c) J.S. Millpes                  (d) C.P. Kindleberger

**Ans. (b) :**

■ Factor Endowment Theory of International Trade was propounded by Bertil - Ohlin.

**48. Assertion (A) :** The British established and developed Indian Railways.

**Reason (R) :** The British are keenly interested in India's economic development.

- (a) Both (A) and (R) true  
(b) Both (A) and (R) are false  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

**Ans. (c) :**

**Assertion (A) :** The British established and developed Indian Railways. True Statement.

**Reason :-** The British are keenly interested in India's economic development. False Statement

**49. Which of the following is also known as World Bank?**

- (a) IMF                              (b) IBRD  
(c) ADB                              (d) IFC

**Ans. (b) :**

■ International Bank for Reconstruction and Development (IBRD) is also known as world Bank.

■ IBRD is an international financial institution established in 1944 and headquartered in Washington D.C. USA, that is the lending arm of world Bank Group.

**50. Special Economic Zones (SEZ) have been created first time in the**

- (a) EXIM Policy – 2000  
(b) EXIM Policy 2005  
(c) Industrial Policy – 1956  
(d) Industrial Policy – 1991

**Ans. (\*) : Special Economic Zone (SEZ) :-**

■ A special economic zone is an area in a country that is subject to different economic regulations than other regions within the same country.

■ The parliament passed the special economic zones Act in 2005 after many consultations and deliberations.

■ The Act came into force along with the SEZ Rules in 2006.

■ A precursor to the SEZs, the Export processing zones were set up in India well before. The first EPZ came up in Kandla in 1965 to promote exports. This was the first EPZ not only in India but in all of Asia as well.

Hence, option (\*) is not matched in the given options.

# NTA UGC NET/JRF Exam, June 2012

## COMMERCE (Paper-II)

### Solved Paper

1. Which of the following denote the structural changes in Indian economy?
- Primary sector contribution has gone down.
  - Service sector contribution has gone up.
  - Secondary sector has not changed much.
  - All of the above

**Ans:(d) Structural changes in Indian economy:-**

The process of reallocation labour across economic sector with different levels of labour productivity - is both an outcome of and a contributor to the growth process in an economy.

**\*The following changes show structural changes Indian economy.**

- The contribution of the primary sector is falling
  - The contribution of the service sector is increasing
  - There has not been much changes in the secondary sector, that is, the change is almost in a state of stability.
- \* It is clear that all the above options are in the context of Indian economy true.

2. Broad Money has to be sensitized through :

- CRR
- SLR
- Repo Rate
- All of the above

**Ans:(d) Broad Money :** Broad Money is a category for measuring the amount of money circulating in an economy. It is defined as the most inclusive method of calculating a given country's money supply, and includes narrow money. along with other assets that can be easily converted into cash to buy goods and services.

**\*Broad Money has to be sensitized through: CRR, SLR, Repo Rate.**

3. Which one is not an element of legal environment ?

- Act of Parliamentarians in Lok Sabha
- Indian Contract Act, 1872
- Indian Partnership Act, 1932
- Negotiable instruments Act, 1881

**Ans:(a)** Legal-Environment is the laws which are passed by the government for business operations is called legal environment. In every country the government regulates business activities. These regulations of government are considered as legal environment.

**\*Part of Legal-Environment are-**

- Indian Contract Act, 1872
- Indian Partnership Act, 1932
- Negotiable Instruments Act, 1881
- Companies Act 2013
- Consumer Protection Act 1986

4. Out of the following, which are four dimensions of Human Development Index?

- Life Expectancy
- Literacy Level
- Success Rate of Marriages
- Standard of Living
- Crime Rate
- Corruption Level
- Economic Entitlement
- Foreign Visits

**Codes:**

- (i), (ii), (vi) and (viii)
- (i), (ii), (iv) and (vii)
- (ii), (iii), (vi) and (vii)
- (iii), (v), (vii) and (viii)

**Ans:(\*)** The Human Development Index (HDI) is a summary measures of average achievement in key dimensions of human development : A long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.

Therefore, Life Expectancy, Literacy Level and standard of Living these are dimension of Human Development Index .

5. Public Enterprise is defined as

- An organisation run by joint efforts of Centre and State Governments.
- An organisation which caters to the needs relating to public utilities.
- An Organisation in which capital is invested by public.
- An organisation owned and managed by public authorities for definite set of public purposes.

**Ans:(d)** Public Enterprise is defined as, an organization owned and managed by public authorities for definite set of public purposes.

**\* Public sector undertakings in India are called public sector undertakings. These undertakings are owned by the government of India or the state government or government local bodies or all.**

6. Match List-I with List-II and select the correct answer :

- | List-I                         | List-II                             |
|--------------------------------|-------------------------------------|
| (i) Measurement of income      | (a) Accrues to the equity of owners |
| (ii) Recognition of expense    | (b) Recognition of revenue          |
| (iii) Basis of realization     | (c) Matching revenue with expenses  |
| (iv) Identification of revenue | (d) Accounting period               |

**Codes :**

- |     |     |      |       |      |
|-----|-----|------|-------|------|
|     | (i) | (ii) | (iii) | (iv) |
| (a) | (a) | (b)  | (c)   | (d)  |
| (b) | (b) | (a)  | (c)   | (d)  |
| (c) | (c) | (d)  | (a)   | (b)  |
| (d) | (c) | (d)  | (b)   | (a)  |

**Ans. (d) :** The code of correct matching List-I with List-II

	List-I		List-II
(i)	Measurement of income	(c)	Matching revenue with expenses
(ii)	Recognition of expense	(d)	Accounting period
(iii)	Basis of realization	(b)	Recognition of revenue
(iv)	Identification of revenue	(a)	Accrues to the equity of owners

7. **Consider the following items :**

- (i) Debentures
- (ii) Prepaid rent
- (iii) Interest accrued
- (iv) Bank overdraft

Which of them are current liabilities :

- (a) (i), (ii), (iii) and (iv)
- (b) (iv)
- (c) (ii), (iii) and (iv)
- (d) (i), (ii) and (iii)

**Ans:(b)** Normal current Liability refers to the liabilities which are paid in a financial year or accounting period. Creditors and bank overdrafts are included under current liability.

\* An overdraft is a loan provided by a bank that allows a customer to pay for bills and other expenses when the account reaches zero.

\* Bank overdraft is considered a liability because it is an excess amount of money that is withdrawn from an accounts as compared to the amount deposited and that results in a negative account balance.

8. **Conversion cost is the sum of**

- (a) Indirect wages and factory overhead
- (b) Direct wages, direct expenses and factory overhead
- (c) Direct material cost and indirect wages
- (d) Prime cost and selling & distribution overhead

**Ans:(b)** Conversion cost is the sum of direct wages, direct expenses and factory overhead.

\* Conversion cost is a combination of all the direct and indirect production costs that a company incurs to convert raw material into finished goods.

Direct labor + Manufacturing overheads cost OR manufacturing cost – Direct material.

Prime cost:- These are the expenses that directly relate to creating finished products. includes direct material and direct labor.

9. **(A) Assertion :** Premium received on issue of shares is credited to share premium account but not to Profit and Loss account.

**(R) Reasoning :** Since share premium is not a trading profit, it is not distributed to shareholders.

- (a) Both (A) and (R) are true but (R) is not correct explanation to (A).
- (b) (A) is false but (R) is correct.
- (c) Both (A) and (R) are true and (R) is correct explanation of (A).
- (d) (A) is correct but (R) is false.

**Ans:(c)**

**(A) Assertion :** Premium received on issue of shares is credited to share premium account but not to Profit and Loss account.

Therefore, Assertion (A) is the true statement.

**(R) Reasoning :** Since share premium is not a trading profit, it is not distributed to shareholders.

Therefore, reason (R) is the also true and (R) is correct explanation of (A).

10. **Consider the following :**

- (i) Basic defensive and interval ratio
- (ii) Current ratio
- (iii) Super quick ratio
- (iv) Quick ratio

**Arrange these ratios in sequence to reflect the liquidity in descending order :**

- (a) (ii), (iv), (iii) and (i)
- (b) (i), (ii), (iv) and (iii)
- (c) (iv), (ii), (iii) and (i)
- (d) (iii), (iv), (i) and (ii)

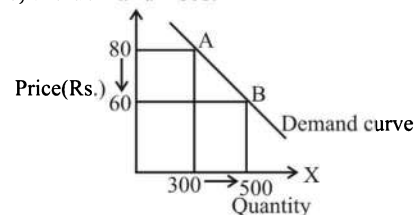
**Ans:(a)** Generally, the liquidity ratio represents the position of short-term solvency. The higher the liquidity, the higher the solvency.

Current ratio → Quick ratio → Super quick ratio → Basic defensive and interval ratio.

11. **Normally Demand curve slopes**

- (a) Upward
- (b) Downward
- (c) Horizontal
- (d) Vertical

**Ans:(b)** Normally the demand curve slopes downwards as it indicates inverse relationship between price and quantity demand. Demand curve projects that when the price rises, the quantity demanded falls, and when the price falls, the demand rises.



12. **Which of the following refers to Perfect Competition ?**

- (i) There are restrictions on buyers and sellers
- (ii) There are no restrictions on movement of goods
- (iii) There are no restrictions on factors of production

**Correct one is**

- (a) only (i) and (ii)
- (b) only (ii) and (iii)
- (c) only (i) and (iii)
- (d) only (i)

**Ans: (b)** Perfect competition describes a market structure where competition is at its greatest possible level. To make it more clear, a market which exhibits the following characteristic in its structure is said to show perfect competition:

- (i) Large number of buyers and sellers.
- (ii) Homogenous product is produced by every firm
- (iii) free entry and exit of firms
- (iv) zero advertising cost.
- (v) Consumers have perfect knowledge about the market and are well aware of any changes in the market.
- (vi) All the factors of production, viz. labor, capital, etc have perfect mobility in the market and are not hindered by any market factors or market forces.
- (vii) No government intervention
- (viii) No transportation costs
- (ix) Each firm earns normal profits and no firms can earn super-normal profits.
- (x) Every firm is a price taker.

**13. Assertion (A) :** Total utility will be maximum when marginal utility to price of respective products are equal.

**Reason (R) :** Deviation from this situation leads to reduction in maximum utility.

- (a) (A) and (R) are not correct.
- (b) (A) is correct but (R) is not correct.
- (c) (A) and (R) are correct.
- (d) (A) is incorrect, (R) is correct.

**Ans:(c)**

**Assertion (A) :** Total utility will be maximum when marginal utility to price of respective products are equal.

Therefore, Assertion (A) is the correct statement.

**Reason (R) :** Deviation from this situation leads to reduction in maximum utility.

Therefore, Reason (R) is the also correct statements.

**14. Match List-I with List-II and select the correct answer.**

- | List-I          | List-II                |
|-----------------|------------------------|
| (i) Survival    | (a) Economic Objective |
| (ii) R.O.I.     | (b) Natural Urge       |
| (iii) Growth    | (c) Business Purpose   |
| (iv) Innovation | (d) Primary Objective  |

**Codes:**

- | (a)      | (b)   | (c)   | (d)  |
|----------|-------|-------|------|
| (a) (ii) | (iii) | (iv)  | (i)  |
| (b) (ii) | (i)   | (iii) | (iv) |
| (c) (i)  | (ii)  | (iii) | (iv) |
| (d) (iv) | (iii) | (ii)  | (i)  |

**Ans. (a) :** The code of correct matching List-I with List-II

	List-I		List-II
(i)	Survival	(d)	Primary objective
(ii)	R.O.I	(a)	Economic objective
(iii)	Growth	(b)	Natural urge
(iv)	Innovation	(c)	Business purpose

**15. Consider the oligopoly models :**

- (i) Sweezy's kinked demand curve model
- (ii) Newman and Morgenstern Game Theory model
- (iii) Cournot's duopoly model
- (iv) Baumal's sales maximisation model

**Arrange them in correct sequence as per order of evolution.**

- (a) (iv), (iii), (ii) and (i)
- (b) (ii), (i), (iii) and (iv)
- (c) (iii), (i), (ii) and (iv)
- (d) (i), (iii), (ii) and (iv)

**Ans:(c)**

\*The oligopoly model can be adjusted in the course of development as follows.

(iii) Cournot's duopoly model- 1838

↓

(i) Sweezy's kinked demand curve model-1939

↓

(ii) Newman and Morgenstern Game Theory model - 1944

↓

(iv) Baumal's sales maximization model- 1967

**16. Which of the following is not a restricted random sampling technique?**

- (a) Stratified sampling
- (b) Simple random sampling
- (c) Systematic sampling
- (d) Multistage sampling

**Ans:(b)** In this method, a specific principle or basis is followed while selecting the sample elements. There are three different method of restricted random sampling-

1. Stratified Sampling
2. Systematic Sampling
3. Multistage Sampling

Therefore, simpler random sampling is free from all types of restriction.

**17. Classification of respondents only on the basis of gender is an application of**

- (a) Ordinal scale
- (b) Nominal scale
- (c) Interval scale
- (d) Ratio scale

**Ans:(b)** A nominal Scale is a (Scale of measurement) that uses labels to classify cases (measurements) into classes.

Some examples of variables that use nominal scales would be religious affiliation, sex, the city where you live, etc.

**18. Karl Pearson's co-efficient of correlation between two variables is**

- (a) the product of their standard deviations
- (b) the square root of the product of their regression co-efficient
- (c) the co-variance between the variables
- (d) None of the above

**Ans:(b)**  
 \* Karl Pearson's co-efficient of correlation between two variables is the square root of the product of their regression coefficients. mean-  

$$r = \sqrt{\sigma_x \times \sigma_y}$$

- 19. Statistical software packages for research in social sciences include**  
 (a) SPSS (b) STATA  
 (c) Mini Tab (d) All of the above

**Ans:(d)** \* Statistical software package for research in social science include-  
 (i) SPSS (statistical package for the social science)  
 (ii) STATA  
 (iii) Mini Tab

- 20. F-test is used to test the significance of the differences between/among**  
 (a) Two sample mean  
 (b) More than two samples mean  
 (c) Variance of two samples  
 (d) (B) and (C)

**Ans:(d)** The F-test formula is a statistical formula used to test the significance of differences between two groups of data.  
 It is based on the F statistic, which is a measure of how much variation exists in one group of Data compared to another.  
 \* F-test is used to test the significance of the differences between/among.  
 (i) more than two samples mean  
 (ii) variance of two samples.  
 Therefore, option (d) is correct Answer.

- 21. Match the following**

List-I	List-II
(i) The Practice of Management	(a) Henry Fayol
(ii) Philosophy of Management	(b) F.W. Taylor
(iii) Scientific Management	(c) Oliver Sheldon
(iv) General and Industrial Administration	(d) Peter F Drucker

**Codes:**

	(i)	(ii)	(iii)	(iv)
(a)	(a)	(b)	(c)	(d)
(b)	(d)	(c)	(b)	(a)
(c)	(d)	(c)	(a)	(b)
(d)	(c)	(d)	(b)	(a)

**Ans. (b) :** The code of correct matching List-I with List-II

	List-I		List-II
(i)	The Practice of Management	(d)	Peter F Drucker
(ii)	Philosophy of Management	(c)	Oliver Sheldon

(iii)	Scientific Management	(b)	F.W. Taylor
(iv)	General and Industrial Administration	(a)	Henry Fayol

- 22. Identify the correct sequence of steps involved in planning :**

- (i) Selecting the best course of action  
 (ii) Establishing the sequence of activities  
 (iii) Establishment of objectives  
 (iv) Evaluating alternative courses  
 (v) Determining alternative courses  
 (a) (i), (ii), (iii), (iv) and (v)  
 (b) (iii), (v), (iv), (ii) and (i)  
 (c) (v), (iv), (iii), (ii) and (i)  
 (d) (iii), (v), (iv), (i) and (ii)

**Ans:(d)** Planning is a basic function of management through which efforts are made by the management to adjust its resources according to the set goals and the best alternative course of actions selected for the fulfillment of the goal, so that definite results can be achieved.

\* The correct sequence of different stages of planning is as follows.

- (iii) Establishment of objectives  
 (v) Determining alternative courses  
 (iv) Evaluating alternative courses  
 (i) Selecting the best course of action  
 (ii) Establishing the sequence of activities

- 23. Assertion (A) :** One can be sure about future course of actions by making good plans.

**Reasoning (R) :** Planning brings certainty in future course of actions of an organization.

- (a) (R) is correct but (A) is not correct.  
 (b) (A) is correct but (R) is not correct.  
 (c) Both (A) and (R) are correct.  
 (d) Both (A) and (R) are not correct.

**Ans:(a) Assertion (A) :** One can be sure about future course of actions by making good plans.

Therefore Assertion (A) is the incorrect statements.

