

**UPHESC/UKPSC/MPPSC/CGPSC/RPSC/HPPS  
C/HPSC/GPSC/MHPSC/JKPSC/  
Karnataka PSC/WBPSC/APPSC**

# **Assistant Professor Commerce**

## **Solved Papers**

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# CONTENT

■ UP. Higher Education Services Commission Assistant Professor Exam. 2021 -----	3-12
Solved Paper [Exam Date : 30/10/2021]	
■ UP. Higher Education Services Commission Assistant Professor Exam. 2014 -----	13-30
Solved Paper [Exam Date : 12/01/2016]	
■ UPPSC GDC Exam. Exam. 2021 -----	31-44
Solved Paper [Exam Date : 15/03/2022]	
■ Uttarakhand GDC Assistant Professor Exam. 2017 -----	45-55
Solved Paper [Exam Date : 29/10/2017]	
■ MPPSC Assistant Professor Exam. 2024 -----	56-84
Solved Paper [Exam Date : 09/06/2024]	
■ MPPSC Assistant Professor Exam. 2017 -----	85-107
Solved Paper [Exam Date : 11/07/2018]	
■ CGPSC Assistant Professor Exam. 2019 -----	108-120
Solved Paper [Exam Date : 07/11/2020]	
■ CGPSC Assistant Professor Exam. 2016 -----	121-134
Solved Paper [Exam Date : 28/09/2016]	
■ CGPSC Assistant Professor Exam. 2014 -----	135-148
Solved Paper [Exam Date : 21/05/2016]	
■ JKPSC Assistant Professor Exam. 2010 -----	149-163
Solved Paper	
■ HPPSC Assistant Professor Exam. 2023 -----	164-182
Solved Paper	
■ HPPSC Assistant Professor Exam. 2018 -----	183-194
Solved Paper	
■ HPPSC Assistant Professor Exam. 2015 -----	195-205
Solved Paper	
■ APPSC Assistant Professor Exam. 2012 -----	206-221
Solved Paper	
■ GPSC Assistant Professor Exam. 2021 -----	222-259
Solved Paper [Exam Date : 27/08/2021]	
■ Karnataka PSC Assistant Professor Exam. 2016 -----	260-272
Solved Paper	
■ MHPSC Assistant Professor Exam. 2011 -----	273-290
Solved Paper [Exam Date : 11/07/2018]	
■ WBPSA Assistant Professor Exam. 2020 -----	291-304
Solved Paper	

# UP. Higher Education Services Commission

## Assistant Professor Exam. 2021

### COMMERCE

#### Solved Paper

Exam Date : 30/10/2021

1. With reference to angle of incidence, which of the following statements is correct?

- (1) It shows the profit earning capacity of business.
- (2) It represents the angle between sales line and total cost line.

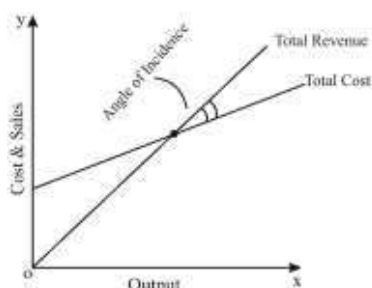
Select the correct answer from the codes given below:

**Codes:**

- (a) (1) Only                      (b) (2) Only  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (c) :** With reference to angle of incidence, following statements are correct -

- (1) It shows the profit earning capacity of business.
- (2) It represent the angle between the sales line and total cost line.



2. If the current ratio of a company is 2:1, which of the following transactions would improve the ratio?

- (a) Issue of bonus shares
- (b) Issue of warrant
- (c) Purchase of stock of goods for cash
- (d) Payment of current liabilities

**Ans. (d) :** If the current ratio of a company is 2 : 1, then if it pays-off its current liabilities then its current ratio will improve.

Current Ratio = 2:1

Current Assets = 200000

Current liability = 100000

If 50000 current liability is paid then

$$\text{Current ratio} = \frac{200000 - 50,000}{100000 - 50,000} = \frac{150000}{50000} = 3:1$$

Hence, option 'D' is correct.

3. Match list-I with list-II and select the correct answer using the codes given below the lists :

**List-I**

**List-II**

- |                                       |                    |
|---------------------------------------|--------------------|
| (1) Financial Leverage                | (i) Efficiency     |
| (2) Quick Ratio                       | (ii) Profitability |
| (3) Stock Turnover                    | (iii) Risk         |
| (4) Margin of Sales                   | (iv) Liquidity     |
| (a) (1)-(iii) (2)-(iv) (3)-(i) 4-(ii) |                    |
| (b) (1)-(iv) (2)-(iii) (3)-(ii) 4-(i) |                    |
| (c) (1)-(iv) (2)-(iii) (3)-(i) 4-(ii) |                    |
| (d) (1)-(i) (2)-(ii) (3)-(iii) 4-(iv) |                    |

**Ans. (a) :** The correct match of List-I with List-II is as follow -

- |                        |   |                    |
|------------------------|---|--------------------|
| (1) Financial leverage | – | (iii) Risk         |
| (2) Quick Ratio        | – | (iv) Liquidity     |
| (3) Stock Turnover     | – | (i) Efficiency     |
| (4) Margin of Sales    | – | (ii) Profitability |

4. Monopolist may charge higher price to maximize profit under which of the following conditions?

- (a) When elasticity of demand is highly elastic.
- (b) When elasticity of demand is less elastic.
- (c) When elasticity of demand is perfectly elastic.
- (d) When elasticity of demand is equal to unit.

**Ans. (b) :** A Monopolist can charge a higher price to maximize profits when the elasticity of demand is less elastic or inelastic. This is a situation when the change in price does not have much impact on the demand of the product or if it does, it is considered negligible. In such a situation the elasticity of demand will be less than 1.

5. Which of the following is not an objective of penetration pricing?

- (a) To determine maximum sales volume
- (b) To increase market share
- (c) To attract customers
- (d) To maximize short term profits

**Ans. (d) :** Penetration pricing is a technique in which price of a product is kept minimum in beginning and later prices can be increased. This is a method adopted to attract new customers in the market and the basic objective is not to maximize profits.

The objective of deep penetration pricing are as follow-

- (1) To maximize sales quantity
- (2) To increase market share
- (3) Attracting new customer etc.

6. Which of the following statements is correct in regards to pricing?

- (1) Price skimming relies on high upfront price to maximize short-term profits.
- (2) Penetration price relies on low upfront price to attract customers.

Select the correct answer from the codes given below:

Codes:

- (a) (1) Only
- (b) (2) Only
- (c) Both (1) and (2)
- (d) Neither (1) nor (2)

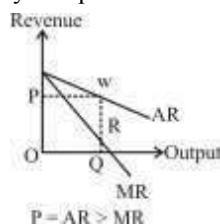
Ans. (c) : The following statements are true with respect to prices -

- (1) To maximize short-term profits, the skimming price depends on the advance price. Here the prices are kept high in the beginning and maximum profit is earned from it.
- (2) Penetration pricing depends upon low upfront price to attract customers. Here the initial prices are kept low and new customers are attracted.

7. Which of the following is correct in regards to imperfect competition?

- (a) AR curve is horizontal straight line parallel to X-axis.
- (b) MR curve is equal to AR curve.
- (c) MR curve is higher than AR curve.
- (d) MR curve depends upon the elasticity of AR curve.

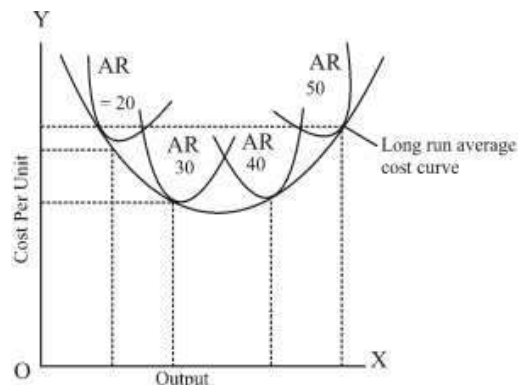
Ans. (d) : In the context of imperfect Competition, the statement that marginal revenue curve depends on the elasticity of the average revenue curve is correct. An imperfectly competitive market is one where there are many sellers, but they sell heterogeneous products, Unlikely a perfectly competitive market scenario.



8. Which of the following curve shows the firm's lowest cost per unit at each level of output?

- (a) Long-run average cost curve
- (b) Short-run average cost curve
- (c) Long-run marginal cost curve
- (d) Long-run total fixed cost curve

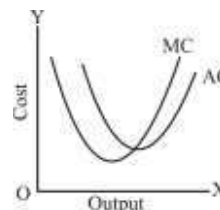
Ans. (a) : The long run average cost shows minimum cost per unit of firm at each level of output -



9. Average cost curve falls:

- (a) When the MC curve is less than AC curve.
- (b) When the AC curve is less than MC curve.
- (c) When the AC curve is equal to MC curve.
- (d) When the MC curve is greater than AC curve.

Ans. (a) : The average cost curve falls while the marginal cost curve is lower than the average cost curve



In General case, MC curve cuts the AC curve from below at the minimum point of AC.

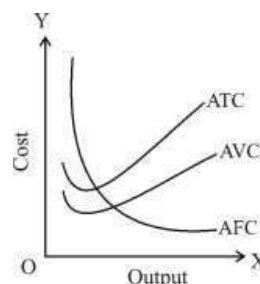
10. The behaviour of Average total cost curve is jointly determined by:

- (a) Average Fixed Cost and Average Variable Cost
- (b) Total Fixed Cost and Average Variable Cost
- (c) Average Fixed Cost and Total Variable Cost
- (d) Total Fixed Cost and Total Variable Cost

Ans. (a) : The behaviour of Average total cost curve is jointly determined by average fixed Cost and average variable cost

Average total cost = Average fixed cost + Average Variable cost

$$ATC = AFC + AVC$$



11. Which of the following statements is correct in regards to exchange rate risk of a firm importing goods?

- (1) If home currency weakens, the firm incurs a loss.
- (2) If home currency strengthens, the firm incurs a loss.

Select the correct answer from the codes given below:

**Codes:**

- (a) (1) Only
- (b) (2) Only
- (c) Both (1) and (2)
- (d) Neither (1) nor (2)

**Ans. (a) :** In the context of exchange rate, risk of a goods importing firm, the statement that is the domestic currency weakens, the firm suffers loss is correct. Weakening of a currency means a decrease in its exchange rate, such as Rs 1 against one dollar. The ratio shall increase from 75 to 80. If this happens, the importer has to pay a higher price for an item.

12. If the sales and P/V ratio of a firm is Rs. 1000 and 80% respectively and the amount of interest paid is Rs. 400, then operating leverage of the firm is:

- (a) 4
- (b) 3
- (c) 2
- (d) 5

**Ans. (c) :** Given : P/V = 80%

Sales = ₹1000

= ₹400

$$\Rightarrow \text{PV Ratio} = \frac{C}{S} \times 100$$

$$80 = \frac{C}{1000} \times 100 = 800$$

$$\text{Operating Leverage} = \frac{C}{\text{EBIT}} = \frac{800}{800 - 400} = \frac{800}{400} = 2$$

**Operating Leverage = 2**

13. Which of the following issue is the costliest source of Finance?

- (a) Issue of debenture at par
- (b) Issue of debenture at discount
- (c) Issue of debenture at premium
- (d) Issue of debenture at discount and redeem at premium/

**Ans. (d) :** Issuance of debenture at discount and their redemption at premium is the cost effective source of finance among the options. In this situation, first the debentures are issued at a price lower than the face value and finally they are redeemed at a higher price than the face value hence double loss is incurred here. Like issuing a debenture of ₹ 100 at ₹ 90 and redeeming it at ₹ 110, here the loss is ₹ 20

14. If the cost of equity share and cost of debt is 20% and 12% respectively and the debt-equity ratio is 0.6, then what would be the weighted average cost of capital?

- (a) 19%
- (b) 18.4%
- (c) 18.1%
- (d) 12%

**Ans. (\*) :** Given,

$$K_e = 20\%$$

$$K_d = 12\%$$

$$\text{Debt/Equity} = 0.6$$

Let Equity = 1000

So, Debt = 600 and Total Capital = 1600

Share of Equity in total Capital

$$= 1000/1600 \times 100 = 62.5\%$$

Share of Debt in total Capital

$$= 600/1600 \times 100 = 37.5\%$$

Weighted Average Cost Of Capital =

Weighted Average Cost of Equity + Weighted Average Cost of Debt

$$= 20 \times 62.5\% + 12 \times 37.5\% = 12.5\% + 4.5\% = 17\%$$

Note- The commission has considered option (b) as correct.

15. Techniques of capital budgeting is applied to evaluate:

- (a) Investment in financial assets
- (b) Investment in fixed assets
- (c) Investment in current assets
- (d) Investment in wasting assets

**Ans. (b) :** The technique of capital budgeting is used to evaluate investment in fixed assets.

Through Capital budgeting technique, various investment options available are compared and on this basis a decision is taken whether to invest in an option or not. In other words, best options are selected.

16. Which of the following is correct in regards to hedging?

- (a) It minimizes the risk through option.
- (b) It minimizes the risk through future.
- (c) It minimizes the risk through option and future.
- (d) It is a short straddle type of strategy.

**Ans. (c) :** Hedging is used for derivatives. Through hedging, an attempt is made to reduce the risks of option and futures. Hedging is a risk management strategy which is used to compensate for the losses incurred in investment by taking adverse position in related asset.

17. With reference to Capital Assets Pricing Model, which of the following is correct?

- (a) It is one-factor model.
- (b) It is two-factors model.
- (c) It is multi-factors model.
- (d) It does not follow a normal distribution.

**Ans. (a) :** CAPM (Capital Assets Pricing Model) – is a factor model which describes the relationship between systematic risk and expected returns for assets, particularly stocks. The CAPM is widely used for pricing risky securities and for generating expected returns for assets given the risk and cost of capital of those assets.

18. Spearman's rank correlation explores relationship between:

- (a) Two ordinal data
- (b) Two interval data
- (c) Two ratio data
- (d) Two nominal data

**Ans. (a) :** Spearman's rank correlation co-efficient is adopted to study the relationship between any two sequential data which cannot be arranged on mathematical basis.

In spearman rank correlation co-efficient, the categories are divided into orders on the basis of their values and then the correlation is calculated according to the following formula

$$r_s = 1 - \frac{6 \sum d^2}{N^3 - N}$$

19. Which of the following is related to positive association of attributes?

- (a) Health and hygiene
- (b) Honesty and boldness
- (c) Vaccination and Occurrence of disease
- (d) Health and Honesty

**Ans. (a) :** Health and cleanliness are related to positive qualities. In positive association, the presence of one characteristic is accompanied by presence of the other characteristic. Health is directly related to cleanliness. If there is cleanliness then due to its presence the attribute of health will be available, hence this is an example of positive quality relationship.

20. Which of the following is non-parametric test?

- (a) 'F' test
- (b) 't' test
- (c) 'z' test
- (d) Chi-square test

**Ans. (d) :** The chi-square test is a non-parametric test. The chi-square test is a hypothesis test designed to test for a statistically significant relationship between nominal and ordinal variables arranged in a bivariate table. In other words, it tells us whether two variable are independent of each other.

21. The fourth moment of Poisson Distribution is:

- (a)  $m+m$
- (b)  $m+3m^2$
- (c)  $m+2m^2$
- (d)  $3m+1$

**Ans. (b) :** The fourth moment of Poisson distribution is  $m + 3m^2$ . In statistics, the Poisson distribution is a probability distribution used to show how many times an event is likely to occur over a specified period of time. The Poisson distribution is a discrete function which means that the variable can only take specific values in a (potentially infinite) list.