**Reasoning (R) :** Planning brings certainty in future course of actions of an organization.

Therefore Reason (R) is the correct statements.

- 24. According to Kieth Devis, which one is not a barrier of communication ?**

- (a) Physical Barriers  
 (b) Technological Barriers  
 (c) Personal Barriers  
 (d) Linguistic barriers

**Ans:(b)** According to Keith Davis communication is the process of passing information and understanding from one person to another"

\* Physical Barrier is an environmental and natural condition that acts as a barrier in communication in sending a message from sender to receiver.

\* Personal Barriers relate to the factors that are personal to the sender and receiver and act as a hindrance in the communication process.

\* A language barrier is a figurative phrase used primarily to refer to linguistic barriers to communication

\* Therefore, according to Keith Devis, the technological barrier is not a barrier of communication.

**25. While establishing relation between Maslow's and Herzberg's theories, which Needs of Hierachy Theory will fall under the Hygiene Factors ?**

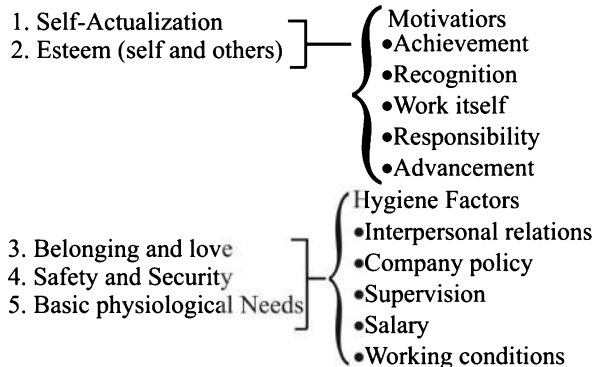
- (a) Self actualization, esteem and social needs
- (b) Esteem, social and safety needs
- (c) Social, safety and physiological needs
- (d) Only social needs

**Ans:(c)** Herzberg, a psychologist, proposed a theory about job factors that motivate employees.

Maslow, a behavioral scientist and contemporary of Herzberg's developed a theory about the rank and satisfaction of various human needs and how people pursue these needs.

Maslow's Hierarchy of Needs

Herzberg's Two Factors



\* Therefore, from the above diagram, we can conclude that while establishing relation between maslow's and Herzberg's theories, social, safety and physiological needs of Hierarchy Theory will fall under the Hygiene Factors.

**26. Howard-Sueth model of consumer behaviour is popularly known as**

- (a) Machine Model      (b) Human Model
- (c) Marketing Model    (d) Purchase Model

**Ans:(a)** Howard-Sueth model of consumer behavior is popularly known as machine model

**27. To generate and facilitate any exchange intended to satisfy human needs or wants such that the satisfaction of these wants occur with minimal detrimental impact on the natural environment is known as**

- (a) Aggressive marketing
- (b) Operating marketing
- (c) Green marketing
- (d) All of the above

**Ans:(c)** To generate and facilitate any exchange intended to satisfy human needs or wants such that the satisfaction of these wants occur with minimal detrimental impact on the natural environment is known as Green marketing.

**28. All the activities involved in selling goods or services directly to final consumers for personal non-business uses are done by**

- (a) Wholesalers
- (b) Retailers
- (c) Mediators
- (d) Commission Agents

**Ans:(b)**

\* This is done by the Retailer in selling the goods or services directly to the end consumer, which is done for personal non-commercial use.

\* Wholesalers business is distributing the end products. Thy purchase goods from manufacturers in bulk at a discount and sell to retailers.

**29. To manage a business well is to manage its future and to manage the future is to manage information is termed as**

- (a) Management information system
- (b) Marketing information system
- (c) Future information system
- (d) General information system

**Ans:(a)** To manage a business well is to manage its future and to manage the future is to manage information is termed as management information system.

A Management Information System (MIS) is an information system used for decision-making and for the coordination, control, analysis, and visualization of information in an organization.

**30. DAGMAR approach in marketing is used to measure**

- (a) Public relations
- (b) Advertising results
- (c) Selling volume
- (d) Consumer satisfaction

**Ans : (d)** DAGMAR approach in marketing is used to measure consumer satisfaction.

\* The DAGMAR approach advocates a marketing strategy that guides the consumer through four phases:

- (i) awareness
- (ii) comprehension
- (iii) conviction
- (iv) action

DAGMAR- (Defining advertising goals to measures advertising results.)

**31. Which one is not an important objective of Financial Management ?**

- (a) Profit Maximisation
- (b) Wealth Maximisation
- (c) Value Maximisation
- (d) Maximisation of social benefits

**Ans:(d)** Financial management is strategic planning, organizing, directing, and controlling of financial undertakings in an organization or an institute. It also includes applying management principles to the financial assets of an organization, while also playing an important part in fiscal management.

**Important objectives of Financial Management are:**

- (i) Wealth Maximization
- (ii) Profit Maximization
- (iii) Value Maximization
- (iv) Determining Capital Structure

\* whereas social benefit maximization is not the objective of financial management.

**32. Which one refers to cash inflow under payback period method ?**

- (a) Cash flow before depreciation and taxes
- (b) Cash flow after depreciation and taxes
- (c) Cash flow after depreciation but before taxes
- (d) Cash flow before depreciation and after taxes

**Ans:(b)** The payback period is the time required to earn back the amount invested in an asset from its net cash flow. It is a simple way to evaluate the risk associated with a proposed project. An investment with a shorter payback period is considered to be better. Since the investor's initial outlay is at risk for a shorter period of time.

\* Cash flow after taxes are used to compute the payback period. Depreciation is not considered for calculating cash flow (i.e. depreciation will not be deducted).

**33. The concept of present value is based on the :**

- (a) Principle of compounding
- (b) Principle of discounting
- (c) (A) and (B)
- (d) None of the above

**Ans:(b)** Present value (PV) is the correct value of a future sum of money or stream of cash flows given a specified rate of return. Future cash flows are discounted at the discount rate, and higher the discount rate, the lower the PV of the future cash flow.

**34. Cost of capital from all the sources of funds is called**

- (a) Specific cost
- (b) Composite cost
- (c) Implicit cost
- (d) Simple Average cost

**Ans:(a)** The cost of each component of capital is known as specific capital costs. Companies raise capital from different sources such as equity, debentures, loan etc. It is the cost of equity capital, cost of debentures, etc.

**35. Match the following with most suitable option :**

- | List-I                                 | List-II                         |
|--|---------------------------------|
| (a) Modigliani-Miller Approach         | (i) Commercial papers           |
| (b) Net Operating Income Approach      | (ii) Working Capital Management |
| (c) Short term Money Market Instrument | (iii) Capital Structure         |
| (d) Factoring                          | (iv) Arbitrage                  |

**Codes:**

- |     |       |       |      |      |
|-----|-------|-------|------|------|
|     | (a)   | (b)   | (c)  | (d)  |
| (a) | (iv)  | (iii) | (i)  | (ii) |
| (b) | (iii) | (iv)  | (i)  | (ii) |
| (c) | (iii) | (ii)  | (i)  | (iv) |
| (d) | (iii) | (ii)  | (iv) | (i)  |

**Ans. (a) :** The code of correct matching List-I with List-II

	List-I		List-II
(a)	Modigliani-Miller Approach	(iv)	Arbitrage
(b)	Net Operating Income Approach	(iii)	Capital structure
(c)	Short term Money Market Instrument	(i)	Commercial papers
(d)	Factoring	(ii)	Working capital Management

**36. Which four are the factors influencing the Human Resource Management of an organisation?**

- (i) Size of workforce
  - (ii) Employee Expectations
  - (iii) Composition of workforce
  - (iv) Political influence
  - (v) Changes in technology
- (a) (i), (ii), (iii) and (iv)
  - (b) (i), (ii), (iii) and (v)
  - (c) (i), (ii), (iv) and (v)
  - (d) (i), (iii), (iv) and (v)

**Ans:(c)** Following are the four major factors affecting the human resource management of an organisation.

- \* Size of workforce
- \* Employee expectations
- \* Political influence
- \* Changes in technology

→ Some other factors are:

- \* Economic factors
- \* Socio-cultural factors
- \* Organization's culture

Therefore, option (c) correct.

**37. Assertion (A) :** One can not be sure about the quality of appraisal on the basis of length of service.

**Reasoning (R) :** Initial appraisal and promotional appraisal are done separately and differently since the length of service is different.

- (a) (R) is correct but (A) is not correct.
- (b) (A) is correct but (R) is not correct.
- (c) (A) and (R) both are correct.
- (d) (A) and (R) both are not correct.

**Ans:(d) Assertion (A) :** One can not be sure about the quality of appraisal on the basis of length of service.

Therefore, Assertion (A) is the not correct statements.

**Reasoning (R) :** Initial appraisal and promotional appraisal are done separately and differently since the length of service is different.

Therefore, Reason (R) is the also not correct statements.



38. Which of the following are covered under the scope of Human Resource Management ?

- (i) Forecasting Human Resource Needs
  - (ii) Replacement Planning
  - (iii) Human Resource Dynamics
  - (iv) Human Resource Development Planning
  - (v) Human Resource Audit
- (a) (i), (iii), (v)  
(b) (i), (ii), (iii), (iv)  
(c) (iii), (v)  
(d) (i), (ii), (iii), (iv), (v)

**Ans:(d) Scope of human Resource Management:-**

- (i) Forecasting Human Resource Needs
- (ii) Replacement Planning
- (iii) Human Resource Dynamics
- (iv) Human Resource Development planning
- (v) Human Resource Audit.

39. On which of the following, at the initial stage, the Indian IT companies relying more for getting good IT professionals ?

- (a) Job Protals
- (b) Placement Agencies
- (c) Campus Placement
- (d) All of the above

**Ans:(c)** Campus placement, At the initial stage, the Indian IT companies relying more for getting good IT professionals.

40. Statement (i) : Labour always get a major share of productivity gains.

Statement (ii) : Partial stoppage of work by workers amounts to strike.

- (a) Statement (i) is true but (ii) is false.
- (b) Statement (ii) is true but (i) is false.
- (c) Both statements are true.
- (d) Both statements are false.

**Ans:(b) Statement (i) :** Labour always get a major share of productivity gains.

Therefore, statements (i) is the false.

**Statement (ii) :** Partial stoppage of work by workers amounts to strike.

Therefore, statements (ii) is the True.

41. Imperial Bank was established on January 27, 1921 on the advise of

- (a) J.M. Keynes
- (b) Lord Illingworth
- (c) King George V
- (d) Winston Churchill

**Ans:(a)** The imperial bank of india came into existence on 27 January 1921 advise by J.M. Keynes. The major banking control was with the three presidency banks: Bank of Bengal, the Bank of Bombay and the bank of Madaras until they were amalgamated into one by forming the imperial bank.

**The imperial bank combined the functions of the commercial and a central bank.**

\* On July 1, 1955 as per the state Bank of India Act 1955, the state Bank of India (SBI) was constituted and it took over the business and undertaking of the imperial bank.

42. Read the following events :

- (i) Allowing convertibility of rupee at the market rate in the current account
- (ii) Nationalization of general insurance business
- (iii) Establishment of IDBI
- (iv) Nationalization of life insurance business
- (v) Capital adequacy norms for commercial banks

**Arrange the events in the ascending order of their occurrence :**

- (a) (iv), (iii), (ii), (i), (v)
- (b) (v), (iv), (iii), (ii), (i)
- (c) (i), (ii), (iii), (v), (iv)
- (d) (i), (v), (ii), (iv), (iii)

**Ans:(a) Ascending order:-**

(iv) Nationalization of life insurance business

↓

(iii) Establishment of IDBI

↓

(ii) Nationalization of General insurance business

↓

(i) Allowing convertibility of rupee at the market rate in the current account.

↓

(v)Capital adequacy norms for commercial banks.

Therefore, option (a) is correct Answer.

43. In India, the Commercial banks are given license of operation by

- (a) The Government of India
- (b) The Ministry of Finance
- (c) Reserve Bank of India
- (d) Banking Companies Regulation Act, 1949

**Ans:(c)** The Banking system in India is regulated by the Reserve Bank of India (RBI) through the provision of the Banking Regulation Act, 1949.

Therefore, Commercial banks are given license of operation RBI.

44. The provisions of General Reserve in Banking Companies are made keeping in view the provisions of

- (a) Indian Companies Act, 1956
- (b) Banking Companies Act, 1949
- (c) SEBI Act, 1992
- (d) Statutory Auditor

**Ans:(b)** \* The provisions of General Reserve in Banking companies are made keeping in view the provisions of Banking companies Act, 1949. The Banking companies Act, 1949 was introduced by the Government of India in order to regulate functions of all the banking companies in India.

45. Which among the following is not true with regard to merchant banker ?

- (i) It can accept deposits.
- (ii) It can advance loans
- (iii) It can do other banking activities
- (iv) It can be manager to a public issue
- (a) (i), (ii) and (iii)      (b) (ii), (iii) and (iv)
- (c) (i), (iii) and (iv)      (d) (ii) and (iv)

**Ans:(a)** A merchant banker deals with international finance, business loans for companies and underwriting.

**Following point are not true with regard to merchant banker:**

- (i) It can accept deposits.
- (ii) It can advance loans.
- (iii) It can do other banking activities.

46. Balance of Payments can be made favorable if

- (a) Exports are increased
- (b) Imports are increased
- (c) Devaluation of money
- (d) (A) and (C)

**Ans:(d)** Balance of payments can be made favorable if-

- (i) Exports are increased
- (ii) Devaluation of Money

Whereas, with the following action the balance of payment becomes unfavorable.

- (i) Imports are increased
- (ii) Currency should be appreciated

47. Which one is not an objective of IMF ?

- (a) To promote international monetary co-operation
- (b) To ensure balanced international trade
- (c) To finance productive efforts according to peace-time requirement
- (d) To ensure exchange rate stability

**Ans:(c)** IMF-International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 190 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation. Which are essential to increase productivity. Job creation, and economic well-being.

**\* Objectives of IMF:-**

- (i) To promote international monetary co-operation
- (ii) To ensure balanced international trade
- (iii) To ensure exchange rate stability

- (iv) To eliminate or to minimize exchange restriction. by promoting the system of multilateral payments.
- (v) To grant economic assistance to members countries for eliminating the adverse balance of payment.
- (vi) To minimize the imbalance in quantum and duration of international trade.

48. EPCG denotes

- (a) Export Potential and Credit Guarantee
- (b) Earning Promotion and Credit Guarantee
- (c) Export Promotion and Credit Guarantee
- (d) Export Potential and Credit Goods

**Ans:(c)** EPCG denotes -(Export promotion and credit guarantee)

49. Which one of the following matches correspond to the Member and Observer countries of the SAARC ?

- (i) India, Pakistan, Bangladesh, Bhutan, Nepal, Sri Lanka, Afghanistan, Maldives
- (ii) Iran, China, Japan, USA, South Korea, European Union
- (iii) Pakistan, Nepal, India, Bangladesh, Iran
- (iv) UK, USA, North Korea, South Africa
- (a) (iii) and (iv)      (b) (ii) and (iv)
- (c) (i) and (ii)      (d) (ii) and (iii)

**Ans:(c)** South Asian Association for Regional cooperation (SAARC)

\* SAARC is an economic and political organization of eight member countries in south Asia.

\* It was established in 1985 when the heads of State of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka Formally adopted the charter.

\* Afghanistan joined as the 8<sup>th</sup> member of SAARC in 2007.

\* SAARC, aims to promote economic growth, social progress and cultural development within the south Asia region.

\* 9 observer states join SAARC summits: China, USA, Australia, Mauritius and the European Union, Iran, Japan Myanmar, South Korea.

50. Which one is not an international organization?

- (a) SAARC      (b) ASEM
- (c) ASEAN      (d) CBDT

**Ans:(d)**

- SAARC, ASEM, and ASEAN are an international organization. whereas CBDT (Central Board for direct Tax) is an Indian organization which is related to direct Taxes.

# NTA UGC NET/JRF Exam, June 2012

## COMMERCE (Paper-III)

### Solved Paper

1. If Opening Stock is ₹ 10,000, Net Purchases ₹ 70,000, Wages ₹ 2,500, Carriage inward ₹ 500 and Closing Stock ₹ 15,000, what is the Manufacturing Cost ?
- (a) 65,000                      (b) 83,000  
(c) 68,000                      (d) 73,000

**Ans:(c)**

Manufacturing cost = Raw material + direct wages + Manufacturing overhead.

\* Raw material cost = Opening stock + Net purchase – Closing stock

Manufacturing cost = Opening stock + net purchases + Wages + Carriage Inward – Closing stock.