22. Non-parametric test is valid when sample size is:

- (a) Large
- (b) Small
- (c) Large and small
- (d) None of these

**Ans. (b) :** Non-parametric tests are valid when sample size is small. When the sample size is small and distribution of the outcome is not known and is not assumed to be approximately normally distributed, alternative tests called non-parametric tests are appropriate.

23. Goodness of fit of a distribution is tested by:

- (a) 't' test
- (b) F-test
- (c) z-test
- (d) Chi-square test

**Ans. (d) :** The goodness of fit of a distribution is tested using the chi-square test. Chi-square test is a statistical test which is used to compare observable result with expected results. The purpose of this test is to determine whether the difference between observed data and not expected data is due to chance or whether it is due to variable we are studying.

24. Which of the following is restricted non-probability based sampling method?

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

**Ans. (b) :** Quota sampling is a restricted non-probability based sampling method wherein the population is divided into subgroups or strata based on certain characteristics (such as age, gender, income level etc.) The researcher then sets quotas for each stratum or subgroup to ensure that a representative sample of collected.

25. Which of the following theories of leadership assumes as 'leaders are made, rather than born'?

- (a) Trait theories
- (b) Behavioral theories
- (c) Contingency theories
- (d) Situational theories

**Ans. (b):** The behavioral theory of leadership believes that 'leaders are made, not born'. The behavioral theory of leadership is based on the belief that great leaders are not born but made. According to this, people can learn to become leaders through experience, teaching and observation.

**26. Theories of learning describes how managers can facilitate:**

- (a) Employees learning (b) Customer learning  
(c) Student learning (d) All of the above

**Ans. (a) :** The theory of learning states that managers provide facilities for employee learning.

- Cognitive Learning Theory
- Behavioral Learning Theory
- Constructive Learning Theory
- Human Learning Theory
- Connective Learning Theory
- Transformative Learning Theory
- Experiential Learning Theory

**27. Our personalities shapes:**

- (a) Our Character (b) Our behaviour  
(c) Our Value (d) Our nature

**Ans. (b) :** Our personality shapes our behavior. Personality not only influences how we react or behave in an environment but it also motivates us to act in certain ways. Personality is not only reflected in behavior but can also be seen in our thoughts, feelings, close relationship and other social interactions.

**28. Who coined word POSDCORB to indicate the functions of management?**

- (a) Henry Fayol (b) Luther Gulick  
(c) Ernest Dale (d) F.W. Taylor

**Ans. (b) :** The term POSDCORB was coined by Luther Gulick to indicate the functions of management. POSDCORB stands for : planning, organizing, staffing, Directing, co-ordination, Reporting and budgeting.

**29. 360 degree performance appraisal is a method for evaluating:**

- (a) Employee Performance  
(b) Manager Performance  
(c) Owner Performance  
(d) Customer Performance

**Ans. (a) :** 360° Performance appraisal is a method of employee performance appraisal. The 360° performance appraisal system is a means of ensuring that all factors surrounding the employee are considered and evaluated in a holistic manner.

**30. With reference to the formal organization, which of the following statement is correct?**

- (1) Authority is defined by the profile and managerial positions.  
(2) Communication flows through the hierarchy.

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

**Codes :**

- (a) (1) Only (b) (2) Only  
(c) Both (1) and (2) (d) Neither (1) nor (2)

**Ans. (c) :** Formal organization is one where relationships between employees are clear and they are divided on the basis of their rights and responsibilities. The following statements are correct in the context of formal organization:-

- (1) Authority is defined by profile and managerial positions.  
(2) Communication flows through hierarchy.

**31. Which of the following statements is correct in regards to span of control?**

- (1) Narrow span of control gives rise to a tall organizational structure.  
(2) Wide span of control gives rise to a flat organizational structure.

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

**Codes :**

- (a) (1) Only (b) (2) Only  
(c) Both (1) and (2) (d) Neither (1) nor (2)

**Ans. (c) :** Following statements are correct with regard to span of control.

- (1) Narrow span of control gives rise to a tall organizational structure because Power/Authority is limited in a few hands, it will remain limited at higher levels of the organization.  
(2) Wide span of control gives rise to a flat organizational structure. Due to greater spread of power/authority in it, organizational structure is flat rather than tall.

**32. BHIM app can be used by anyone who has :**

- (a) A valid bank account (b) A mobile number  
(c) Debit card (d) All of the above

**Ans. (d) :** BHIM (Bharat Interface for Money) was launched on 30 December 2016 with the aim of promoting the use of UPI and modern online and mobile transactions in India. This is an application prepared by NPCI. To use it, it is necessary to have a valid account number, mobile number and debit card.

**33. Assets which has remained NPA for a period less than or equal to 12 months is called as :**

- (a) Substandard Assets (b) Loss Assets  
(c) Doubtful Assets (d) None of these

**Ans. (a) :** Assets which remain Non-Performing Assets (NPA) for a period less than or equal to 12 months are called substandard Assets. The assets which remain NPA for more than 12 months are Doubtful Assets and if the bank institution considers them to be completely bad then it is called Loss Assets.

**34. Credit control is an important tool of :**

- (a) Commercial Bank      (b) EXIM Policy  
(c) Fiscal Policy          (d) Monetary Policy

**Ans. (d) :** Credit control is an important tool of monetary policy. The maker and controller of monetary policy in India is the central bank of India that is RBI. RBI uses quantitative instruments Such as CRR, SLR, Repo rate, Reverse repo rate etc. and qualitative instruments such as margin requirements, open market operations etc. to control credit.

**35. With reference to Financial inclusion, which of the following statements is correct?**

- (1) It focuses on providing financial solutions to the economically underprivileged class.  
(2) It is a method of offering banking services to individual.

Select the correct answer from the codes given below :

**Codes :**

- (a) (1) Only                      (b) (2) Only  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (a) :** Financial inclusion is related to providing banking services to all sections of the society. It is not in itself a technology by which any financial or banking services is provided. The following statements are true in context of financial inclusion.

- (1) It focuses on providing financial solution to economically deprived class.  
(2) This is not a technical service like NEFT, RTGS or Net banking through which banking services is provided to an individual.

**36. Which of the following is a short-term debt obligation of a National Government that are issued to mature in 3 to 12 months?**

- (a) Commercial paper  
(b) Bonds  
(c) Certificate of Deposits  
(d) Treasury Bill

**Ans. (d) :** A treasury bill is a short-term debt obligation of the national government that is issued to mature in 12 months. These are issued by RBI on behalf of government. Presently there are issued for maturity periods of 91, 182 and 364 days.

**37. With reference to mutual funds, which of the following statements is correct?**

- (a) Open-ended funds are always open to investment.  
(b) Open-ended funds are always open to redemption  
(c) Open-ended funds are always open to investment and redemption.  
(d) It is an investment in equity shares.

**Ans. (c) :** Open ended funds are always open for investment and redemption, that is why they are called open ended funds. There is no maturity in these funds. Therefore, they are available for purchase and sale throughout the year. It can be bought and sold at any time. This is absolutely correct in context of mutual funds.

**38. With reference to digital system, which of the following statements is correct?**

- (a) The payer and the payee both use electronic mediums to exchange money.  
(b) It takes place in the premises of a bank.  
(c) It requires cheque book.  
(d) It needs credit card.

**Ans. (a) :** For a Digital payment system, it is necessary that both the payer and recipient use electronic means to exchange money.

**39. CRM is a combination of business strategies that helps to build long-lasting relationship:**

- (a) Between companies and directors  
(b) Between managers and customers  
(c) Between employees and customers  
(d) Between companies and customers

**Ans. (d) :** CRM (Customer Relationship Management) is a combination of business strategies that helps in maintaining strengthening long-term relationship between companies and customers.

**40. Which of the following is the objective of market positioning?**

- (a) To establish the image of brand  
(b) To establish the identity of brand  
(c) To establish the image of product  
(d) To establish the image or identity of the brand and product

**Ans. (d) :** Market positioning works with the aim of establishing an image or identity of the brand and product market specific positioning is the combination of techniques adopted to differentiate the product in the product.

**41. Which of the following mode is not an example of Direct Marketing?**

- (a) Kiosk marketing  
(b) Social media marketing  
(c) Catalogues  
(d) Tele marketing

**Ans. (c) :** Kiosk marketing, social media marketing and tele-marketing are all examples of direct marketing and catalogs are an example of indirect marketing Direct marketing is where there is no other link between producer and consumer and the producer sells the goods directly to consumer.



42. Which of the following is not a form of promotion?

- (a) Publicity (b) Advertisement  
(c) Free Sample (d) Donation

**Ans. (d) :** Promotion is the process by which business expansion and demand for the product is increased. Generally when an organization introduces new products, there is need for their promotion. Promotion includes Advertising, Free samples and contests etc.

43. "Marketing as the creation and delivery of a standard of living to society". Who gave this definition?

- (a) Kotler and Levy  
(b) American Marketing Association  
(c) Paul Mazur  
(d) Stanton

**Ans. (c) :** "Marketing as the creation and delivery of a standard of living to society". This definition was given by Paul Mazur.

44. Which of the following is not the part of the Social marketing mix?

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

**Ans. (c) :** Out of the options given in question, only option (c) People is not part of the social marketing mix. The 6 'P' of social marketing mix is as follow -

- (1) Product  
(2) Price  
(3) Place  
(4) Promotion  
(5) Policy  
(6) Partnership

45. Consumer contest is part of:

- (a) Advertising (b) Indirect sales  
(c) Personnel selling (d) Sales Promotion

**Ans. (d) :** Consumer contest is a part of sales promotion. In consumer contest, various types of games and quizzes are organized in which the winners are given products as gifts by the manufacturer. Due to this, information about the product reaches people and as a result demand increases.

46. With reference to 'self prospectus', which of the following statements is correct?

- (1) It is issued by companies making multiple issues of bonds for raising funds.  
(2) It can be filed only by companies issuing non-convertible debt bonds.

Select the correct answer from the codes given below :

**Codes :**

- (a) (1) Only (b) (2) Only  
(c) Both (1) and (2) (d) Neither (1) nor (2)

**Ans. (c) :** With reference to 'self prospectus', following statements are correct.

- (1) It is issued by the companies making multiple issues of bonds for raising funds.  
(2) It can be filed only by companies issuing non-convertible debt bonds.

47. How many types of taxes can be charged in the invoice under GST?

- (a) 2 (b) 3  
(c) 4 (d) 5

**Ans. (b) :** Goods and services tax (GST) has been implemented in India by the 101<sup>st</sup> Constitutional amendment on 1 July 2017. It provides for a single tax combining all indirect taxes in India GST mainly covers 3 types of taxes, IGST, SGST and CGST.

48. Ordinary resolution is required for:

- (a) Alternation of authorized capital of the company  
(b) Change the registered office of the company  
(c) Reduce the share capital of the company  
(d) Alter the objectives clause of memorandum of association

**Ans. (a) :** A General resolution is required to alter the authorized capital of a company. The change in the authorized capital of company is done by ordinary resolution under section 61 of the companies act 2013. The other three matters are taken up in a special resolution. The memorandum of association (MOA) for the authorized capital has to be changed as per section 13.

49. A foreign company can constitute CSR Committee with minimum of:

- (a) 4 directors (b) 3 directors  
(c) 2 directors (d) 1 director

**Ans. (c) :** A foreign company can constitute a corporate social responsibility committee, which consists of 2 director.

50. The Principle of 'Caveat Emptor' is governed by which of the following Act?

- (a) Indian Contract Act 1872  
(b) Sales of Goods Act 1930  
(c) Indian Partnership Act 1932  
(d) Negotiable Instruments Act 1881

**Ans. (b) :** The principle of 'caveat Emptor' is governed by sales of goods act 1930. The meaning of the phrase is buyer beware. The principle of caveat Emptor is enshrined in section 16 of sales of goods act.

51. With reference to Intellectual Property Right, which of the following statements is correct?

- (1) It is a legal right that protects creations and inventions.  
(2) It includes patents, copyrights and trade marks.

Select the correct answer from the codes given below :

**Codes :**

- (a) (1) Only                      (b) (2) Only  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (c) :** With reference to Intellectual Property right, following statements is correct -

- (1) It is a legal right that protects creations and inventions.  
(2) It includes patents, Copyright and trade marks.

**52. The bailment of goods as security for payment of debt of performance or a promise is called :**

- (a) Bailment  
(b) Pledge  
(c) Contract of Indemnity  
(d) Quasi-contract

**Ans. (b) :** According to section 172 of Indian contract Act, 1872.

The bailment of goods as security for payment of a debt or performance of a promise is called 'pledge' the bailor is in this case called the 'pawnor'. The bailed is called 'Pawnee'.

**53. Which of the following investment or payments is not eligible for deduction u/s 80C of Income-Tax Act 1961?**

- (a) Life insurance premium paid on the life of spouse.  
(b) Life insurance premium paid on the life of son.  
(c) Life insurance premium paid on the life of daughter.  
(d) Life insurance premium paid on the life of sister.

**Ans. (d) :** The amount of life insurance premium paid on sister is life insurance is not eligible for deduction under section 80C of the income tax act 1961. Deduction is allowed under section 80C for life insurance premium paid on the life of self, spouse and children.

**54. Interest on excess refund is not payable if the amount of refund is:**

- (a) Less than Rs. 10,000  
(b) More than Rs. 10,000  
(c) More than Rs. 11,000  
(d) More than Rs. 15,000

**Ans. (a) :** Interest on excess refund is not payable if the amount of refund is less than ₹10,000. As per section 243 (D) if any refund is given to the assessee (Taxpayer) and no refund is payable on regular assessment or the amount refunded exceeds the amount refundable on regular assessment, the assessed shall be liable to pay simple interest on such excess refund.

**55. Ram is super senior citizen and non-resident Indian. The Income Tax exemption limit for Ram is :**

- (a) Rs. 5,00,000                      (b) Rs. 4,00,000  
(c) Rs. 3,00,000                      (d) Rs. 2,50,000

**Ans. (d) :** Ram is super senior citizen and non-resident. The income tax exemption limit for NRI is ₹ 2,50,000. However if were a citizen of India then this exemption limit would be ₹ 5,00,000.

**56. Which of the following statements is correct in regards to health and education cess?**

- (1) Amount of income tax shall be increased by health and education cess.  
(2) Amount of income tax and surcharge shall be increased by health and education cess.

Select the correct answer from the codes given below :

- (a) (1) Only                      (b) (2) Only  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (b) :** The following statements is correct regarding health and education cess :

- (1) The amount of income tax will be increased by health and education cess. This statements is incorrect. Health and education cess does not increase the amount of income tax It is added separately as a fixed percentage on the amount of income tax.  
(2) The amount of income tax and surcharge will be increased by health and education cess.

**57. Under alternate tax regime, which of the following statement is correct?**

- (1) Individual assessee can opt for the alternative tax regime u/s 115 BAC.  
(2) Total income is computed without availing of blocked incentives.

Select the correct answer from the codes given below:

**Codes :**

- (a) (1) Only                      (b) (2) Only  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (b) :** In the financial act 2020, new section 115 BAC has been added to the income tax act in which an individual gets an option to choose between the actual tax rates and new concessional tax rates without considering prescribed exemptions or deductions. The following statements are correct under it.

- (1) An individual/tax payer or Hindu undivided family under section 115 BAC who also has other income from business or profession can opt for alternative tax regime.  
(2) Total income is calculated without taking advantage of locked-in incentives.