Manufacturing cost = 10,000 + 70,000 + 2,500 + 500 – 15,000 = 68,000

2. What does a high payout ratio indicate ?
- (a) A High Earning Per Share (EPS)  
(b) The management is not ploughing back enough profit  
(c) The management is ploughing back profit  
(d) The company is earning high profit

**Ans:(b)** A high payout ratio indicates that the company is paying out a large share of its net income to common share holders in the form of dividend payment. The company may not have any potential opportunities for reinvestment and thus is repatriating cash back to investor.

The management is not ploughing back enough profit.

3. Which one of the following statements is true ?
- (a) Capital expenditure does not affect the profitability of a concern but revenue expenditure does  
(b) Capital expenditure affects the profitability of a concern directly but revenue expenditure does not  
(c) Capital expenditure affects the profitability of a concern indirectly but revenue expenditure affects directly  
(d) Both capital expenditure and revenue expenditure affect the profitability of a concern directly

**Ans: (c)** Capital expenditure in directly affects the profitability of the company, but revenue expenditure directly affects it. capital expenditures are expenses incurred to acquire or increases productive assets to increase a company's capacity over an accounting period. Whereas revenue expenditure is incurred to maintain the cash or resource spent.

4. Identify the true statement of the following :
- (i) Balance Sheet is always prepared from the point of view of the business but not from that of the owners.  
(ii) The financial relationship of the business to its owners is shown in the Balance Sheet.  
(iii) Balance Sheet is always related to a period of time.

**Codes:**

- (a) (i) and (ii)                      (b) (ii) and (iii)  
(c) (i) and (iii)                      (d) (i), (ii) and (iii)

**Ans: (a)** Balance sheet is the financial statement of a company which includes assets, liabilities. equity capital total debts etc. at a point in time.

-Hence statement (i) Balance sheet is always prepared from the point of view of the business but not from that of the owners and statement (ii) The financial relationship of the business to its owners is shown in the balance sheet. are both statement are true.

5. X and Y are partners in a firm sharing profits in the ratios of 2 : 1. Z is admitted with a 1/3 profit sharing. What will be the new profit sharing ratio of X, Y and Z ?
- (a) 3 : 3 : 3                      (b) 4 : 3 : 2  
(c) 4 : 2 : 3                      (d) 2 : 3 : 4

**Ans: (c)** Suppose that, Total profit=1

The ratio of Z = 1/3

Balance ratio = 1 – 1/3 = 2/3

The ratio of X =  $\frac{2}{3} \times \frac{2}{3} = \frac{4}{9}$

The ratio of Y =  $\frac{1}{3} \times \frac{2}{3} = \frac{2}{9}$

∴ The ratio of Z = 1/3

∴ New profit sharing ratio X, Y and Z =  $\frac{4}{9} : \frac{2}{9} : \frac{3}{9}$   
= 4:2:3

6. Which one of the following will not affect the working capital ?
- (a) Realisation of cash from debtors  
(b) Sale of plant and machinery in cash  
(c) Issue of equity shares  
(d) Redemption of debentures

**Ans:(a)** Working capital, also called net working capita, is the difference between a companies current assets, cash, accounts receivable and inventory of raw materials and finished goods, and its current liabilities, such as accounts payable, Hence, cash recovery from debtors will not affect the working capital.

Working capital = Current assets – Current Liabilities

7. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R) :
- Assertion (A) :** When a company earns profit prior to its incorporation, it is called capital profit.  
**Reason (R) :** Capital profit cannot be used for distribution as dividend to the shareholders.  
**In the context of the above two statements, which one of the following is correct ?**
- (a) (A) is correct, but (R) is wrong.  
(b) Both (A) and (R) are correct.  
(c) (A) is wrong, but (R) is correct.  
(d) Both (A) and (R) are wrong.

**Ans: (b)**

**Assertion (A) :** When a company earns profit prior to its incorporation, it is called capital profit.

-Therefore Reason (R) is the correct statement.

**Reason (R) :** Capital profit cannot be used for distribution as dividend to the shareholders.

-Therefore, Reason (R) is the also correct statement.

8. **Reconstruction of a company takes place when**

- (i) the company is under capitalised
- (ii) company has incurred heavy losses which must be written off
- (iii) the company is over capitalised

**Which one of the following is correct ?**

- (a) (i) and (ii) only
- (b) (i) and (iii) only
- (c) (ii) and (iii) only
- (d) All the above

**Ans:(c)** When a company is suffering loss for several past year's and suffering form financial difficulties, it may go for reconstruction.

-Hence company has incurred heavy losses which must be written of and the company is over capitalised.

both are statement is correct.

9. **Match the items of List – I with the items of List – II and select the correct answer using the codes given below the lists :**

List – I	List – II
(a) Leverage Ratio	1. Short-term solvency
(b) Liquidity Ratio	2. Earning capacity
(c) Turnover Ratio	3. Relationship between debt and equity
(d) Profitability Ratio	4. Efficiency of Asset Management

**Codes:**

(a)	(b)	(c)	(d)
(a) (ii)	(i)	(iv)	(iii)
(b) (iii)	(ii)	(i)	(iv)
(c) (iv)	(iii)	(i)	(ii)
(d) (iii)	(i)	(iv)	(ii)

**Ans: (d)** The code of correct matching List-I with List-II

	List-I		List-II
(a)	Leverage Ratio	(iii)	Relationship between debt and equity
(b)	Liquidity ratio	(i)	Short-term solvency
(c)	Turnover ratio	(iv)	Efficiency of asset management
(d)	Profitability ratio	(ii)	Earning capacity

10. **Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R) :**

**Assertion (A) :** Sinking fund is a charge against Profit and Loss Account.

**Reason (R) :** Sinking fund is created for repayment of a long term liability.

**In the context of the above two statements, which one of the following is correct ?**

- (a) (A) is correct, but (R) is wrong.
- (b) Both (A) and (R) are correct.
- (c) (A) is wrong, but (R) is correct.
- (d) Both (A) and (R) are wrong.

**Ans :(c) Assertion (A) :** Sinking fund is a charge against Profit and Loss Account.

-Therefore Assertion (A) is the wrong statement

**Reason (R) :** Sinking fund is created for repayment of a long term liability.

-Therefore Reason (R) is the correct statement.

11. **Match List – I with List – II and select the correct answer using the codes given below the lists :**

List – I	List – II
(a) Goodwill of a company	1. Current liability
(b) Overdraft	2. Fixed Assets
(c) Preliminary Expenses	3. Reserves and Surplus
(d) Premium on Issue of Shares	4. Fictitious Assets

**Codes:**

(a)	(b)	(c)	(d)
(a) (ii)	(i)	(iv)	(iii)
(b) (i)	(ii)	(iv)	(iii)
(c) (i)	(ii)	(iii)	(iv)
(d) (ii)	(i)	(iii)	(iv)

**Ans:(a)** The code of correct matching List-I with List-II:

	List-I		List-II
(a)	Goodwill of a company	(ii)	fixed Assets
(b)	Overdraft	(i)	current liability
(c)	Preliminary Expenses	(iv)	fictitious assets
(d)	Premium on Issue of shares	(iii)	Reserves and surplus

12. **In India, which of the following is prepared on the guidelines of AS-3 (Accounting Standard – 3) ?**

- (a) Balance Sheet of a Company
- (b) Funds Flow Statement
- (c) Cash Flow Statement
- (d) Consolidated Financial Statement

**Ans:(c)** An Accounting Standard is asset of practices and policies used to systemize bookkeeping and other accounting functions across firms and over time.

**Accounting Standards-**

Balance sheet of a company - As 4

Consolidated financial statement - As 21

Cash flow statement - As 3

13. **What is the correct sequence of the following actions required for the preparation of financial accounts ?**

- (i) Trading accounts
- (ii) Making adjusting entries
- (iii) Balance Sheet
- (iv) Profit and Loss Account

**Select the correct answer from the codes given below :**

(a)	(b)	(c)	(d)
(a) (iv)	(ii)	(i)	(iii)
(b) (ii)	(iv)	(iii)	(i)
(c) (ii)	(i)	(iv)	(iii)
(d) (iv)	(ii)	(iii)	(i)

**Ans: (c) The correct sequence of the preparation of financial Accounts:**

(iii) Making adjusting assets

↓

(ii) Trading Accounts

↓

(iv) Profit and loss Accounts

↓

(iii) Balance Sheet

**14. The main effect of inflation on the financial statement is**

- (a) Profits are understated
- (b) Overstatement of Assets
- (c) Adequacy of funds for replacement of assets
- (d) Erosion of capital

**Ans:(d) Effect of Inflation on the financial statement:**

\* Erosion of capital

\*Effect on balance-sheet

\*Understated asset values

\*overstated Income and overpayment of taxes

\* Differing rate of inflation

\*Differing impacts across companies

\*Lack of comparability.

**15. Present value of future earnings is a model of Human Resources Accounting suggested by**

- (a) Brauch Lev & ABA Schwartz
- (b) Jaggi & Lau
- (c) S.K. Chakraborty
- (d) Eric Flamhaltz

**Ans:(a)** Present value of future earning model. This model of human resource accounting was developed by **Lev and Schwartz** in the year 1971 and involves determining the value of human resources as per the present value of estimated future earnings discounted by the rate of return on investment.

**16. Which element of the promotion mix do wholesalers generally apply to obtain their promotional objective ?**

- (a) Advertising
- (b) Personal Selling
- (c) Trade Promotion
- (d) Direct Marketing

**Ans: (c)** Trade promotion is part of revenue management and refers to marketing campaigns directed at wholesalers or retailers rather than at final consumers. It is a marketing technique aimed at increasing demand for products in retail stores.

**17. Who has given 'fourteen Principles of Management' ?**

- (a) Barnard
- (b) Henry Fayol
- (c) F.W. Taylor
- (d) Flemming

**Ans:(b)** Henry Fayol, also known as the 'father of modern management Theory' gave a new perception of the concept of management. He introduced a general theory that can be applied to all levels of management and every department. The Fayol theory is practised by the managers to organize and regulate the internal activities of an organization. He concentrated an accomplishing managerial efficiency. The fourteen principles of management credited by Henry Fayol.

**18. What is M.B.O ?**

- (a) Management by Objective
- (b) Multiple Business Organization
- (c) Management by Organization
- (d) Multiplicity of Business Operations

**Ans:(a)** Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees as well as aligning objectives across the organization.

**19. Match items in List – II with items in List – I :**

**List – I**

**List – II**

- |                           |                            |
|---------------------------|----------------------------|
| (a) Mega Marketing        | 1. Advertising             |
| (b) Penetration Price     | 2. Kotler                  |
| (c) Promotion Mix         | 3. Low price               |
| (d) Customer Satisfaction | 4. Post Purchase Behaviour |

**Codes:**

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> |
| (a) | I        | II       | III      | IV       |
| (b) | III      | I        | II       | IV       |
| (c) | IV       | III      | II       | I        |
| (d) | III      | IV       | I        | II       |

**Ans:(b)** The code of correct matching List-I with List-II:

	List-I		List-II
(a)	Mega marketing	(iii)	Low price
(b)	Penetration price	(i)	Advertising
(c)	Promotion Mix	(ii)	Kotler
(d)	Customer satisfaction	(iv)	Post Purchase Behavior

**20. Assertion (A) :** Sales promotion has a strong impact on consumer behavior in rural India.

**Reason (R) :** Rural people in India give utmost significance to sales promotion schemes.

**Codes :**

- (a) Statement (A) is correct but Reason (R) is incorrect
- (b) Statement (A) is incorrect, but Reason (R) is correct
- (c) Both Statement (A) and Reason (R) are correct
- (d) Both Statement (A) and Reason (R) are incorrect

**Ans:(a) Assertion (A) :** Sales promotion has a strong impact on consumer behavior in rural India.

-Therefore statement (a) is the correct statement

**Reason (R) :** Rural people in India give utmost significance to sales promotion schemes.

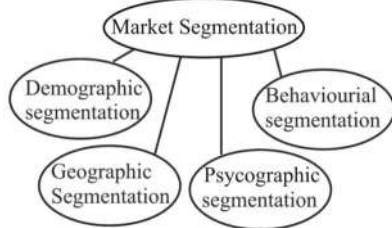
-Therefore reason (R) is the incorrect statement.

**21. Market sub-divided on the basis of behavioral characteristics is called**

- (a) Segmentation
- (b) Aggregation
- (c) Precision
- (d) None of the above

**Ans:(a)** Market segmentation is a marketing term that refers to aggregating prospective buyer's into groups or segments with common needs and who respond similarly to a marketing action.

**Type of Market segmentation:-**



22. **What is mass marketing ?**

- (a) Offering the same products and marketing mix to all consumers
- (b) Offering variety of products to the entire market
- (c) Offering differentiated products to all customers
- (d) Following concentrated marketing strategy

**Ans:(a)**

-Mass marketing is the process of appealing to an entire market rather than one targeted group. The marketing technique uses mass distribution and mass media to reach to widest audience possible.  
 -Mass marketing aims to advertise to the highest number of potential customers.  
 -Mass marketing offering the same p\product and marketing mix to all consumers.

23. **Which concept of marketing is based on the assumption that superior products sell themselves ?**

- (a) Production
- (b) Marketing
- (c) Societal
- (d) Product

**Ans:(d):** A marketing mix products multiple areas of focus as part of a comprehensive marketing plan. the term often refers to a common classification that began as the four P<sub>s</sub>: product, price, place and promotion

-Therefore, the product is based on the belief that excellent products sell by themselves.

24. **In broader sense, marketing communication includes**

- (a) Product
- (b) Price
- (c) Place
- (d) All

**Ans:(d)** Marketing communication (MC) are made up of the marketing mix which is made up of the 4p's price, promotion, place and product, for a business selling goods and made up of 7p's : price promotion, place, product, people, physical evidence and process, for a service-based business.

25. **Physical distribution provides**

- (a) Place utility
- (b) Time utility
- (c) Place and Time utility
- (d) Form utility

**Ans:(c)** Physical distribution is concerned with the physical movement of the goods from the producer to the consumer. It is an important part of marketing activity and a major component of marketing mix.

**importance of physical distribution system:**

- (i) creating time and place utility
- (ii) Helps in reducing distribution cost
- (iii) Helps in stabilisation of price
- (iv) Improved consumer services

26. **What is relevant to place variable of marketing mix ?**

- (a) Branding
- (b) Price penetration
- (c) Sales personnel motivation
- (d) None

**Ans:(c)** The marketing mix is the combination of the four controllable variables-product, place, promotion and price (the four Ps) People are sometimes added (but that's within HR). Chanimals blend these variables to create a mix that satisfies the needs of the target market.

-Therefore sales personnel motivation is relevant to place variable of marketing mix.

27. **Find incorrect statement:**

- (a) Marketers arouse emotional motives
- (b) Marketers satisfy rational motives
- (c) Marketers formulate different sales promotions for different motives
- (d) None of the above

**Ans:(d)**

- (a) Marketer's accuse emotional motives
- (b) marketers satisfy rational motives
- (c) marketers formulate different sales promotions for different motives

-Therefore, all options is the correct.

28. **Non-store marketing includes**

- (a) Home selling
- (b) V.P.P.
- (c) Vending Machines
- (d) All of the above

**Ans:(d)** Non-store retailing is the selling of goods and services outside the confines of a retail facility.

Includes:

- \* Home selling
- \* V.P.P
- \* Vending machines

29. **What is customer delight ?**

- (a) Performance equal to expectation
- (b) Performance less than expectation
- (c) Performance more than expectation
- (d) Expectation more than performance

**Ans:(c)** -Customer delight is the process of surpassing customer's expectations to build a long-term, positive experience around your product or service and brand. customer satisfaction happens when you simply meet customer's expectations.

-customer delight is surprising a customer by exceeding their expectations and thus creating a positive emotional reaction.

30. **Which terms are often used interchangeably in marketing literature ?**

- (a) Concept, method, philosophy
- (b) Concept, approach, technique
- (c) Orientation, concept, philosophy
- (d) Philosophy, system, concept

**Ans:(c)** Orientation, concept and philosophy are often used interchangeably in marketing literature.

-orientation is all about the direction you're facing

-concept is something conceived in the mind

-Philosophy "(love of wisdom) is the study of general and fundamental questions such as those about existence, reason, knowledge, value mind and long age.

31. Which one of the following is not the operative function of HRM ?

- (a) Development (b) Controlling  
(c) Compensation (d) Integration

**Ans:(b): Introduction to operative functions:-**

The operative functions are those tasks or duties or functions which a company entrusts to the human resource or personnel department.

1. Employment
2. Development
3. Compensation
4. Working conditions and welfare
5. Motivation
6. Personnel record keeping
7. Industrial Relations.