58. Which of the following is correct in regard to, interest on excess refund?

- (a) The interest rate is 1% per month.
- (b) The interest rate is 0.5% per month.
- (c) The interest rate is 1.5% per month.
- (d) The interest rate is 0.25% per month.

**Ans. (b) :** The interest rate on excess refund has been fixed at 0.5% per month. (Section 234 (D))

59. In regards to tax planning, which of the following is correct?

- (a) It is tax avoidance.
- (b) It is tax evasion.
- (c) It is reduction in tax liability to minimum.
- (d) Both (A) & (B)

**Ans. (c) :** The following statement are correct regarding tax planning -

- (1) It tries to minimize tax liability through legal means.
- (2) It is completely different from tax evasion since tax evasion minimizes the tax through illegal means.

60. Which of the following statements is correct in regards to economic policy?

- (1) Fiscal policy is enacted by a national government.
- (2) Monetary policy is enacted by Central bank.
- (a) Only (1)
- (b) Only (2)
- (c) Both (1) and (2)
- (d) Neither (1) nor (2)

**Ans. (c) :** Following statements are correct in regards to economic policy.

- (1) Fiscal Policy is enacted by national government.
- (2) Monetary policy is enacted by the central bank.

61. Which of the following statements is not correct in regards to Foreign Portfolio Investment?

- (a) It involves stocks
- (b) It involves ADRs
- (c) It involves GDRs
- (d) It involves SDR

**Ans. (d) :** Foreign portfolio investments include stocks bonds, mutual funds, exchange traded funds, American Depositary Receipts (ADR) and Global Depositary Receipts (GDR). Foreign portfolio investment does not include Special Drawing Receipts (SDR). SDR is special drawing rights which is an international reserve asset created by IMF in 1969 to supplement the official reserve of its member countries.

62. Match List-I with List-II and choose the correct answer from the codes given below the lists :

List-I	List-II
(1) McDonald	(i) Franchising
(2) VI	(ii) Merger
(3) Master card	(iii) Alliance
(4) Nestle	(iv) Licensing

Select the correct answer from the codes given below :

**Codes:**

- (a) (1)-(i) (2)-(ii) (3)-(iii) (4)-(iv)
- (b) (1)-(iv) (2)-(iii) (3)-(ii) (4)-(i)
- (c) (1)-(i) (2)-(iii) (3)-(ii) (4)-(iv)
- (d) (1)-(i) (2)-(iv) (3)-(iii) (4)-(ii)

**Ans. (a) :** The correct match is as follow -

List-I		List-II
(1) McDonald	→	(i) Franchising
(2) VI	→	(ii) Merger
(3) Master card	→	(iii) Alliance
(4) Nestle	→	(iv) Licensing

63. Which of the following statements is correct in regards to tariff barrier?

- (1) It affects the price of imported goods.
- (2) It affects the quantity of imported goods.

Select the correct answer from the codes given below :

- (a) Only (1)
- (b) Only (2)
- (c) Both (1) & (2)
- (d) Neither (1) nor (2)

**Ans. (a) :** In the context of tariff barrier the statement that it affects the price of Imported goods is correct.

Tariff barriers are imposed on the price of goods and services imported from one country to another whereas restrictions set on the quantity of goods are known as quotas.

64. With reference to Balance of Payments, which of the following statements is correct?

- (1) Current account monitors the flow of funds from goods and services.
- (2) Capital account monitors the flow of international capital transactions.

Select the correct answer from the codes given below :

**Codes :**

- (a) Only (1)
- (b) Only (2)
- (c) Both (1) and (2)
- (d) Neither (1) nor (2)

**Ans. (c):** Following statements are correct in respect of balance of payment.

- (1) Current account monitors the flow of funds from goods and services.
- (2) Capital account monitors the flow of international capital transactions.

**65. Which of the following statement is correct in regards to Ad Valorem Tariffs?**

- (1) It is a fixed fees levied on imported goods.
- (2) It is levied based on the items value.

Select the correct answer from the codes given below :

- (a) Only (1)                      (b) Only (2)  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (a) :** Ad- valorem tariffs is a fee whose amount is based on the value of a single transaction or property. It is usually imposed at the time of transaction, as in the case of sales tax or value added tax. The following is true regarding ad-valorem tariff.

- (1) It is a fixed fee levied on imported goods.

**66. Which of the following is prominent international organization that promotes trade liberalization and brought major reduction in trade barriers?**

- (a) NAFTA                      (b) WTO  
(c) European Union        (d) World Bank

**Ans. (b) :** The world trade organization is an international organization that promotes trade liberalization and tries to reduce trade barriers.

WTO was established in the year 1995 in place of GATT and its head office is in Geneva, Switzerland.

**67. Which of the following statements is correct in regards to Kaizen costing?**

- (1) It is a system of cost reduction.
- (2) It is a system of continuous improvement without negative effects on the quality, staff and security.

Select the correct answer from the codes given below :

**Codes :**

- (a) Only (1)                      (b) Only (2)  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (c) :** Following statements are correct in respect of kaizen costing.

- (1) It is a system of cost reduction.
- (2) It is a system of continuous improvement without negative effect on quality, staff and security.

**68. If the average stock of a firm is Rs. 40,000 and its opening stock is Rs. 5,000 less than the closing stock, what would be the value of Opening Stock?**

- (a) Rs. 42,000                      (b) Rs. 40,000  
(c) Rs. 35,000                      (d) Rs. 37,500

**Ans. (d) :** Given

Average Stock = 40,000

Opening Stock = 5,000 less than closing stock

Value of Opening Stock = ?

Let Closing Stock =  $x$

Then Opening Stock =  $x - 5,000$

$$40,000 = \frac{(x - 5,000) + (x)}{2}$$

$$\Rightarrow 80,000 = 2x - 5,000$$

$$\boxed{2x = 85,000}$$

$$x = \frac{85,000}{2} = 42,500 \text{ (Closing stock).}$$

$$\text{So, Opening stock} = x - 5,000 = 42,500 - 5,000 = 37,500$$

**69. Which of the following statements is correct in regards to life-cycle costing?**

- (1) It analyses the process of evaluating product profitability.
- (2) It helps planners to control costs more effectively.

**Codes :**

- (a) Only (1)                      (b) Only (2)  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (c) :** Following statement are correct in regards to life-cycle costing.

- (1) It analysis the process of evaluating product profitability.
- (2) It helps planner to control cost more effectively.

**70. With reference to margin of safety, which of the following will improve it?**

- (1) By lowering BEP through reduction of fixed cost.
- (2) By adopting a better profitable product mix.

Select the correct answer from the codes given below :

**Codes :**

- (a) (1) Only                      (b) (2) Only  
(c) Both (1) and (2)        (d) Neither (1) nor (2)

**Ans. (c) :** The following statements is true regarding margin of safety :

- (1) To reduce the break-even point by reducing fixed cost.
- (2) By adopting a better profitable product mix.

The margin of both the above methods can be improved. Margin of safety is the difference between the break even point and actual sales. The higher it is the better for business.

# UP. Higher Education Services Commission

## Assistant Professor Exam. 2014

### COMMERCE

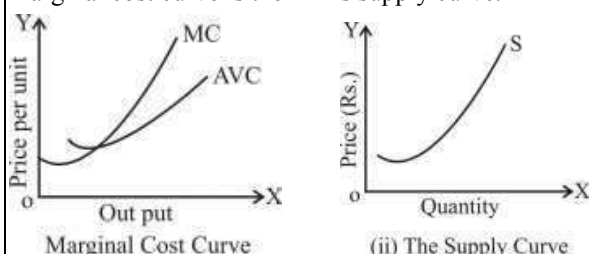
#### Solved Paper

Exam Date : 12/01/2016

1. Supply curve of a firm is derived from its:

- (a) Marginal Cost Curve
- (b) Fixed Cost Curve
- (c) Average Cost Curve
- (d) Total Cost Curve

**Ans. (a) :** Provided that a firm is producing goods, the supply curve is the same as the marginal cost curve. The firm chooses the quantity of its output at which its price is equal to its marginal cost. Which means that the firm's marginal cost curve is the firm's supply curve.



2. What should be price elasticity of demand by proportionate method, if:  $Q_1 = 20,000$ ,  $Q_2 = 25,000$ ;  $P_1 = \text{Rs. } 10$ ;  $P_2 = 8$

- (a) 1.20
- (b) 1.00
- (c) 1.25
- (d) 1.50

**Ans. (c) :**  $Ed = (-) \frac{\% \text{Change in Quantity Demanded}}{\% \text{Change in Price}}$

or

$$(-) \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

Given in Question–

$Q_1 = 20000$ ,  $P_1 = 10$

$Q_2 = 25000$ ,  $P_2 = 8$

$Ed = ?$

So,

$$\begin{aligned} Ed &= (-) \frac{Q_2 - Q_1}{P_2 - P_1} \times \frac{P_1}{Q_1} \\ &= (-) \frac{25000 - 20000}{8 - 10} \times \frac{10}{20000} \\ &= \frac{50000}{2} \times \frac{10}{20000} \Rightarrow \frac{5}{2} \times \frac{1}{2} \\ \boxed{Ed = 1.25} \end{aligned}$$

3. What is the probability that a non leap year should have 53 Wednesday?

- (a)  $1/3.5$
- (b)  $1/7$
- (c)  $1/21$
- (d)  $1/5$

**Ans. (b) :** Total days in a non leap year = 365

Weeks in a year = 52

That means there will be fixed 52 Wednesday in a year. Thereafter the remaining one day in the year will have the possibility of days - Monday, Tuesday, Wednesday, Thursday, Friday, Saturday and Sunday.

Total possibilities for one day = 7

Out of these seven possibilities the probability of

$$\text{Wednesday} = \frac{1}{7}$$

Hence, the probability of 53 Wednesday in a non-leap year =  $\frac{1}{7}$

4. If coefficient of correlation is +0.8, then coefficient of alienation shall be–

- (a) + 0.64
- (b) + 0.40
- (c) + 0.36
- (d) + 0.20

**Ans. (c) :** The coefficient of separation (or coefficient of non-determination) represents the proportion of variation in the dependent variable. Coefficient of non-determination =

(Coefficient of Non-Determination or Coefficient of Alienation) =  $1 - r^2$

Where  $r$  = Correlation Coefficient so coefficient of non-determination =  $(1 - 0.82) = 1 - 0.64$

Coefficient of non-determination or non-correlation coefficient = 0.36

5. If  $b_{xy} = -0.6$  and  $b_{yx} = -0.7$ , then  $r$  will be:

- (a) + 0.65
- (b) + 0.42
- (c) - 0.65
- (d) - 0.36

**Ans. (c) :** Given  $b_{xy} = -0.6$ ,  $b_{yx} = -0.7$ ,  $r = ?$

$$\boxed{r = \sqrt{b_{xy} \cdot b_{yx}}}$$

So,

$$= \sqrt{(-0.6) \times (-0.7)}$$

$$= \sqrt{0.42}$$

$$= -0.64807 \text{ or } -0.65$$

Note → Keep in mind that if the regression coefficient is negative then the correlation is also negative.

6. Which of the following Software is used in research analysis?

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

**Ans. (c) :** ERP is short for Enterprise Resource Planning which is an integrated process of collecting and organizing business data through an integrated Software Suite. SAP (System Application) is an Enterprise Resource Planning Software. SAP is a major software of ERP which is dedicated to business management. SPSS is accounting software. Statistical Package for Social Science Research which is dedicated to research and analyzes the data collected during the process.

7. Goodness of fit of a distribution is tested by:

- (a) T-test (b) Chi-square test  
(c) F-test (d) Z-test

**Ans. (b) :** Square test, tests the suitability of a distribution. Chi square statistics are usually used to test the relationship between categorical variables. It accepts the hypothesis that there is no relationship between categorical variables in the population. It is usually based on expected frequencies and actual frequencies.

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where,

$\chi^2$  = Chi-square

$\Sigma$  = Sum of

O = Observed frequencies

E = Expected frequencies

8. Which of the following is a single use plan?

- (a) Policy (b) Programme  
(c) Strategy (d) Method

**Ans. (b) :** Single use planning is that planning which is made for a specific purpose, situation or problem. It is not used again and again, whereas policies, strategies and methods are all used again and again. Policy tells the solution to a problem which arises again and again in front of the organization. Strategy is to make a plan according to any situation like making a strategy in response to the plans of competitors. Method is to make a plan to do some work. Program is the outline of doing a specific work and after the work is completed, it is not used again. Like-budget, project program etc.

9. In the field of management "the principle of balance" is basically related to:

- (a) Controlling (b) Directing  
(c) Organizing (d) Communication

**Ans. (c) :** In the field of management, the principle of balance is basically related to the organization. It is related to the division of work in the organization or institution. The principle of balance states that the work should be divided among the employees in the organization in such a way that the employee can

complete it easily and efficiently. Sometimes in the organization, employees are given too much work due to which they are not able to do any work efficiently and sometimes they are given so little work that the organization suffers a loss. It is appropriate to give a balanced workload so that optimum results can be achieved.

10. Establishing standard is a part of:

- (a) Decision making process  
(b) Controlling process  
(c) Organizing process  
(d) Recruitment process

**Ans. (b) :** Standards are the standards/targets determined before doing any work with which the actual results are compared. In the first step of the control process, such standards are determined and in the end, comparison is made with these standards and deviations/differences are found and efforts are made to remove them. Steps in the control process -

1. Establishment of Standard
2. Recording of results
3. Comparison of results with standards
4. Analysis of deviation
5. Taking corrective action

11. The Principle of exception is related mainly to:

- (a) Organizing (b) Directing  
(c) Controlling (d) Planning

**Ans. (c) :** Management by exception tells that instead of top management focusing on every issue in the organization, it should focus only on those issues and problems where the deviation of actual results from the standards is high. The organization manager has a lot of work and hence he cannot investigate every small and big matter. Hence he distributes some workload to subordinates so that they can work easily and efficiency comes in the work of the organization. But the manager is not completely free from work. Wherever there are more deviators, the interventions of top management will be necessary. Management by exception is the contribution of F.W. Taylor, the father of scientific management. It is related to controlling.

12. Which one of the following is not an element of planning?

- (a) Principle (b) Objective  
(c) Policy (d) Strategy

**Ans. (a) :** Planning is the deciding of any work before doing it and making an outline of what is to be done, when it is to be done, by whom it is to be done etc. Thinking about any work before doing it is called planning. The elements of planning are as follows -

- Objective
- Policies
- Procedures and Methods
- Rules

- Strategy
- Programs
- Budgets
- Project

**13. Father of management by objectives is**

- (a) Henry Fayol (b) F.W. Taylor  
(c) G. R. Terry (d) Peter F. Drucker

**Ans. (d) :** Management by Objectives States that the objectives in any organization should be determined by involving all the employees and senior management officers etc, and these objectives should be made very clear to all the employees, this will maintain unity of objectives in the organization and everyone will work together for the same objective. Another benefit of this is that the participation of employees will give them additional motivation. Management by objectives was propounded by peter F. Drucker.

**14. Which of the following is a refinance institution?**

- (a) NABARD (b) LIC  
(c) GIC (d) UTI

**Ans. (a) :** Refinance institutions are those institutions which provide financial assistance to any other financial institutions to provide loan to the final consumer. Like National Housing Bank, this is also a refinance institution and it never provides loan directly to the consumer. NABARD is a refinance institution which provides loan to corporate banks and regional rural banks for a fixed period of 12 months for production, marketing and purchase.