32. Which one of the following is not in sequence of personnel training procedure ?

1. Instructor Preparation
  2. Present the task
  3. Try out performance
  4. Training preparation
  5. Follow up
- (a) 1,2,3,4,5 (b) 2,1,4,3,5  
(c) 1,4,2,3,5 (d) 3,1,2,5,4

**Ans:(c)** Personnel training is the process of orienting and educating employees in the work place. In many cases, this form of training is associated with entry-level education that helps to prepare new employees for the work they will do.

Sequence of personnel training procedure:

- Instructor preparation
- Training preparation
- Present the task
- Try out performance
- Follow up.

33. Under which method of performance appraisal one person is compared with all others for the purpose of placing them in a simple order of work ?

- (a) Grading  
(b) Person to Person comparison  
(c) Ranking  
(d) None of the above

**Ans:(c)** Ranking method is the oldest and simplest formal systematic method of performance appraisal, where each employee is compared with all others and placed in simple rank order. In this method the employee are ranked on the basis of merit from best to the poorest or from most to least.

-Therefore option (c) ranking is the correct statement.

34. Which one of the following is not the fundamental procedure that should be considered for the collective bargaining ?

- (a) Prenegotiation phase  
(b) Selection of Negotiators  
(c) Tactic and Strategy of Bargaining  
(d) None of the above

**Ans:(d)** Collective bargaining is the process of negotiating the employment terms between an employer and a group of workers.

-The process takes place between company management and a labour union.

-Therefore prenegotiation phase, selection of negotiator, Tactic and strategy of bargaining all option the fundamental procedure for the collective bargaining.

35. Assertion (A) : Inevitably the firm must go to the external sources for lower entry jobs.

Reason (R) : For positions where required qualification/ experience are not met.

**Codes:**

- (a) Both (A) and (R) are not correct.  
(b) (A) is true, but (R) is false.  
(c) (R) is true, but (A) is false.  
(d) Both (A) and (R) are correct.

**Ans:(d) Assertion (A) :** Inevitably the firm must go to the external sources for lower entry jobs.

-Therefore, assertion (A) is the correct statement.

**Reason (R) :** For positions where required qualification/ experience are not met.

-Therefore, Reason (R) is the also correct statement.

36. Match the following items of List – I and List – II :

List – I	List – II
(i) Asbestos	1. Lung Cancer
(ii) Benzene	2. Cancer
(iii) Ethylene Disbromide	3. Leukemia
(iv) Kerosene	4. Acute Nervous System Depression

**Codes:**

	I	II	III	IV
(a)	4	2	3	1
(b)	4	3	2	1
(c)	1	3	2	4
(d)	3	4	2	1

**Ans:(c)**

The code of correct matching List-I with List-II:

	List-I		List-II
(i)	Asbestos	(1)	Lung Cancer
(ii)	Benzene	(3)	Leukemia
(iii)	Ethylene disbromide	(2)	Cancer
(iv)	Kerosene	(4)	Acute Nervous system Depression.

37. Assertion (A) : Business Economics is tool centrics facilitating decision making in business.

Reason (R) : It provides an analytical understanding of economic activities.

**Codes:**

- (a) Both (A) and (R) are not correct.  
(b) Both (A) and (R) are correct.  
(c) (A) is true, but (R) is false.  
(d) (R) is true, but (A) is false.

**Ans:(b) Assertion (A) :** Business Economics is tool centrics facilitating decision making in business.

-Therefore, Assertion (A) is the correct statement

**Reason (R) :** It provides an analytical understanding of economic activities.

-Therefore Reason (R) is the also correct statement.

38. Demand has the following elements :

- (a) Quantity (b) Price  
(c) Time (d) All the above

**Ans:(d)** Essential elements of demand are quantity, ability, willingness, prices, and period of time. own price is the most important determinant of demand. When the own price of a commodity falls, its demand rises and when its own price rises, its demand falls.

39. A perfectly competitive firm attains equilibrium when

- (a) AC = AR (b) MR = MC  
(c) MC = AC (d) TC = TR

**Ans:(b)** In a perfectly competitive market, a firm cannot change the price of a product by modifying the quantity of its output. Further, the input and cost condition are given. Therefore, the firm can alter the quantity of its output without changing the price of the product.

**Conditions for the equilibrium of a firm are;**

\* MR=MC

\* MC curve cuts the MR curve from below.

40. The purpose of job evaluation is

- (a) Fixation of Responsibility  
(b) Promotion  
(c) Wage Determination  
(d) Transfer to a better job

**Ans:(c)** The goal of job evaluation is to compare jobs with each other in order to create a pay structure that is fair, equitable, and consistent for everyone. This ensures that everyone is paid their worth and that different jobs have different entry and performance requirements.

41. For testing of hypothesis  $H_0 : M_1 = M_2$  and  $H_1 : M_1 < M_2$ , the critical value of Z at 5% level of significance when size of sample is more than 30 is

- (a) 1.96 (b) 2.32  
(c) 1.645 (d) 2.5758

**Ans:(c)** Significance level, which we state as  $\alpha$ . A sample mean with a Z-score more than or equal to the critical value of 1.645 is significant at the 5% level. Therefore, testing of hypothesis  $H_0: M_1=M_2$  and  $H_1: M_1 < M_2$ , the critical value of Z at 5% level of significance when size of sample is more than 30 is 1.645

42. Which of the following is the nonrandom method of selecting samples from a population?

- (a) Stratified Sampling  
(b) Quota Sampling  
(c) Systematic Sampling  
(d) Cluster Sampling

**Ans:(b)** Non-probability sampling is a method of selecting units from a population using a subjective method since non-probability sampling does not require a complete survey frame, it is a fast, easy and inexpensive way of obtaining data.

**Non-probability sampling methods:-**

-Convenience sampling

-Judgement sampling

-Quota Sampling

-Snowball or network sampling

-Crowdsourcing, sampling

- Accidental sampling

43. If the two regression coefficients are 0.8 and 0.2, then the value of coefficient of correlation is

- (a)  $\pm 0.16$  (b)  $-0.40$   
(c)  $-0.16$  (d)  $+0.40$

**Ans:(d)** The geometric mean between the two regression coefficients is equal to the correlation coefficient.

$$R = \sqrt{(b_{yx} \times b_{xy})} = \sqrt{(0.8 \times 0.2)}$$

$$= \sqrt{0.16} = 0.40$$

The '+' or '-' sign is given to the correlation coefficient based on the signs of the two regression coefficients.

44. Which one of the following is a relative measure of dispersion ?

- (a) Standard deviation  
(b) Variance  
(c) Coefficient of variation  
(d) None of the above

**Ans:(c)** The correct option (c) coefficient of variation the coefficient of variation is a relative measure of dispersion. All the other are absolute measures.

45. Assertion (A) : Internal factors of business environment are controllable factors.

**Reason (R) :** The company can alter or modify such factors to suit the environment.

**Codes:**

- (a) Both (A) and (R) are correct.  
(b) (A) is correct, but (R) is incorrect.  
(c) Both (A) and (R) are incorrect.  
(d) (A) is incorrect.

**Ans:(a)**

**Assertion (A) :** Internal factors of business environment are controllable factors.

-Therefore, Assertion (A) is the correct statement.

**Reason (R) :** The company can alter or modify such factors to suit the environment.

-Therefore Reason (R) is also correct statement.

46. The concept of 'Rolling Plan' in India was introduced by the

- (a) BJP Government  
(b) Janta Government  
(c) Congress Government  
(d) All of the above

**Ans:(b)** Rolling plan was the sixth five year plan introduced by the janta government for the time period 1978-83, after removing the fifth five year plan in 1977-78. You can read about the National institution for transforming India (NITI Aayog)

47. Which one of the following is an obstacle to globalization ?

- (a) Wide base (b) Niche markets  
(c) Obsolescence (d) Competition

**Ans:(c)** Globalization is an incredibly unique and diverse process. In a nutshell, it describes the interaction and interconnection of people, governments and companies around the world. Businesses expand internationally with the help of trade agreements created by partnering governments local brands become internationally recognized and people move across continents to build or join new companies  
-Therefore, obsolescence an obstacle to globalization.

48. 'VSAT' technology is first followed for on-line trading by

- (a) BSE (b) OTCEI  
(c) NSE (d) ISE



**Ans:(c)** The National Stock Exchange (NSE) of India has one of the largest VSAT networks in the world and it as one of its connectivity options. VSAT provided the NSE with a way to offer access in areas where wired options are limited with the exception of the occasional sun outage due to solar radiation distorting signals from the satellite the VSAT network has held up.

49. Match the following :

List – I Years	List – II Act
(a) 1956	(i) Consumer Protection Act
(b) 1986	(ii) Indian Companies Act
(c) 1992	(iii) Securities and Exchange Board of India
(d) 2002	(iv) Securitization Act

**Codes:**

	(a)	(b)	(c)	(d)
(a)	(ii)	(i)	(iii)	(iv)
(b)	(i)	(ii)	(iii)	(iv)
(c)	(ii)	(iii)	(i)	(iv)
(d)	(i)	(iv)	(iii)	(ii)

Ans. (a) : The code of correct matching List-I with List-II

	List-I (years)		List-II (Act)
a.	1956	(ii)	Indian companies Act
b.	1986	(i)	Consumer protection Act
c.	1992	(iii)	Securities and exchange board of India (SEBI)
d.	2002	(iv)	Securitisation Act

50. The flagship project of Government of India launched for generating guaranteed employment in rural areas is known as

- (a) PMRY (b) MNREGA  
(c) JRY (d) NREP

**Ans:(b)** Some important flagship schemes of the government are given below.

- Swachh Bharat Abhiyan
- Digital India Programme
- Sarva Shiksha Abhiyan (SSA)
- Mahatma Gandhi National Rural employment gurantee programme (MNREGA)
- Jawharalal Nehru National Urban Renewal Mission (JNNURM)
- Pradhan Mantri Suraksha Bima Yojana
- Pradhan Mantri Jan Dhan Yojana
- Beti Bacho Beti Padhao
- Pradhan Mantyri Kaushal vikas Yojana

51. The conflicts in project ranking in capital budgeting as per NPV and IRR may arise because of

- (a) Size disparity (b) Time disparity  
(c) Life disparity (d) All the above

**Ans:(d)** **Size disparity-** The cash outlay of some projects is larger than the others. In such a situation the NPV of and IRR will give a different ranking.

**Time disparity-** Time disparity problems arise because of differing reinvestment assumption made by the NPV and IRR Decision Criteria.

**Life Disparity-** The mutually exclusive proposals may have different economic lives, even if the ranking as per NPV and IRR are different.

-There fore all option is correct.

52. The degree of financial leverage reflects the responsiveness of

- (a) Operating income to changes in total revenue  
(b) EPS to changes in EBIT  
(c) EPS to changes in total revenue  
(d) None of the above

**Ans:(b)** -The financial leverage measures the relationship between the EBIT and the EPS.

-It reflects the effect of a change in EBIT on the level of EPs.

-The degree of financial leverage can be expressed as follows.

$$DFL = \frac{\% \text{ change in EPS}}{\% \text{ change in EBIT}}$$

53. The overall capitalisation rate and the cost of debt remain constant for all degrees of financial leverage is advocated by

- (a) Traditional Approach  
(b) Net Income Approach  
(c) Net Operating Income Approach  
(d) M-M-Approach

**Ans:(c) Net Operating Income Approach:**

-Advocated by Divid Durand.

-Market Value depends on the operating income and business risk

-According to the Net operating income approach, the overall capitalization rate and the cost of debt remains constant for all degrees of leverage

-Value of the firm is determined by the equation:

$$V = \frac{EBIT}{K_o}$$

54. Which of the following is not included in the assumptions on which Myron Gordon proposed a model on stock valuation ?

- (a) Retained earnings, the only source of financing  
(b) Finite life of the firm  
(c) Taxes do not exist  
(d) Constant rate of return on firm's investment

**Ans:(b)**

**Gorden's Approach:**

-Myron Gordon has also developed a model on the lines of prof. Walter. his basic valuation model is based on the following assumption:

\*The firm is an all equity firm

\* only the retained earnings are used to finance the investments ,

\* No external source of financing is used

\* The rate of return(r) and cost of capital (k) are constant

\* The life of a firm is indefinite.

55. Match the following :

- | List – I                     |  | List – II                     |  |
|------------------------------|--|-------------------------------|--|
| (i) Factoring services       |  | (a) Cash Management           |  |
| (ii) Economic Order Quantity |  | (b) Receivable Management     |  |
| (iii) Commercial paper       |  | (c) Inventory Management      |  |
|                              |  | (d) Working Capital Financing |  |

Codes:

- | (i)     | (ii) | (iii) |
|---------|------|-------|
| (a) (a) | (c)  | (b)   |
| (b) (c) | (b)  | (a)   |
| (c) (b) | (c)  | (d)   |
| (d) (b) | (a)  | (c)   |

Ans. (c) : The code of correct matching List-I with List-II:

	List-I		List-II
(a)	Factoring Services	(b)	Receivable management
(b)	Economic Order Quantity	(c)	Inventory Management
(c)	Commercial paper	(d)	Working capital financing

56. Assertion (A) : International business focuses on global resources, opportunities to buy/sell worldwide.

Reason (R) : The efforts of IMF, World Bank and WTO to liberalise their economies led to globalization.

Codes:

- (a) Both (A) and (R) are true.  
 (b) Both (A) and (R) are false.  
 (c) (A) is true, but (R) is false.  
 (d) (A) is false, but (R) is true.

Ans:(a) Assertion (A) : International business focuses on global resources, opportunities to buy/sell worldwide.

-Therefore Assertion (A) is the correct Statement

Reason (R) : The efforts of IMF, World Bank and WTO to liberalise their economies led to globalisation.

-Therefore Reason (R) is the also correct statement.

57. Match the items of List – I with items of List – II :

- | List – I                              |     | List – II                               |  |
|---------------------------------------|-----|---|--|
| (i) Wider Market                      |     | 1. Modes of Entry                       |  |
| (ii) Turn key Projects                |     | 2. Goal of International Business       |  |
| (iii) Expanding production capacities | the | 3. Advantages of International Business |  |
| (iv) Geocentric approach              |     | 4. Stage of Globalization               |  |

Codes :

- |     | (i) | (ii) | (iii) | (iv) |
|-----|-----|------|-------|------|
| (a) | 4   | 2    | 3     | 1    |
| (b) | 3   | 1    | 2     | 4    |
| (c) | 1   | 2    | 3     | 4    |
| (d) | 4   | 3    | 2     | 1    |

Ans. (b) : The code of correct matching List-I with List-II

	List-I		List-II
(i)	Wider Market	(iii)	Advantages of Intentional Business
(ii)	Turn Key Projects	(i)	Modes of Entry
(iii)	Expanding production capacities	(ii)	Goal of international Business
(iv)	Geocentric approach	(iv)	Stage of globalisation

58. BRICS includes

- (a) Bhutan, Romania, Indonesia, Chile and South Korea  
 (b) Brazil, Russia, Indonesia, Chile and Sudan  
 (c) Brazil, Russia, India, China and South Africa  
 (d) Britain, Russia, India, Czechoslovakia, Sri Lanka

Ans:(c) BRICS is acronym for Brazil, Russia, India, China and South Africa. Gold man sach economist jim O' Neill Coined the term BRIC (Without south Africa) in 2001, claiming that by 2050 the four BRIC economies would come to dominate the global economy by 2050. South Africa was added to the list in 2010.

59. Out of the following, one is not related with WTO :

- (a) TRIPS (b) Ministerial Conference  
 (c) TRIMS (d) TRAI

Ans:(c) The Telecom Regulatory Authority of India (TRAI) is a regulatory body sat up by the government of India under section 3 of the telecom regulatory Authority of India Act, 1997.

-Therefore TRIPs, Ministerial conference and TRIMS was related to WTO But TRAI not related with WTO.

60. Balance of Payment includes components

- (a) Current Account, Capital Account, Unilateral Payments Accounts, Official Settlement Account  
 (b) Revenue Account, P & L Account, Capital Account, Official Account  
 (c) Trade Account, Activity Account, Revenue Account, Currency Account  
 (d) Forex Account, Trade Account, Funds Account

Ans:(a) In economics, the balance of payments is a record of all the financial transactions and International trades a country makes.

Components of Balance of payment:

The balance of payments includes three essential components that measure income, trade, ownership of assets and transactions of a country. The current Account, financial Account and capital account are the three primary elements.

61. Assertion (A) : International Monetary Fund was set up in 1944.

Reason (R) : To promote international monetary cooperation through a permanent institution which provides machinery for consultation and collaboration on international monetary problems.

**Codes:**

- (a) Both (A) and (R) are false.
- (b) Both (A) and (R) are true.
- (c) (A) is true, but (R) is false.
- (d) (R) is true, but (A) is false.

**Ans:(b) Assertion (A) :** International Monetary Fund was set up in 1944.  
 -Therefore Assertion (a) is the true statement  
**Reason (R) :** To promote international monetary cooperation through a permanent institution which provides machinery for consultation and collaboration on international monetary problems.  
 -Therefore Reason (R) is the also True statement.

- 62. The commercial banks do not perform one function out of the following :**
- (a) Mobilization of savings
  - (b) Giving Loans and Advances
  - (c) Issuing Currency Notes
  - (d) Financing Priority Sectors

**Ans:(c)** The term commercial bank refers to a financial institution that accepts deposits, offers checking, account services, makes various loans and offers basic financial products like certificate of deposit (CDs) and saving accounts to individual and small business  
 -Hence, Issuing of Notes is not the function of a commercial bank These function of Reserve bank of India.  
**Note:-** The coins are issued for circulation only through the Reserves Bank in terms of the RBI Act.

- 63. There are two lists of items, match the items of List – I with items of List – II :**

List – I		List – II	
(i) Reserve Bank of India	1. NPA		
(ii) EXIM Bank	2. Facilitating Small Scale Industries		
(iii) SIDBI	3. Credit Control		
(iv) Capital Adequacy	4. Export/Import Financing		

**Codes:**

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	2	1
(c)	2	3	4	1
(d)	3	4	2	1

**Ans. (d) :** The code of correct matching of List-I with List-II:

	List-I		List-II
(i)	Reserve Bank of India	(3)	Credit Control
(ii)	Exim Bank	(4)	Export/Import Financing
(iii)	SIDBI	(2)	Facilitating small scale Industries
(iv)	Capital Adequacy	(1)	NPA

- 64. One of the items is not related with e-banking :**
- (a) Demand Draft
  - (b) SPNS
  - (c) ECS
  - (d) ATM

**Ans:(a)** Electronic banking, use of computers and telecommunication to enable banking transactions to be done telephone or computer rather than through human interaction.

Its features include electronic funds transfer for retail Purchases, automatic teller machines (ATMs), and automatic payroll deposits and bill payments, SPANS, ECS and etc.  
 -Therefore, A demand draft is negotiable instrument similar to a bill of exchange.

- 65. Assertion (A) :** The Treasury Manager uses the derivatives in the Bond market as well as in Forex market.

**Reason (R) :** It helps risk coverage.

**Codes:**

- (a) Both (A) and (R) are false.
- (b) Both (A) and (R) are true.
- (c) (A) is true, but (R) is false.
- (d) (R) is true, but (A) is false.

**Ans:(b) Assertion (A) :** The Treasury Manager uses the derivatives in the Bond market as well as in Forex market.

-Therefore Assertion (a) is the correct statement.

**Reason (R) :** It helps risk coverage.

-Therefore Reason (R) is the also correct statement.

- 66. Factoring and forfeiting have not taken off in the Indian economy due to lack of expertise and experience. One is not included in the factoring services rendered.**

- (a) Purchase of book debts and receivables
- (b) Prepayment of debts partially or fully
- (c) Giving advice
- (d) Covering the credit risk of the suppliers

**Ans:(c)** Factoring involves rendering of services varying from the bill discounting facilities offered by commercial banks to a total take-over of administration of the sales ledger and credit control functions, from credit approval to collecting cash.  
 -Service factoring a purchase of book debts and receivable, prepayment of debts partially or fully and covering the credit risk of the suppliers.

- 67. Which one is not the form of FDI ?**

- (a) Purchase of existing assets in foreign currency
- (b) New Investment in property, plant, equipment
- (c) Making investment in the mutual funds
- (d) Transfer of many types of assets

**Ans:(c)** A foreign direct investment (FDI) is a purchase of an interest in a company by a company or an investor located outside is borders.

**FDI Forms:**

- (i)Purchase of existing assets in foreign currency
- (ii)New Investment in property, plant equipment
- (iii)Transfer of many types of assets.

- 68. Match the items of List – I with items of List – II:**

List – I		List – II	
1. Measures towards globalization	I.	Globalisation	
2. Off-shoring	II.	FEMA	
3. FERA	III.	Liberalise the inflow of FDI	
4. Mr. Aruthur Dunkel	IV.	Uruguay Round	

**Codes:**

	1	2	3	4
(a)	III	I	II	IV
(b)	II	I	III	IV
(c)	IV	II	I	III
(d)	I	II	IV	III

**Ans. (a) :** The code of correct matching List-I with List-II:

	List-I		List-II
(1)	Measures towards globalization	(iii)	Liberalise the in flow of FDI
(2)	Off-shoring	(i)	Globalisation
(3)	FERA	(ii)	FEMA
(4)	Mr. Aruthur Dunkal	(iv)	Uruguay round

**69. Which one of the following is not the advantage of MNCs to the host country ?**

- (a) Increase in social activity
- (b) Increase in economic activity
- (c) Utilisation of natural resources
- (d) R & D efforts enhanced

**Ans:(a)** Multinational corporations no doubt carryout business with the ultimate object of profit making like any other domestic company.

Advantage of MNC's for the host country:

- They bring new jobs to an area:
- Often more efficient than local companies
- Increase in economic activity
- Utilisation of natural resource
- R&D efforts enhanced.

**70. India suffered from deficit balance both in trade balance and net invisibles, hence, took up a number of steps to manage this problem. Which one is not appropriate for this ?**

- (a) Export control
- (b) Current Account Convertibility
- (c) Liberalised Export Policy
- (d) Unified Exchange Rate

**Ans:(a)** Export Control regulations are federal law's that prohibit the unlicensed export of certain commodities or information for reasons of national security or protections of trade.

**71. Mr. James, a citizen of U.S., arrived in India for the first time on 1st July, 2010 and left for Nepal on 15th December 2010. He arrived to India again on 1st January 2011 and stayed till the end of the financial year 2010-11. His residential status for the assessment year 2011-12 is**

- (a) Resident (ordinarily resident)
- (b) Not ordinarily resident
- (c) Non-resident
- (d) None of the above

**Ans:(b)** Mr. Jame's residential status for the assessment year 2011-12 is not ordinarily resident.

**-A person shall be deemed to be a resident of India in the following conditions:**

1. During the year he was in India for a period of 182 days or
2. Was in India for 60 days or more during the year and 365 days or more during the preceding '4' years of the immediate year.

**72. The value of free accommodation in Delhi provided by employer in the private sector is**

- (a) 10% of salary
- (b) 15% of salary
- (c) 20% of salary
- (d) 25% of salary

**Ans:(b)** Rent free Accommodation-Leused by employer In case of rent-free accommodation provided to an employee, where in the employer has taken the property on lease or rent, the value of the perquisite would be the actual amount of lease or rental paid or 15% of the salary, whichever is lower.

**73. Which of the following is not a capital asset under capital gains head of income ?**

- (a) Stock in trade
- (b) Goodwill of business
- (c) Agricultural Land in Delhi
- (d) Jewellery

**Ans:(a)** Any profit or gain that arises from the sale of a 'capital asset' is a capital gain. This gain or profit comes under the category 'income' and hence you will need to pay tax for that amount in the year in which the transfer of the capital asset takes place.

-Therefore goodwill of business, Agricultural land in Delhi, and Jewellery are capital gains head of income.

**74. Match the items of List – I with List – II :**

List – I	List – II
(i) Tax Planning	1. Making suitable arrangement of TDS
(ii) Tax Avoidance	2. Understatement of Income
(iii) Tax Evasion	3. Availing deduction under Section 10A of IT Act.
(iv) Tax Administration	4. Misinterpreting the provisions of the IT Act

**Codes:**

	I	II	III	IV
(a)	2	1	4	3
(b)	1	4	3	2
(c)	3	4	2	1
(d)	4	1	3	2

**Ans. (c) :** The code of correct matching List-I with List-II

	List-I		List-II
(i)	Tax planning	(3)	Availing deduction under section 10 A of IT Act
(iii)	Tax Avoidance	(4)	Misinterpreting the provision of IT Act
(iii)	Tax Evasion	(2)	Under statement of Income
(iv)	Tax Administration	(1)	Making Suitable arrangement of TDS.

**75. Under the Income Tax Act, 1961 unabsorbed depreciation can be carried forward for set-off purpose :**

- (a) For 4 years
- (b) For 5 years
- (c) For 8 years
- (d) For unspecified period

**Ans:(c)** The CBDT Circular darifies the intent of the amendment that it is for enabling that industry to conserve sufficient funds to replace plant and machinery and accordingly the amendment dispenses with the restriction of 8 year for carry forward and set off of unabsorbed depreciation.

# NTA UGC NET/JRF Exam, Dec. 2012

## COMMERCE (Paper-II)

### Solved Paper

1. **GDP at factor cost is**

- (a)  $P(Q) + P(S)$                       (b)  $GDP - IT - S$   
 (c)  $GDP + DT + S$                       (d)  $GDP - DT + S$

**Ans : (\*)** Gross domestic product (GDP) at factor cost is GDP at Market price minus net indirect taxes. The money value of output produced within a country's domestic limits in a year, as received by the Factors of production, is measured by GDP at factor cost.  
 Calculate GDP at factor cost  
 $GDP(FC) = GDP \text{ at MP} + \text{Subsidies} - \text{Indirect tax}$

2. **Which one is not the main objective of fiscal policy in India ?**

- (a) To increase liquidity in the economy  
 (b) To promote price stability  
 (c) To minimize the inequalities of income and wealth  
 (d) To promote employment opportunities

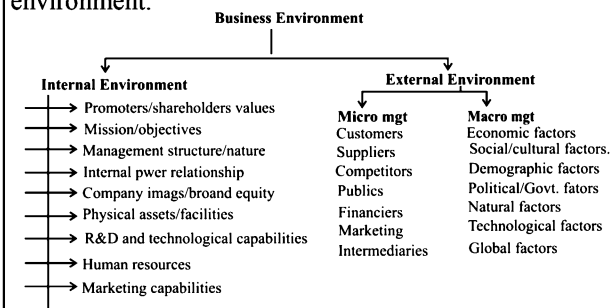
**Ans : (a)** Fiscal policy is the use of government spending and Taxation to influence the economy. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty  
 Main objective of fiscal policy:

1. To promote employment opportunities
  2. To promote price stability
  3. Accelerating the rate of economic development
  4. Optimum allocation of resource
  5. Equitable distribution of Income and wealth
  6. Economic stabilities
  7. Capital formation and growth
  8. Encouraging Investment.
- Hence, option (A) correct answer.

3. **Which one is not an element of internal environment ?**

- (a) Marketing capability  
 (b) Operational capability  
 (c) Money and Capital market  
 (d) Personnel capability

**Ans : (c)** Money and capital market is not an element of internal environment because we are study the factors which affect the business. If our operational capability, marketing capability and personal capability are favorable for us. we will get success in business money and capital market is not in the hand of one business organisation. so, it is not the part of internal environment.



4. **Out of the following. Which four benefits are available to Host countries from MNCs ?**

- i. Transfer of technology
  - ii. Learning of business mannerism
  - iii. Strategic information sharing
  - iv. Creation of jobs
  - v. Entertainment
  - vi. Better utilisation of resources
  - vii. Enhancing social contacts
  - viii. Improved competition in local economy
- (a) i, iii, v, vii                      (b) ii, iv, vi, viii  
 (c) i, iv, vi, viii                      (d) iii, vi, vii, viii

**Ans : (c)** The benefits that are available to the host country from MNCs are transfer of the technology, creation of jobs as there is an increase in employment opportunities, better utilization of resources by the improved techniques, improved competition in the local markets and economy.

**Note:-** A multinational company is the one whose area of operations is not limited to only the home country but, it performs the business activities in different countries across the globe.

5. **Environmental degradation does not consist of**

- (a) Land degradation and soil erosion  
 (b) Problem of overgrazing and ecological degradation  
 (c) Floods  
 (d) None of the above

**Ans : (d)** Environmental degradation is the deterioration in environmental quality from ambient concentrations of pollutants and other activities and processes such as improper land use and natural disasters.

**There are mainly different types of environmental degradation :-**

- \* Land degradation (also called soil degradation)
- \* Water degradation and
- \* Air degradation
- \* Problem of overgrazing and ecological degradation
- \* Floods.

6. **Which one of the following concepts is used as fund in the preparation of Funds Flow Statement?**

- (a) Current Assets                      (b) Working Capital  
 (c) Cash                                      (d) All Financial Resources

**Ans : (b)** Funds flow statement is a statement showing the sources and uses of funds. While preparing the fund flow statement, the excess of current liabilities over current assets i.e. Working capital is used. The main purpose of making this statement is to know in which direction and how much is the flow of funds.

7. **Window dressing is prohibited due to**

- (a) Conservative Convention  
 (b) Convention of Disclosure  
 (c) Convention of Materiality  
 (d) Arrear of book accounts

**Ans : (b)** As per convention of disclosure, accountant should show the correct information in the book of account. same information should be disclosed by him. In window dressing, accountant or business man changes the information in accounting records for getting benefits from outside parties. so, as per convention of disclosure, it should be prohibited.

8. **Assertion (A)** : Ratio analysis is one of the tools employed to know the financial health of a concern.

**Reason (R)** : Ratio analysis is not the only technique available to take investment decision.

**Codes:**

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true, but (R) is incorrect explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

**Ans : (a)**

**Assertion (A)** : Ratio analysis is one of the tools employed to know the financial health of a concern.

**Reason (R)** : Ratio analysis is not the only technique available to take investment decision.

Both (A) and (R) are true and (R) is the correct explanation of (A).

9. **Which of the following relate to measures of non-financial performance of a concern?**

- (i) Customer satisfaction
- (ii) Business process improvement
- (iii) Economic value added
- (iv) Learning organization

**Choose the right combination.**

- (a) i, iii, ii, iv
- (b) ii, iv, iii
- (c) iv, i, iii
- (d) i, ii, iv

**Ans : (d)** A non-financial performance measure expresses performance in a measure other than money. for example, Airlines use on time performance, percent of bags lost, and number of customer complaints as nonfinancial perform measure.

-Examples of non financial performance measure are such as workforce development, product quality, customer satisfaction on time delivery, innovation measures, attainment of strategic objective, market share, efficiency, productivity, leadership and employee satisfaction, business process improvement, learning organization.

10. **Consider the following parties :**

- (i) Secured creditors
- (ii) Unsecured creditors
- (iii) Partners who have granted loans
- (iv) Partners who have contributed over and above profit sharing ratio.

**Arrange them in correct sequence in the event of dissolution of a firm.**

- (a) ii, i, iii, iv
- (b) i, ii, iii, iv
- (c) i, ii, iv, iii
- (d) ii, i, iv, iii

**Ans : (b)** Secured creditors are often banks and other asset based lenders. They have preferential right over asset. So they are paid first. Unsecured creditors include trade creditors, suppliers, They are paid from the asset left after paying to secured creditors, after paying to all the outside parties partners are paid. Loan granted by partners are paid next because loan is a charge on profit. In last partners who have contributed over and above profit sharing ratio are paid.

11. **Which kind of economics explains the phenomenon of cause and effect relationship ?**

- (a) Normative
- (b) Positive
- (c) Micro
- (d) Macro

**Ans : (b)** Positive economics explains the phenomenon of cause and effect relationship. Economists consider economics as a science, but all economists do not agree on the argument that which science is economics, real or ideal or both.

It focuses on facts and behavioral relationships of cause and effect and includes the development and testing of economic theories.

12. **Assertion (A)** : Marginal cost and differential cost do not convey the same meaning in all the circumstances.

**Reason (R)** : Differential cost increases or decreases due to change in fixed cost.

**Codes:**

- (a) (A) is true but (R) is false
- (b) (A) is false, but (R) is true
- (c) (A) and (R) are correct and (R) is correct explanation of (A)
- (d) Both (A) and (R) are correct. but (R) is not the correct explanation of (A)

**Ans : (c)**

**Assertion (A)** : Marginal cost and differential cost do not convey the same meaning in all the circumstances.

-Therefore assertion (A) is the correct statement.

**Reason (R)** : Differential cost increases or decreases due to change in fixed cost.

-Therefore Reason (R) is the also correct statement and (R) is the correct explanation of (A)

13. **Consider the following :**

- i. Pricing objective
- ii. Pricing methods
- iii. Pricing strategies
- iv. Pricing decisions

**Arrange them in correct sequence**

- (a) i, iii, ii, iv
- (b) i, iv, iii, i
- (c) ii, i, iv, iii
- (d) iv, ii, iii, i

**Ans : (a) Pricing objective-** In this step, the marketer decides the main objective of the company i.e to increase the profit or increase the sales and customer base.

**Pricing strategies-** The pricing strategy and pricing tactics are decided and listed.

**Pricing Method-** According to the objective of the company, the main pricing method is selected.

**Pricing decision-** The final pricing decision is made by the company after deciding the objectives, strategies and method.