**15. The Reserve Bank of India is a:**

- (a) Statutory Company  
(b) Chartered Company  
(c) Public Company  
(d) Cooperative Organization

**Ans. (a) :** The Reserve Bank of India is the central bank of India, established in 1934 by the The Reserve Bank of India Act, 1935 passed in 1934 on the recommendation of the Hilton young commission formed in 1926. Its headquarters are in Mumbai. It is a statutory company because it was established by a specific law. It was nationalized in 1949 by the RBI (Transfer to public ownership) Act, 1948.

**16. Which one of the following is not an instrument of monetary policy?**

- (a) Bank Rate (b) Repo Rate  
(c) Open Market Operations  
(d) Deficit Financing

**Ans. (d) :** Reserve Bank is the central bank of India and it is also the controller of monetary policy in India. From time to time RBI changes the monetary policy according to the need of the economy in the country.

Through this RBI controls the liquidity in the economy and affects inflation and deflation. These are two tools that affect the monetary policy of RBI -

- (1) Quantitative  
(2) Qualitative

Quantitative tools include bank rate, repo rate, SLR, reverse repo rate, CRR etc. While qualitative tools include credit rationing, moral suasion, advice and sanctions etc.

Fiscal deficit is a part of fiscal policy and not monetary policy.

**17. Reverse Repo is a tool used by RBI to \_\_\_\_**

- (a) Regulate liquidity ratio  
(b) Absorb liquidity  
(c) Increase the liquidity with banking systems  
(d) Keep the liquidity one level

**Ans. (b) :** The Reserve Bank uses various quantitative tools for monetary control. Reverse repo rate is one of them. This is the rate at which RBI obtains loans from commercial banks. At this rate, commercial banks deposit their funds with RBI. When RBI increases these rates, commercial bank are attracted and deposit their funds with RBI, there by reducing liquidity in the economy. In other words, it absorbs liquidity.

**18. The first regional rural bank was established in India on**

- (a) 1 January 1960 (b) 1 October 1970  
(c) 2 October 1975 (d) 15 August 1980

**Ans. (c) :** The first regional rural bank in India was established on 2 October, 1975. The first rural bank in India was Prathama Gramin Bank headquartered in Moradabad, Uttar Pradesh. The sponsor of Prathama Bank was Syndicate Bank. The initial capital of Prathama Bank was Rs. 5 Crore. The Objective of RRB's was to promote regional and rural development in India. In rural banks, the central government has 50% stake, the state government has 15% and the sponsor bank has 35% stake.

**19. Which was the first Bank, started the services of merchant banking in India?**

- (a) Punjab National Bank  
(b) State Bank of India  
(c) United Bank of India  
(d) Bank of Baroda

**Ans. (b) :** Merchant banking was first started in India by State Bank of India. State Bank of India was the first commercial bank of India. It started merchant banking in the year 1972 and created a separate department. But British bank National Grind lay Started merchant banking in India in the year 1967.

**20. GST is a.....**

- (a) Central Tax (b) Federal Tax  
(c) State Tax (d) Local Tax

**Ans. (b) :** GST (Goods and Services Tax) was a tax reform in India which provided a single tax in place of all indirect taxes in India. GST is applicable in India from 1 July, 2017, it was passed by the parliament on 29 March, 2017. It is a federal tax which is collected and regulated by the Central Government. Thereafter, the Central Government provides its share to the states.

**21. The period of twelfth five year plan is:**

- (a) 2011-2016 (b) 2012-2017  
(c) 2013-2018 (d) 2014-2019

**Ans. (b) :** The five-year plan in India started in the year 1951. The period of the first five-year plan was between 1951 and 1956. The 12<sup>th</sup> five-year plan in India started between 2012 and 2017. In the year 2015, the planning commission was replaced by the NITI Aayog. The Planning Commission used to prepare five-year plans for development and its chairman was the Prime Minister. The chairman of the NITI Aayog is also the Prime Minister and its headquarters is in New Delhi. The NITI Aayog makes 7-year and 15-year plans. Its CEO is Amitabh Kant.

**22. Deficit Budget is an instrument of-**

- (a) Fiscal Policy (b) Monetary Policy  
(c) Industrial policy (d) Agricultural Policy

**Ans. (a) :** A deficit budget is a budget in which government expenditure or public expenditure exceeds public income. In a social economy, it is natural that the governments income will be less than its expenditure. Whenever the government makes plans for rapid development, it has to spend more. Both public income and expenditure are part of the public budget. And it is related to the fiscal policy of the government. When the government finances to meet this (deficit), it is called deficit financing.

**23. Disguised unemployment is a feature of:**

- (a) Agriculture  
(b) Cottage industry  
(c) Medium Scale Industry  
(d) Large Scale Industry

**Ans. (a) :** Disguised unemployment is the unemployment that is not visible but is present. It is due to the employment of more employees or workers than required in a work. For example, agriculture in India is the best example of this. In India, all the members of a family are cultivating a small part of the land whereas the same production can be done by only a few members of the family. The extra members who are employed is hidden unemployment.

**24. Which of the following sectors is contributing maximum is GDP of India?**

- (a) Agriculture sector  
(b) Service sector  
(c) Manufacturing sector  
(d) Mining sector

**Ans. (b) :** India used to be an agricultural country. But gradually the contribution of agriculture in the gross national product in India is decreasing. At present, instead of the contribution of the agricultural sector, the biggest contribution is of the service sector and the secondary sector (manufacturing). In the year 2019-20, the service sector contributed 54.77% to GVA (Gross Value Addition), the industrial sector (secondary sector) contributed 27.48% and agriculture and related sectors contributed 17.76%. At the price level of the year 2011-12, the contribution of the primary (agriculture), Secondary (industrial) and tertiary (service) sectors was 14.56%, 30.19% and 55.17% respectively.

**25. Income received in India or deemed to be received in India is taxable in the hands of:**

- (a) All assesses  
(b) Residents  
(c) Not ordinarily resident  
(d) Non resident assesses

**Ans. (a) :** The tax liability as per the residential status is as follows –

Sr. N.	Income	Ordinary Resident	Not Ordinary Resident	Non Resident
1.	Income received or deemed to be received in India, wherever earned.	Taxable	Taxable	Taxable
2.	Income earned in India, wherever may be received (in country or abroad).	Taxable	Taxable	Taxable
3.	Income earned or received outside India from any business which is controlled in India.	Taxable	Taxable	Not Taxable
4.	Income earned outside India and received outside India.	Taxable	Not Taxable	Not Taxable
5.	Income arising and received outside India (in previous years) remitted to India.	Not Taxable	Not Taxable	Not Taxable

**26. The maximum amount for deduction of entertainment allowance of government employee is:**



- (a) Rs. 5,000 (b) Rs. 7,500  
(c) 1/5 of Salary (d) Not at all

**Ans. (a) :** Entertainment Allowance is payable to Government Servants as per section 16(ii) of the Indian Income Tax Act, 1961. Entertainment Allowance Shall be deducted in the amount of the smallest of the following.

- (1) Rs. 5000 maximum  
(2) 20% of the salary (excluding other allowances and benefits).  
(3) Actual entertainment allowance received.

Hence, option (a) is correct.

**27. The base of tax under the head 'Income from house property' is:**

- (a) Rent Received (b) Annual Value  
(c) Standard Rent (d) Municipal Value

**Ans. (b) :** The basis of income tax under the head 'income from house property' is considered to be the annual value of the house property. First of all, the gross annual value (GAV) of the building is ascertained. Thereafter, municipal tax is deducted from GAV then the net annual value (NAV) is obtained. From this, the standard deduction of section 24 which is 30% (NAV) is deducted. Also, if interest has been paid on loan for capital, then that will also be deducted and thereafter, tax is payable on the remaining amount at the end.

**28. Deduction U/S 37(1) shall be allowed for those expenditure which are of nature:**

- (a) Revenue  
(b) Capital  
(c) Both Reserve and Capital  
(d) None of these

**Ans. (d) :** The conditions for deduction under section 37(1) are as follows :

- (1) The expenses should not be covered under section 30 and 36.  
(2) The expenses should not be of capital nature.  
(3) The expenses should not be of personal nature.  
(4) The expenses should be incurred in the previous year.  
(5) The expenses should be partly or wholly of business nature.  
(6) The expenses should be related to the business carried on by the taxpayer.  
(7) The expenses should not be illegal.