14. **A commodity is used for multiple purposes, then the demand for it is known as**

- (a) Joint Demand
- (b) Composite Demand
- (c) Direct Demand
- (d) Autonomous Demand

**Ans : (b) Composite demand:-** When many needs can be fulfilled by a commodity i.e. when a commodity is used for more than one purpose (multi-purpose), then the demand for such a commodity is called composite demand. For example, demand for milk, curd, paneer, khoya etc. is done for many purposes, then its total demand will be called collective demand.

15. Match List-I with List-II and select the correct answer.

- |                          |                           |
|--------------------------|---------------------------|
| <b>List I</b>            | <b>List II</b>            |
| (A) Administered Price   | i. Landed cost of imports |
| (B) Parity Pricing       | ii. Liberalized economy   |
| (C) Competitive Price    | iii. Public enterprise    |
| (D) Discriminating Price | iv. Fixed by government   |

Code :-

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> |
| (a) | i        | ii       | iii      | iv       |
| (b) | ii       | iii      | iv       | i        |
| (c) | iii      | iv       | ii       | i        |
| (d) | iv       | ii       | i        | iii      |

Ans : (b) The code of correct matching List-I with List-II:

	List-I		List-II
(A)	Administered price	(ii)	Liberalized economy
(B)	Parity pricing	(iii)	Public enterprise
(C)	Competitive price	(iv)	Fixed by government
(D)	Discriminating price	(i)	Landed cost of import

16. Sample design involves the following :

- Sampling unit
- Size of samples
- Type of universe
- Source list
- Sampling procedure

Which one of the following sequence is correct?

- |                       |                       |
|-----------------------|-----------------------|
| (a) i, ii, iii, iv, v | (b) iii, iv, i, ii, v |
| (c) iii, i, iv, ii, v | (d) iii, v, i, iv, ii |

Ans : (c) A sample design is a definite plan for obtaining a sample from a given population, it refers to the technique or the procedure the researcher would adopt in selecting items for the sample

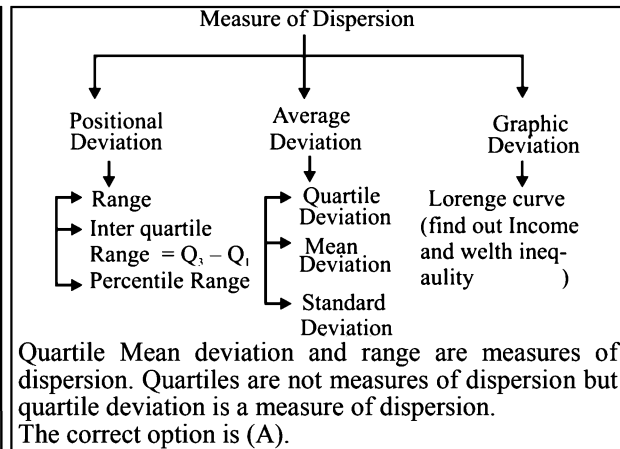
Sample design involves:-

Type of universe,  
↓  
Sampling unit,  
↓  
Source list,  
↓  
Size of sample,  
↓  
Parameters of interest,  
↓  
Budgetary constraint  
↓  
Sampling procedure.

17. Which one of the following is not a measure of dispersion ?

- Quartile
- Range
- Mean Deviation
- Standard Deviation

Ans : (a) -Dispersion is the measure large of variation of item and not the direction



18. If  $b_{xy} = 0.25$  and  $b_{yx} = 0.64$ , correlation coefficient is

- |          |          |
|----------|----------|
| (a) 0.16 | (b) 0.40 |
| (c) 0.89 | (d) 0.30 |

Ans : (b) if  $b_{xy}=0.25$  and  $b_{yx}=0.64$  then correlation coefficient is-

formula =  $r = \sqrt{b_{xy} \times b_{yx}}$

$$r = \sqrt{0.25 \times 0.64}$$

$$r = \sqrt{0.16}$$

$$r = 0.40$$

19. Sturge's rule is used to find out directly

- Number of classes in a continuous distribution
- Size of class limits
- Direction of the classification
- None of the above

Ans : (a) Sturge's rule is used to directly obtain the number of classes in a continuous distribution. Sturge's rules= Determination of magnitude of class interval in continuous series.

-Choices of class limit or class boundary

$$K = 1 + 3.333 \text{Log } N$$

20. Which of the following software has applications in both Mathematics and Statistics?

- |          |                       |
|----------|-----------------------|
| (a) SPSS | (b) SAS               |
| (c) R    | (d) None of the above |

Ans : (d) There is no such software among the software given in the option, which is suitable for use in both mathematics and statistics. SAS, SPSS, SHAZM, TSP, BMDP and R are software that are mainly used for statistical calculations. Whereas Maple, Matlab, and Mathematica software are used for arithmetic computation.

-Hence, option (d) is the correct answer.

21. Match the following :

- |   |                       |
|---|-----------------------|
| <b>List-I</b>                             | <b>List-II</b>        |
| (a) The Practice of Management            | (i) Henry Fayol       |
| (b) Philosophy of Management              | (ii) F.W. Taylor      |
| (c) Scientific management                 | (iii) Oliver Sheldon  |
| (d) General and Industrial Administration | (iv) Peter F. Drucker |

**Codes:**

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> |
| (a) | i        | ii       | iii      | iv       |
| (b) | iv       | iii      | ii       | i        |
| (c) | iv       | iii      | i        | ii       |
| (d) | iii      | iv       | ii       | i        |

<b>Ans : (b)</b>				
<b>List-I</b>			<b>List-II</b>	
a	The practice of management	iv	Peter F. Druker	
b	Philosophy of management	iii	Oliver Sheldon	
c	Scientific Management	ii	F.W. Taylor	
d	General and industrial Administration	i	Henry Fayol	

22. **Assertion (A)** : All decisions taken through mental process are rational.  
**Reason (R)** : Decision making is a mental process.  
**Codes:**  
 (a) (R) is correct, but (A) is not correct  
 (b) (A) is correct, but (R) is not correct  
 (c) Both (A) and (R) are correct  
 (d) Both (A) and (R) are not correct

**Ans : (a)** Mental process refers to those activities which are done with the help of mind or brain. There are three types of mental activities cognitive, emotional and some decisions are taken even in an irrational situation. But decision-making is a mental process, because in making a decision in any context, a complete mental thought is done for that decision, whether the decision is negative or positive. So it is clear that reasoning (R) is correct but Assertion (A) is not correct.  
 Hence option (A) is the correct answer.

23. **Who among the following developed the technique of Management by Exception ?**  
 (a) Joseph L. Massie (b) Lester R. Bittel  
 (c) L.F. Urwick (d) Peter F. Drucker

**Ans : (\*)** This management concept is widely attribute to Frederick W, Taylor and was first discussed in his work, "shop management: A paper road before the American society of mechanical engineers. N.Y. exception management also has an I T application.

24. **Which among the following are parts of job description?**  
 i. Duties performed  
 ii. Job summary  
 iii. Job identification  
 iv. Supervision given  
 v. Delegation of authority  
 (a) i, ii, iii and iv (b) ii, iii, iv and v  
 (c) i, iii, iv and v (d) i, ii, iii and v

**Ans : (a)** Job description refers to a written informative documentation that states the duties, task, responsibilities and qualifications of a job, based on the findings of a job analysis. Job description is used either in the recruitment process to inform the applicants of the job profile and requirements or in the performance management process to evaluate the employee's performance.

**Important parts of job description**

- Duties preformed
- Job summary
- Job identification
- Supervision given

25. **Appointment of independent Directors is the part of Corporate Governance as per the**  
 (a) SEBI  
 (b) Indian Companies Act  
 (c) Government of India  
 (d) RBI

**Ans : (a)** The SEBI has tightened rules for appointing and removing independent directors, aimed at strengthening the corporate governance frame work. mint explains the rationale for appointing independent directors on company boards.

26. **A method for achieving maximum market response from limited marketing resources by reorganising differences in the response characteristics of various parts of the market is known as**  
 (a) Market targeting  
 (b) Market positioning  
 (c) Market segmentation  
 (d) Market strategy

**Ans : (c)** Market segmentation is a method for achieving maximum market response from limited marketing resources by recognizing differences in the response characteristics of various parts of the market. It is a strategy of divide and conquer that adjusts marketing strategy in inherent differences in buyer behaviors.

27. **Who plays their significant role in distribution of goods when they do not sell to ultimate users or consumers ?**  
 (a) Retailer (b) Whole seller  
 (c) Mediator (d) Commission agent

**Ans : (b)** When the goods are not sold to the end user or consumer, then the wholesaler plays an important role in their distribution and in such a situation he sells the goods to the retailer and through the retailer the customer/end user receives the goods.

28. **In Marketing Mix, which four P's are covered?**  
 (a) Product, Price, Place, Promotion  
 (b) Product, Price, Power, Promotion  
 (c) Product, Price, Penetration, Promotion  
 (d) Product, Price, Positioning, Promotion

**Ans : (a)** Marketing mix is a set of marketing tool or tactics, used to promote a product or services in the market and sell it. It is about positioning a product and deciding it to sell in the right place, at the right price and right time.

**4 ps of marketing mix:**



29. **Which research includes all types of researches into human motives when it refers to qualitative research designed to uncover the consumer's sub-consciousness or hidden motivations ?**  
 (a) Motivational Research  
 (b) Marketing Research  
 (c) Managerial Research  
 (d) Price Research



**Ans :** (a) Motivation research is a term used to refer to a selection of qualitative research methods that were designed to probe consumer's minds in order to discover the subconscious or latent reasons and goals underlying every day consumption and purchasing behaviors.

**30. False and misleading claims and vulgarity in advertisements do not match with**

- (a) Aggressive advertising
- (b) Ethics in advertising
- (c) Mass level of advertising
- (d) Sales promotion

**Ans :** (b) Ethics are set of moral principle that govern a person's or organization's behaviour, or the conducting of an activity. Ethical advertising is about truth, fairness, and equity in messaging and consumer experience. An ethical advertisement is honest, accurate, and strives for , human dignity.

**31. Arrange the following steps involved in capital budgeting in order of their occurrence :**

- i. Project selection
  - ii. Project appraisal
  - iii. Project generation
  - iv. Follow up
  - v. Project execution
- (a) ii, iii, i, v, iv                      (b) iii, ii, i, v, iv  
(c) i, iii, ii, v, iv                      (d) i, ii, iii, v, iv

**Ans :** (b) **Capital budgeting:-** In the capital budgeting the exchange of current fund for future benefit. -capital budgeting means long term investment

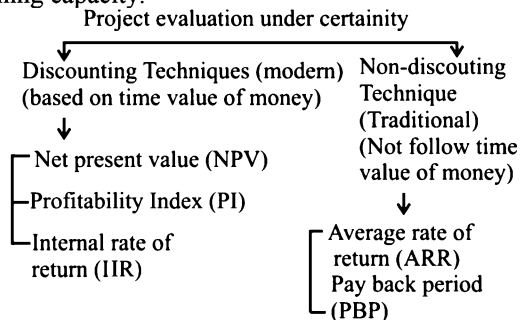
**Process of Capital Budgeting:-**

1. Project generation
2. Project appraisal
3. Project selection
4. project execution
5. follow up.

**32. Which method does not consider the time value of money ?**

- (a) Net Present Value
- (b) Internal Rate of Return
- (c) Average Rate of Return
- (d) Profitability Index

**Ans :** (c) Average rate of return is considered simplified method because it does not use time value of money in evaluating capital investments. The time value of money is the concept that money available at the present time is worth more than an identical sum in the future because of its potential earning capacity.



**33. Which formula is used to measure the degree of Operating leverage ?**

- (a)  $\frac{EBIT}{Sales}$
- (b)  $\frac{C}{EBIT}$
- (c)  $\frac{EBIT}{EBT}$
- (d)  $\frac{EBIT}{C}$

**Ans :** (b) The degree of operating leverage (DOL) is a financial ratio that measures the sensitivity of a company's operating income to its sales.

$$DOL = \frac{\% \text{ change in EBIT}}{\% \text{ change in sales}}$$

or

$$O.L = \frac{\text{Contribution}}{EBIT}$$

**34. Which one is more appropriate for cost of retained earnings?**

- (a) Weighted Average Cost of Capital
- (b) Opportunity cost to the firm
- (c) Expected rate of return by the investor
- (d) None of the above

**Ans :** (b) Business entities retain some of the profits for future expansion of the business. The cost of retained earnings is the earnings foregone by its shareholders. Opportunity cost to the firm is the more appropriate for cost of retained earnings. The opportunity cost of the firm includes explicit cost as well as implicit cost.

**35. Match the following with the most suitable option.**

- | List-I                                 | List-II                       |
|--|-------------------------------|
| (a) Modigliani-Miller approach         | (i) Commercial paper          |
| (b) Net Operating income approach      | (ii) Working capital approach |
| (c) Short term money market instrument | (iii) Capital structure       |
| (d) Factoring                          | (iv) Arbitrage                |

**Codes:**

- |     | A   | B   | C   | D  |
|-----|-----|-----|-----|----|
| (a) | iv  | iii | i   | ii |
| (b) | iii | iv  | i   | ii |
| (c) | iii | ii  | i   | iv |
| (d) | iv  | ii  | iii | i  |

**Ans :** (a) The code of correct matching List-I with List-II

	List-I		List-II
a	Modigliani-miller approach	iv	arbitrage
b	Net operating income approach	iii	capital structure
c	short term money market instrument	i	commercial paper
d	factoring	ii	Working capital.

**36. During which plan was the National Apprenticeship Training Scheme introduced?**

- (a) 1<sup>st</sup> Five Year Plan
- (b) 2<sup>nd</sup> Five Year Plan
- (c) 4<sup>th</sup> Five year Plan
- (d) Annual Plans

**Ans :** (b) National Apprenticeship training scheme introduced 2nd five year plan.

-National Apprenticeship training scheme in India is a one year program for all of the students. It gives technical qualifications to the youth of the country. The program gives practical knowledge and skills that are required in their field of work.

37. Match the following :

- |  |                      |   |                |
|--|----------------------|---|----------------|
| <b>List-I</b>  |                      | <b>List-II</b>                          |                |
| (a) An ordinary person does not want to work on his own. | (i) Hierarchy theory | (ii) Hygiene Theory to work on his own. | (iii) X-Theory |
| (b) An individual is willing to work on his own.         | (iv) Y-Theory        | (iii) X-Theory                          | (iv) Y-Theory  |
| (c) Motivational Factors                                 |                      |   |                |
| (d) Esteem Needs   |                      |   |                |

Codes:

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> |
| (a) | i        | ii       | iii      | iv       |
| (b) | iii      | iv       | i        | ii       |
| (c) | i        | iv       | ii       | iii      |
| (d) | iii      | iv       | ii       | i        |

**Ans : (d)** The code of correct matching List-I with List-II.

	List-I		List-II
(a)	An ordinary person does not want to work on his own	(iii)	X-Theory
(b)	An individual is willing to work on his own	(iv)	Y-Theory
(c)	Motivational factors	(ii)	Hygiene Theory
(d)	Esteem needs	(i)	Hierarchy theory

38. Arrange the following staffing procedures in the correct sequence :

- i. Determining sources of Personnel supply
  - ii. Preparing personnel specifications
  - iii. Selection of personnel
  - iv. Determining personnel characteristics
- (a) ii, i, iv, iii                      (b) i, ii, iii, iv  
(c) ii, i, iii, iv                      (d) ii, iii, i, iv

**Ans : (a)** The staffing process helps to select the right person with appropriate skills, qualifications and experience to recruit them to different positions and jobs in an organization.  
**correct sequence of staffing procedures:-**  
(ii) Preparing personnel specifications.  
↓  
(i) Determining sources of personnel supply  
↓  
(iv) Determining personal characteristics  
↓  
(iii) Selection of personnel.

39. Which among the following is not a voluntary method for prevention and settlement of disputes ?

- (a) Collective Bargaining  
(b) Standing Orders  
(c) Joint Consultation  
(d) Works Committee

**Ans : (d)** Works committee is not a voluntary method to avoid and settlement of disputes, whereas collective bargaining, standing orders and joint consultation are voluntary methods of avoiding and settling disputes under which disputes are avoided and settled on one's own will.  
-Hence option (d) is correct.

40. **Statement-I** : It is no better to pay employees for little than to pay too much.

**Statement - II** : Competent employees will remain competent forever.

**Codes:**

- (a) Statement I is true, but II is false  
(b) Statement II is true, but I is false  
(c) Both Statement I and II are true  
(d) Both Statements I and II are false

**Ans : (a)**  
**Statement-I** : It is no better to pay employees for little than to pay too much.  
-Therefore, statement-I is the correct statement.  
**Statement-II** : Competent employees will remain competent forever.  
-Therefore statement-II is the false statement.

41. Match the following :

- |                    |            |                       |           |
|--------------------|------------|-----------------------|-----------|
| <b>List-I</b>      |            | <b>List-II</b>        |           |
| (A) Credit Control | (i) MCA    | (B) Corporate Control | (ii) SEBI |
| (C) IPO Control    | (iii) IRDA | (D) ULIP Control      | (iv) RBI  |

Codes:

- |     |          |          |          |          |
|-----|----------|----------|----------|----------|
|     | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> |
| (a) | iv       | ii       | iii      | i        |
| (b) | iv       | i        | ii       | iii      |
| (c) | ii       | iii      | iv       | i        |
| (d) | iv       | i        | iii      | ii       |

**Ans : (b)** The code of correct matching List-I with List-II

	List-I		List-II
(a)	Credit control	(iv)	RBI (Reserve bank of India)
(b)	Corporate control	(i)	MCA (ministry of corporate affairs)
(c)	IPO control	(ii)	SEBI (Security exchange board of India)
(d)	ULIP control	(iii)	IRDA (Insurance Regulatory and Development Authority)

42. Which one among the following has not started Commercial Banking ?

- (a) SIDBI                                      (b) IDBI  
(c) ICICI                                      (d) UTI

**Ans : (a)** Small Industries Development Bank of India (SIDBI) the apex regulatory body for overall licensing and regulation of micro, small and medium enterprise finance companies in Indian. It is under the jurisdiction of Ministry of finance, Government of India headquarter at Lucknow and having its offices all over the country.

43. What is OTP in credit card transactions ?

- (a) Odd Transaction Password  
(b) Owner's Trading Pass code  
(c) One Time Password  
(d) One Time Pin code

**Ans : (c)** One-time password (OTP) is the second level of security which the bank will provide in order to ensure that your transaction is as secured as possible. The OTP is a six-digit number which is sent to your registered number and Email ID which on entering on the payment gateway page will allow your transaction to happen.

**44. The powers of Controller of Capital Issues of India is now shifted to**

- (a) Ministry of Finance
- (b) SEBI
- (c) AMFI
- (d) Ministry of Corporate Affairs

**Ans : (b)** SEBI is a statutory regulatory body established on the 12<sup>th</sup> of April, 1992. It monitors and regulates the Indian capital and securities market while ensuring to protect the interests of the investors, formulating regulations and guideline.

**45. The success of E-banking depends upon :**

- i. Multi-layer Security System
  - ii. Risk and Surveillance Management
  - iii. Updated Flawless Software
  - iv. Stringent Legal Frame-work
- (a) i and ii                      (b) i, ii and iii  
(c) ii, iii and iv                (d) i, ii, iii and iv

**Ans : (b)** Electronic banking, use of computers and telecommunications to enable banking transaction to be done by telephone or computer rather than through human interaction.

-Hence, for an e-banking to be successful, it requires a multi-laagereed security system, risk and surveillance management and updated flawless software.

**46. International liquidity comprises which four of the following ?**

- i. Gold held by Central Banks
  - ii. Gold held by families
  - iii. Forex Reserve held by Commercial Banks
  - iv. Mineral wealth
  - v. SDRs
  - vi. Borrowing facilities
  - vii. NRIs FDRs
  - viii. Credit facilities available under SWAP
- (a) i, ii, iii, iv                      (b) ii, iii, iv, viii  
(c) i, iii, v, viii                    (d) iii, iv, vii, viii

**Ans : (c)** International liquidity consists essentially in the resources available to national monetary authorities to finance potential balance of payment deficits.

**International liquidity comprise which the following:**

- (i) Gold held by central banks
- (iii) Forex Reserve held by Commercial Bank
- (v) SDRs
- (viii) Credit facilities available under SWAP.

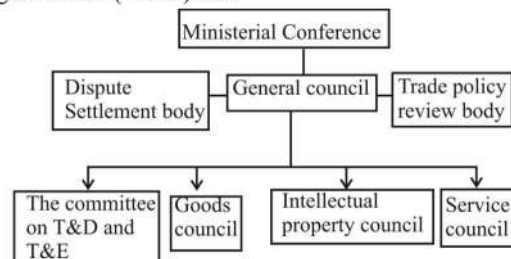
**47. Which among the following are important bodies of WTO ?**

- i. Dispute Settlement Body
- ii. NAFTA
- iii. Trade Policy Review Body
- iv. ASEAN
- v. Council for Trade in Goods
- vi. IBRD
- vii. Council for Trade related aspects of Intellectual Property Rights
- viii. GATT

**An appropriate combination is**

- (a) i, ii, iii, iv                      (b) ii, iii, iv, v  
(c) i, iii, v, vii                      (d) iv, v, vi, viii

**Ans : (c)** The important bodies of the World Trade Organization (WTO) are.



**48. Which one is not the source of External Finance ?**

- (a) WTO Funds
- (b) World Bank Group
- (c) Export Credit
- (d) Foreign Direct Investment

**Ans : (a)** The sources for external finances that are available are export credit, World Bank Group, Foreign Direct Investment. The WTO funds are not source of external finance.

**49. Which one is called Bretton-Wood Twins?**

- (a) IBRD and IDA                      (b) IMF and IFC  
(c) IMF and IBRD                      (d) IDA and IFC

**Ans : (c)** The Bretton woods twins refers to the two multilateral organizations created at the Bretton woods conference in 1944. They are the international Bank for Reconstruction and development (IBRD) and the International monetary fund. (IMF).

**50. UNCTAD stands for**

- (a) United Nations Committee on Tariff and Development
- (b) United Nations Conference on Trade and Deficit
- (c) United Nations Conference on Trade and Development
- (d) Union of Nations Cause for Trade and Development

**Ans : (c)** United Nations Conference on Trade and Development (UNCTAD) permanent organ of the United Nations (UN) General Assembly, established in 1964 to promote trade, Investment, and development in developing countries.

# NTA UGC NET/JRF Exam, Dec. 2012

## COMMERCE (Paper-III)

### Solved Paper

1. In accounting, profit prior to incorporation is treated as
- (a) Revenue Reserve (b) Secret Reserve  
(c) Capital Reserve (d) General Reserve

**Ans: (c)** Profit and loss of prior period and post period is divided separately because the prior period profit and loss is always credit and charged from capital reserve A/c. Post period and loss are credited and charged from profit and loss account.

2. Receipts and Payments Account is prepared by
- (a) Manufacturing concerns  
(b) Non-Trading concerns  
(c) Trading concerns  
(d) Companies registered under Companies Act, 1956

**Ans: (b):**

Receipt and payment account functions as a summary of cash payments and receipts of an organization during an accounting period. It provides a picture of the cash position of a Not-for-profit Organization.

**The following accounts and statements are prepared:-**

by non-business entities (NPOs) at the end of the year.

1. Receipts and payments account
2. Income and Expenditure account
3. Balance sheet

3. Owners equity stands for
- (a) Fixed Assets minus Fixed Liabilities  
(b) Fixed Assets minus Current Liabilities  
(c) Current Assets minus Fixed Liabilities  
(d) Total Assets minus Total outside Liabilities

**Ans:(d)** Owner's Equity is defined as the proportion of the total value of a company's assets that can be claimed by its the owners (sole proprietorship or partnership) and by its share holders (if it is a corporation)

**It is calculated by deducting all liabilities from the total value of an asset.**

Owners equity= Total assets –Total outside liabilities

4. When the Debt Turnover Ratio is 4, what is the average collection period ?
- (a) 5 months (b) 4 months  
(c) 3 months (d) 2 months

**Ans: (c)** If the loan turnover ratio is 4, then the average recovery period will be 3 months. as

$$\text{average collection period} = \frac{12}{\text{Debt turnover ratio}} = \frac{12}{4}$$

= 3

average collection period = 3 months

\* The average collection period is the amount of time it takes for a business to receive payments owned by its clients in terms of accounts receivable (AR).

\* The average collection period is calculated by dividing the average balance of accounts receivable by total net credit sales for the period and multiplying the quotient by the number of days in the period.

5. Which of the following will result into sources of funds ?
- (i) Increase in current assets  
(ii) Decrease in current assets  
(iii) Increase in current liabilities  
(iv) Decrease in current liabilities

**Codes: Request**

- (a) (i) and (iv) (b) (ii) and (iii)  
(c) (i) and (iii) (d) (ii) and (iv)

**Ans: (b)** Funds Flow statement has two columns (i) source of funds (ii) use of funds

\* The transaction from which funds are received is called source of funds, it includes the following-

- (i) Decrease in current assets  
(ii) increase in current liabilities

\* A fund flow statement reveals the reason for changes or anomalies in the financial position of a company between two balance sheets. Fund flow statements portray the inflow and outflow of funds-or the sources and applications of funds over a particular period.

6. In marginal costing, contribution is equal to
- (a) Sales – Fixed cost  
(b) Sales – Variable cost  
(c) Sales – Profit  
(d) Sales – Variable Cost + Fixed cost

**Ans: (b)** Contribution is the difference between sales and variable cost or marginal cost of sales. It may also be defined as the excess of selling price over variable cost per unit.

\* Contribution is also known as contribution margin or gross margin

Contribution= sales – Variable cost

or

Contribution = Fixed cost + profit

$$C_{(pu)} = S_{(pu)} - VC_{(pu)}$$

7. The funds available with a company after paying all claims including tax and dividend is called
- (a) Net Profit (b) Net Operating Profit  
(c) Capital Profit (d) Retained Earnings

**Ans: (d)** The fund remaining with the company after paying all the claimants including tax and dividend out of the amount of profit is called retained earnings. In other words, that part of the amount of profit which the company or organisation uses as investment is called retained earning.

8. **Assertion (A) :** Accounting information refers to only events which are concerned with business firm.

**Reason (R) :** Accounting information is presented in financial statements.

**Codes:**

- (a) (A) is correct, but (R) is wrong.
- (b) Both (A) and (R) are correct.
- (c) (A) is wrong, but (R) is correct.
- (d) Both (A) and (R) are wrong.

**Ans: (b)**

**Assertion (A) :** Accounting information refers to only events which are concerned with business firm, Therefore, Assertion(A) is the correct statement.

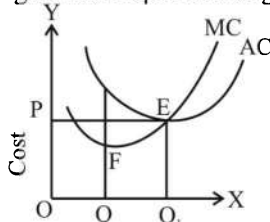
**Reason (R) :** Accounting information is presented in financial statements.

Therefore, Reason (R) is the also correct statement.

9. **When average cost is declining**

- (a) Marginal cost must be declining.
- (b) Marginal cost must be above average cost.
- (c) Marginal cost must be below average cost.
- (d) Marginal cost must be rising.

**Ans: (c)** When average cost is declining as output increases, marginal cost is less than average cost. when average cost is rising, marginal cost is greater than average cost. When average cost is neither rising nor falling, marginal cost equal's average cost.



\* When AC is falling,  $MC < AC$

\* When AC is rising,  $MC > AC$

\* When AC is constant (as to point)  $MC = AC$

\*MC is always to the left of AC, and cuts AC from its lowest point.

10. **ABC Ltd. has declared 40% dividend.**

**Which one of the following does it mean ?**

- (a) The company has declared 40% of net profit as dividend
- (b) The company has declared 40% of profits after tax as dividend
- (c) The company will provide dividend 40% on issued capital.
- (d) The company will provide dividend 40% on paid-up capital.

**Ans: (d)** Dividend is that portion of profit which is distributed to shareholders.

\*Paid-Up- Capital means the total amount of called up share capital which is actually paid to the company by the members.

\*Dividend is declared on the paid-up from of capital. Thus, the company will provide dividend of 40% on Paid-Up Capital.

11. **The main objective of Accounting Standards is**

- (a) To prepare the accounting reports which is easily understood by common man.
- (b) To comply with the legal formalities.

(c) To harmonise the diversified accounting practices.

(d) To comply with the requirements of the International Accounting Standards (IAS)

**Ans: (c)** The main objective of accounting standard is to harmonies the diversified accounting practices. The policies are used in the preparations of financial reports.

**The primary objective of accounting standards are:**

1. To provide a standard for the diverse accounting policies and principles.
2. To put an end to the non-comparability of financial statements.
3. To provide standards which are transparent for users.
4. To provide a suitable starting point for accounting etc.

12. **Given below are two statements :**

I. Activity ratios show where the company is going.

II. Balance Sheet ratios show how the company stand.

**Codes :**

- (a) I is correct, but II is wrong.
- (b) Both I and II are correct.
- (c) I is wrong, but II is correct.
- (d) Both I and II are wrong.

**Ans: (b)** Statement (I):- Activity ratios show where the company is going.

Therefore, Statement(I) is the correct.

Statement (II):- Balance Sheet ratios show how the company stand.

Therefore, Statement (II) is the also correct.

13. **Income and Expenditure Account of non-profit organization is a**

- (a) Real Account
- (b) Nominal Account
- (c) Personal Account
- (d) Representative Personal Account

**Ans: (b)** Income and Expenditure Account is a nominal account and Includes only those items which are revenue in nature and pertaining to the present accounting period are recorded in this account. Items of Incomes and gains are shown on its credit side, known as 'Income' side and items of expenses and losses should be shown on its debit side known as 'Expenditure' side.

14. **Which of the following statements are correct ?**

I. Inventory includes raw materials, finished goods and work – in – progress.

II. Inventory is a part of the working capital.

III. Inventory includes goods likely to be purchased.

**Codes:**

- (a) I, II and III
- (b) II and III
- (c) I and III
- (d) I and II

**Ans: (d)** Inventory Management is the process of ordering, storing, using, and selling a company's raw materials, components, and finished products. inventory is a part of the working capital.

15. If the current ratio is 2 : 1 and working capital is ₹ 60,000, what is the value of the Current Assets ?  
 (a) ₹ 60,000 (b) ₹ 1,00,000  
 (c) ₹ 1,20,00 (d) ₹ 1,80,000

**Ans: (c)** Given  
 Current Ratio = 2:1  
 Working Capital = 60,000  
 Then, Current Assets=?  
 Working Capital = Current Assets – Current Liabilities  
 60,000 = 2x – x  
 x = 60,000  
 current assets = 2x = 2 – 60,000 = 1,20,000

16. Which of the following steps of purchase decision process is in sequence ?

1. Problem recognition
2. Search for alternatives
3. Evaluation of alternatives
4. Purchase action
5. Post purchase action

**Codes:**

- (a) 1,3,2,4,5 (b) 1,2,4,3,5  
 (c) 2,1,3,5,4 (d) 1,2,3,4,5

**Ans: (d)** The following steps of purchase decision is in sequence:-

- Problem recognition → Search for alternatives → Evaluation of alternatives → Purchase action → Post purchase action.
- The buying decision process is the decision - making process used by consumers regarding the market transactions before, during and after the purchase of a goods or services.

17. What is customer value ?

- (a) Ratio between the customer's perceived benefits and the resources used to obtain these benefits  
 (b) Excess of satisfaction over expectation.  
 (c) Post purchase dissonance  
 (d) None of the above

**Ans: (a)** Customer value:- Ratio between the customer's perceived benefits and the resources used to obtain these benefits.

\* Customer value is the perception of what a product or service is worth to a customer versus the possible alternatives. worth means whether the customer feels s/he got benefits and services over what s/he paid. In a simplistic equation form, customer value is benefits – cost (cv = B – C)

18. Match the items of List – I with items of List – II.

List – I	List – II
A. The silent mental repetition of information.	1. Encoding
B. The process by which we select a word or visual image to represent a perceived object.	2. Rehearsal
C. Where information is kept temporarily before further processing.	3. Working Memory

- D. The stage of real memory in which information is processed and held for just a brief period. 4. Store house

**Codes:**

- |     | A | B | C | D |
|-----|---|---|---|---|
| (a) | 2 | 1 | 4 | 3 |
| (b) | 1 | 2 | 3 | 4 |
| (c) | 3 | 2 | 1 | 4 |
| (d) | 4 | 3 | 2 | 1 |

**Ans. : (a)** The code of correct match the items of List-I with List-II

	List-I		List-II
	List – I		List – II
A.	The silent mental repetition of information.	(2)	Rehearsal
B.	The process by which we select a word or visual image to represent a perceived object.	(1)	Encoding
C.	Where information is kept temporarily before further processing.	(4)	Store house
D.	The stage of real memory in which information is processed and held for just a brief period.	(3)	Working Memory

19. Fill in the blanks :

Statements	Alternatives
A. Loyal customers _____ products.	1. Less attention
B. Loyal customers are _____ sensitive.	2. Cheaper
C. Loyal customers pay _____ to competitor's advertising.	3. Less price
D. Serving existing customer is _____	4. Buy more

**Codes:**

- |     | A | B | C | D |
|-----|---|---|---|---|
| (a) | 3 | 1 | 2 | 4 |
| (b) | 4 | 3 | 1 | 2 |
| (c) | 2 | 1 | 3 | 4 |
| (d) | 4 | 3 | 2 | 1 |

**Ans: (b)** The code of correct fill in the blanks:

	Statements		Alternatives
(a)	Loyal customers..... products	(4)	Buy More
(b)	Loyal customers are..... sensitive	(3)	Less Price

(c)	Loyal customers pay..... to competitor's advertising	(1)	Less attention
(d)	Serving existing customer is .....	(2)	Cheaper

20. **Assertion (A)** : High customer expectations lead to dissatisfaction as product performance never matches them.

**Reason (R)** : Product performance is always customer specific.

**Codes:**

- (a) Both (A) and (R) are correct.
- (b) Both (A) and (R) are incorrect.
- (c) (A) is correct, but (R) is incorrect.
- (d) (R) is correct, but (A) is incorrect.

**Ans: (b)**

**Assertion (A)** : High customer expectations lead to dissatisfaction as product performance never matches them.

Therefore, Assertion (A) is the incorrect statement.

**Reason (R)** : Product performance is always customer specific.

Therefore, Reason (R) is the also incorrect statement.

21. **Under which concept of marketing do you find greater emphasis on techniques and technology of production ?**

- (a) Product
- (b) Selling
- (c) Marketing
- (d) None

**Ans: (d)** There is no concept of marketing do you find greater emphasis on techniques and technology or production

Therefore, None of the following option is correct.

22. **Which is used for short-term sales achievement?**

- (a) Personal selling
- (b) Advertising
- (c) Sales Promotion
- (d) Public Relations

**Ans: (c)** Sales promotion is a marketing strategy where a business will use short - term campaigns to spark interest and create demand for a product, service or other offers.

\* Sales promotion is used for short-term sales achievement.

**\*Methods used in sales promotion include**

1. Coupons
2. Samples
3. Premiums
4. Point-of-purchase (POP) displays
5. Contests
6. rebates
7. sweepstakes.

23. **Public distribution system relates to**

- (a) Marketing system
- (b) Retailing system
- (c) Industrial system
- (d) Selling system

**Ans: (b)** Public distribution system relates to Retailing system.

The main objective of public distribution system is to ensure food security and poverty alleviation by making available the essential commodities, specially food grains at an affordable and uniform price at the door steps of the consumers.

24. **Who do buy more, complain less, spread positive word of mouth, ensure a large customer base and repeat business ?**

- (a) Satisfied customers
- (b) Delighted customers
- (c) Industrial customers
- (d) None of the above

**Ans: (b)** Generally happy and Delighted happy customers are believed to shop more, complain less, spread positive words, and repeat all these actions in relation to the business as well as becoming a bigger customer.

25. **There are impulses which persuade a customer to buy certain products without evaluating the positive and negative value of the same.**

- (a) Emotional motives
- (b) Blind motives
- (c) Egoistic motives
- (d) All the above

**Ans: (d)** Emotional motives, Blind motives, Egoistic motives. etc. are such impulses, which persuade or motivate the customer to buy certain products without evaluating its positive or negative value.

26. **Which subject is relevant to the study of consumer behaviour ?**

- (a) Economics
- (b) Psychology
- (c) Sociology
- (d) All the above

**Ans: (d)** Consumer behavior emerged in the 1940-1950s as a distinct sub- discipline of marketing, but has become an interdisciplinary social science that blends elements from psychology, sociology, social anthropology, anthropology, ethnography, ethnology, marketing, and economic (especially behavioral economics)

27. **Find an incorrect statement.**

- (a) Consumer attitude can be summarized as evaluation of an object
- (b) Attitudes are learned
- (c) Attitudes are synonymous with behavior.
- (d) Attitudes have motivational qualities.

**Ans: (c)** The correct form of the statement mentioned in the question is as follows.

- (a) Consumer attitude can be summarized as evaluation of an object.
- (b) Attitudes are learned.
- (c) Attitudes differ from behavior.
- (d) Attitudes have motivational qualities.

28. **Who is considered Father of Scientific Management ?**

- (a) Peter Drucker
- (b) F.W. Taylor
- (c) Victor Vroom
- (d) Henry Fayol

**Ans: (b)** Frederick Winslow Taylor (F.W. Taylor) is the father of scientific management.

\*Frederick Taylor's Theory is a theory of management. It synthesizes and analyzes workflows.

\*Its major purpose is improving, especially labour Productivity, Economic Efficiency. It was as old effort to apply science to the engineering of the procedure and management.

29. **Who did give the concept of hierarchy of needs?**

- (a) Fredrick Herzberg
- (b) Victor Vroom
- (c) Douglas McGregor
- (d) A.H. Maslow

**Ans: (d)** Abraham Maslow first introduced the concept of a hierarchy of needs in his 1943 paper titled "A Theory of human Motivation" and again in his subsequent book, Motivation and Personality. This hierarchy suggests that people are motivated to fulfill basic needs before moving on to other, more advanced needs.

\* Maslow's Hierarchy of Needs

- Self-actualization
- Esteem
- Love/Belonging
- Safety
- Physiological

**30. Assertion (A) :** Management is a continuous process.

**Reason (R) :** Managers first plan, then organise and finally perform the function of controlling.

**Codes:**

- (a) Both (A) and (R) are correct and (R) is correct explanation of (A)
- (b) Both(A) and (R) are correct, but (R) is not a correct explanation of (A)
- (c) (A) is correct, but (R) is incorrect.
- (d) (A) is incorrect, but (R) is correct.

**Ans:(a)**

**Assertion (A) :** Management is a continuous process. Therefore, Assertion (A) is the correct statements.

**Reason (R) :** Managers first plan, then organize and finally perform the function of controlling. Therefore, Reason (R) is the also correct statement and (R) is the correct explanation of (A).

**31. Induction of employees relates to**

- (a) Organizational awareness
- (b) Training programme
- (c) Introduction
- (d) Assignment of duties

**Ans: (a)** Induction is the process for welcoming newly recruited employees and supporting them to adjust to their new roles and working environments. Starting a new job can be a stressful experience and new employees need help to settle in.

**32. 'Kinked' demand curve is related with**

- (a) Monopoly
- (b) Discriminating monopoly
- (c) Oligopoly
- (d) Perfect competition

**Ans: (c)** The kinked demand curve illustrates the interdependence of firms in an oligopoly market. The Kinked-demand curve model (also called sweezy model) posits that price rigidity exists in an oligopoly because an Oligopolistic firm faces a kinked demand curve, a demand curve in which the segment above the market price is relatively more elastic than the segment below it.

**33. Who is not associated with HRM ?**

- (a) Michael J Juscius (b) Dale Yodar
- (c) Edvoim B. Flippo (d) K.K. Devit

**Ans: (d)** Michael J. Juscius, Dale Yoder and Edwin B. Flippo manager is related to human resource Management. While K.K. Devit is the author of Theory of Modern Economics.

**34. Merit rating is not known as**

- (a) Efficiency Rating (b) Service Rating
- (c) Job Rating (d) Experience Rating

**Ans: (c)** Merit rating is the systematic evaluation of the Performance of an employee on the job in terms of the requirements of the job. It may also be ascertained by comparing the superiority of an employee over others.

Therefore, Merit rating is known as Client Rating, Efficiency rating, Service Rating and Experience Rating.

**35. Match the items of List – I with the items of List – II.**

List – I	List – II
A. FEMA	1. 1986
B. Indian Factories Act	2. 1999
C. Industrial Dispute Act	3. 1948
D. Consumer Protection Act	4. 1947

**Codes:**

	A	B	C	D
(a)	4	2	3	1
(b)	3	1	2	4
(c)	2	3	4	1
(d)	1	4	3	2

**Ans. (c) :** The code of correct match the items of List-I with the items of List-II

	List – I		List – II
A.	FEMA	2	1999
B.	Indian Factories Act	3	1948
C.	Industrial Dispute Act	4	1947
D.	Consumer Protection Act	1	1986

**36. If price of any commodity decreases by 20% and the demand for that commodity increases by 40%, then elasticity of demand would be**

- (a) Perfectly elastic (b) Perfectly inelastic
- (c) Unit elastic (d) Highly elastic

**Ans: (d)** If the price of any commodity decrease by 20% and the demand for that commodity increases by 40% then the elasticity of demand would be highly elastic as the proportionate change of quantity demand is greater than the proportionate change of price.

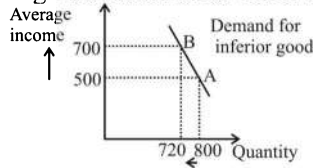
**37. Which of the following statements is true ?**

- (a) In case of inferior goods, the income effect is negative, although the substitution effect is positive
- (b) In inferior goods, the income and substitution effects are positive
- (c) In inferior goods, the income and substitution effects are negative
- (d) In case of inferior goods, the income effect is positive although the substitution effect is negative



**Ans: (a) Inferior goods:-** An inferior goods is an economic term that describes a goods whose demand drops when people's income rise. These goods fall out of favor as incomes and the economy improve as consumers begin buying more costly substitutes instead.

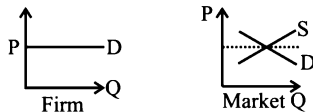
\* In case of inferior goods, the income effect is negative although the substitution effect is positive.



**38. In perfect competition, the demand curve of a firm is**

- (a) Vertical (b) Horizontal  
(c) Positively sloped (d) Negatively sloped

**Ans: (b)** A perfectly competitive firm's demand curve is a horizontal line at the market price. This result means that the price it receives is the same for every unit sold.



\* In the case of perfect competition, the demand curve of the firm is parallel or horizontal to the (x)axis or base axis. which expresses that the firm can sell as many units as it wants at a constant price, but there is no room for change in the price.

**39. Which one is not non-financial incentive ?**

- (a) Additional bonus on minimum wasteful expenditure  
(b) Permanent job  
(c) Participatory decision making.  
(d) Recognition of individuality.

**Ans: (a) Incentive:-** Employee is motivated to do more work through incentives. There are two types of incentives.

- Financial incentive
- Non-Financial incentive

\* Additional bonus on minimum wasteful expenditure is a financial incentive.

	Financial Incentive		Non-Financial Incentive
1.	Bonus	i	Job enrichment/enlargement
2.	Profit share	ii	Consultation
3.	Performance related pay	iii	Team working
4.	Share ownership	iv	Flexible working
5.	Company perks	v	Delegation

**40. HRM does not include**

- (a) job evaluation  
(b) performance appraisal  
(c) sales promotion  
(d) job enrichment

**Ans: (c)** Human Resource Management includes job evaluation, Performance appraisal and job enrichment, while sales promotion is included in the marketing mix.

**41. The term (1-B) is called**

- (a) Level of the test (b) Power of the test  
(c) Size of the test (d) None of the above

**Ans: (b)** "(1-β)" is also known as the power of the test.

\* β(Beta) refers to the probability of type II error in a statistical hypothesis test. Frequently, the power of a test, equal to 1-β rather than β itself, is referred to as a measure of quality for a hypothesis test.

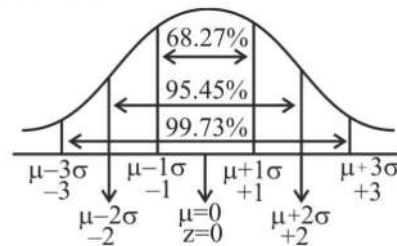
**42. The area under normal distribution covered within  $\mu \pm 3\sigma$  limits is**

- (a) 0.6827 (b) 0.9545  
(c) 0.9973 (d) 1.0000

**Ans: (c)** The area under normal distribution covered within  $\mu \pm 3\sigma$  limits is 0.9973

$\mu \pm 2\sigma = 0.9540\%$

$\mu \pm 1\sigma = 0.6830\%$



**43. Sampling distribution of mean is very close to the standard normal distribution when**

- (a) Population is normally distributed.  
(b) Population is not normally distributed, but sample size is large  
(c) Both (A) and (B)  
(d) Neither (A) nor (B)

**Ans: (c)** Sampling distribution of mean is very close to the standard normal distribution when;

- (a) population is normally distributed  
(b) population is not normally distributed but sample size is large, then sampling distribution of mean is very close to the standard normal-distribution.

**44. If the value of co-efficient of determination is 0.64, what is the value of coefficient of correlation ?**

- (a) 0.40 (b) 0.80  
(c) 0.08 (d) 0.04

**Ans: (b)** If the value of co-efficient of determination is 0.64, then the value of coefficient of correlation is 0.80

Thus,

Coefficient of correlation =

$$\sqrt{\text{co-efficient of determination}}$$

$$= \sqrt{0.64}$$

$$= 0.80$$

**45. Which one of the following is not a source of conflict in project ranking in capital budgeting decision as per NPV and IRR ?**

- (a) Independent Investment Project  
(b) No Capital Budget Constraints  
(c) No time disparity  
(d) None of the above

**Ans: (d)** According to the NPV and IRR, in project ranking, capital budgeting, time asymmetry. etc., do not conflict with capital budgeting decision.

**46. Match the following :**

<b>List – I</b>		<b>List – II</b>	
A. Trade policy		1. Economic conditions	
B. Trade flows		2. Economic policies	
C. Price trends		3. Global linkages	
D. Internal sectoral linkages		4. Structure and Nature of Economy	

**Codes:**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
(a)	3	1	2	4
(b)	2	3	1	4
(c)	1	2	3	4
(d)	1	2	4	3

**Ans. (b) :** The code of correct match the items of List-I with List-II

	<b>List – I</b>		<b>List – II</b>
A.	Trade policy	2.	Economic policies
B.	Trade flows	3.	Global linkages
C.	Price trends	1.	Economic conditions
D.	Internal sectoral linkages	4.	Structure and Nature of Economy

**47. Which one of the following is not a benefit of privatisation ?**

- Encourage entrepreneurship.
- Concentration of economic power.
- Better management of enterprise.
- Freedom from bureaucracy.

**Ans: (b) Privatization:-** It means the transfer of ownership, management, and control of the public sector enterprises to the private sector.

**Advantages of Privatization**

- Encourage entrepreneurship
- Better management of enterprise
- Freedom from bureaucracy
- Positive impact on capital market.

**Disadvantage of privatization**

- issues of regulating Monopolies
- Public interest
- accountability
- Unassured success

**48. 'BOLT' system in the Indian Securities market is related to**

- National Stock Exchange
- Bombay Stock Exchange
- Over the Counter Exchange of India
- Multi Commodity Stock Exchange

**Ans: (b)** 'BOLT' (BSE On-Line Trading) system in the Indian Securities market is related to Bombay stock exchange

• BOLT: For this you need to register with an online trading portal and it facilitates you to trade in various financial instruments such as equities, mutual fund and commodities.

- BSE provide online trading system known as BOLT
- NSE's online trading system is known as NEAT (National Exchange for Automated Trading).
- BSE is the oldest stock exchange in Asia and India. BSE established on 9 July 1875

**49. Which one of the following is not a money market instrument?**

- Commercial paper
- Participatory certificates
- Warrants
- Treasury Bills

**Ans: (c)** Money Market Instruments are short-term financing instruments aiming to increase the financial liquidity of business. The main characteristic of these kinds of securities is that they can be converted to cash with ease thereby preserving the cash requirements of an investor.

• The money market and its instruments are usually traded over the counter and therefore, cannot be done by standalone individual investors themselves.

• It has to be done through certified brokers, or a money market mutual fund.

• Types of money market instruments

- Treasury Bills (T-Bills)
- Certificate of Deposits (CDs)
- Commercial papers (CPs)
- Repurchase Agreements (Repo)
- Banker's Acceptance (BA)
- Call money

Therefore, option (c) correct Ans.

**50. Which one is related with micro financing?**

- SHG
- Anganwadi workers
- Women Entrepreneurs
- None of the above

**Ans: (a)** SHG-(Self-Help Group) is related with micro financing.

• Self-Help Group (SHGs) are informal associations of people who come together to find ways to improve their living conditions. They are generally self governed and peer controlled.

• People of similar economic and social backgrounds associate generally with the help of any NGO or government agency and try to resolve their issues, and improve their living conditions.

• NABARD, in 1992, formed the SHG Bank Linkage Project, Which is today the world's largest Microfinance project.

• A Self-Help Group is a financial intermediary committee usually composed of 10 to 25 local women between the ages of 18 to 50. Most self-Help groups are in India. through they can be found in other countries especially in south Asia and southeast Asia.

**51. Which one of the following is not an element of internal environment ?**

- Mission/Objectives
- Human Resources
- Customers
- Shareholders' values