Thus, option (d) is correct

**29. When a person reduces his total income by making false claims, it is a process of**

- (a) Tax-avoidance (b) Tax-evasion  
(c) Tax-planning (d) Tax-management

**Ans. (b) : Tax Avoidance–** Tax avoidance is the avoidance of taxes using legal means.

**Tax Evasion–** It is the act of avoiding, hiding or stealing taxes through illegal means.

**Tax Planning–** Planning financial transactions in such a way to take maximum benefit of all exemptions, concessions, deductions etc. under the Income Tax rules.

**Tax Management–** It is related to fulfilling tax related obligations on time. It is related to filing income tax returns on time, paying taxes on time. This is done to avoid paying additional penalty and interest.

**30. Return of income is submitted under following section:**

- (a) Section 138 (b) Section 139 (1)  
(c) Section 142 (d) None of these

**Ans. (b) :** Section 139(1) of the Income Tax Act provides for filing of income tax returns. It also specifies the dates for filing income tax returns, except for a few exceptions. A new provision (7<sup>th</sup>) has been made in section 139(1) of the Finance Act, 2019, that individuals who have certain high value transactions in the previous year, even if they are within the basic exemption limit, are now required to file income tax returns. This is effecting from 1 April, 2020. Under Section 139(1), the last date for filing income tax returns for individuals is 31 July and for companies is 30 September.

**31. The time limit for filling a complaint before the district forum under the consumer protection Act. 1986 is:**

- (a) One year (b) Two year  
(c) Three years  
(d) There is no such limit

**Ans. (b) :** The consumer protection Act, 1986 was enacted to protect consumer rights in India. It was passed by the parliament on 24 December, 1986 and came into force on 1 July, 1987. It provides for a 3-tier forum for redressal of consumer complaints.

- (1) **National Forum**– Cases worth more than Rs. 10 Crores are heard here.  
(2) **State Forum**– Cases worth more than Rs. 1 Crore but less than Rs. 10 Crores are heard here.  
(3) **District Forum**– Cases up to Rs. 1 Crore are heard here. Here the consumer has to file a complaint within 2 years. Note that currently the consumer Act 2019 is in force. The above figures are as per the new Act.

**32. Who propounded the word privatisation?**

- (a) Elton Mayo (b) F.W. Taylor  
(c) L. Urwick (d) Peter F. Drucker

**Ans. (d) :** The term privatisation was coined by Mr. peter F. Drucker. Privatisation means handing over the rights from the governments control in the public sector to private hands. Whenever the government feels that the profitability of a public institution is continuously

decreasing and its control and operation is proving to be a burden on public expenditure, then in such a situation the government sells it to private hands. Selling the government's ownership stake to private hands is called privatisation (through disinvestment).

**33. Jan Dhan Yojna is related to**

- (a) Priority sector lending
- (b) Micro Finance
- (c) Financial Inclusion
- (d) Non-performing assets

**Ans. (c) :** Jan Dhan Yojana was launched on 28 August, 2014. It was announced by Prime Minister Narendra Modi in his first address from the Red Fort on Independence Day (15 August, 2014). Under this scheme, accounts of the poor in India were opened at zero balance without any lengthy paperwork, currently, there are 41.75 Crore accounts in this scheme, out of which 35.96 Crore accounts are continuously in operation. In the year 2019, the total deposit amount in these accounts crossed 1 lakh Crore. This is the largest financial inclusion scheme in India.

**34. Which act was replaced by the introduction of competition Act 2002?**

- (a) FERA
- (b) POTA
- (c) MRTP Act
- (d) POCSO

**Ans. (c) :** The competition Act, 2002 was enacted to provide a healthy and unbiased environment for business competition in India. It replaced its predecessor law, the Monopolistic and Restrictive Trade Practices Act), 1969. This Act provided for the concentration of economic power in a few hands and to prevent restrictive trade practices. The competition Act 2002 came into force from 31 March, 2003.

**35. Withdrawal of State from any industry is called:**

- (a) Modernisation
- (b) Liberalisation
- (c) Privatisation
- (d) Globalisation

**Ans. (c) :** Whenever the state acquires any industry, it is called a public sector undertaking. That is, industries which are controlled by the state or the central government or both are called public sector undertakings and this process is called nationalization. But when the state or the central government gives up this control and hands it over to private hands, then the process of transfer of this control is called privatization. The government does this privatization by selling its share in the capital of the organization.

**36. Special Economic Zone (SEZ) policy in India is motivated by the experience of:**

- (a) China
- (b) Japan
- (c) USA
- (d) Germany

**Ans. (a) :** Special Economic Zone, as the name suggests, are areas specifically dedicated to economic activities. These are such areas that are established with the aim of promoting rapid economic development. To

encourage the establishment of industries in these areas, the government provides various tax concessions and basic necessities such as electricity, water and space. The term 'Special Zone' was first coined by Chinese leader Deng Jinping. The establishment of special zones in India is inspired by China. SEZs were announced in India in March, 2000 and the SEZ Act was passed in 2005.

**37. What does P3 initiative refer to?**

- (a) Public Policy Paper
- (b) Public Private Partnership
- (c) Private Procurement Policy
- (d) Personal Production Proposal

**Ans. (b) :** P3 or PPP means Public Private Partnership. This is a partnership under which the government and private institutions together create a project or service. Sometimes it is difficult for the government to complete a service or infrastructure or any other ambitious project where public interest is hidden. There can be two reasons for this, one is the capital burden on the government is high and the other requires skilled guidance and expertise for that work. Therefore, the government partners with the private sector and together creates the project or service.

**38. When was the first industrial policy resolution formulated in free India?**

- (a) 1947
- (b) 1948
- (c) 1949
- (d) 1950

**Ans. (b) :** The first industrial policy of Independent India was announced in the year 1948. Its main points are as follow—

- (1) **Public Sector**— Defense, explosives and weapons, atomic energy and railways.
- (2) **Public and private sector**— It includes 6 basic industries-coal, Iron and steel, shipbuilding, port, construction, mineral oil and telephone, cable and wireless industries.
- (3) **Controlled private sector**— It had 18 industries - motor vehicles, heavy machine tools, cotton and textiles, cement, sugar, paper shipping materials and tractors etc. All these could be set up in the private sector under government control.
- (4) **Private and cooperative sector**— These industries could be set up either in private or cooperative sector but under government control. In this policy, emphasis was laid on development under government control.

**39. Which of the following is a type of efficiency ratio?**

- (a) Debt-Equity Ratio
- (b) Current Ratio
- (c) Working Capital turnover Ratio
- (d) Net profit Ratio

**Ans. (c) :** Efficiency ratios, also known as capacity ratios, measure the ability of an organization to use its assets and manage its liabilities effectively in the current period or in the short term. These ratios measure how efficiently a company/organization uses and manages its assets to earn revenue. These ratios include

- (1) Stock Turnover Ratio
- (2) Fixed Assets Turnover Ratio
- (3) Assets Turnover Ratio
- (4) Receivable Turnover Ratio
- (5) Working Capital turnover Ratio

**40. When fixed cost is Rs. 7,000, Profit is Rs. 3,000 and sales is Rs. 50,000 then the P/V Ratio will be:**

- (a) 14%
- (b) 20%
- (c) 25%
- (d) 30%

**Ans. (b) :** Given,

Fixed Cost	= 7000
Profit	= 3000
Sales	= 50000

$$\text{Profit Volume Ratio} = \frac{\text{Contribution}}{\text{Sales}} \times 100$$

Contribution = Fixed Cost + Profit

So, Contribution: 7000 + 3000 = 10000 Rs.

$$\text{P/V Ratio} = \frac{10000}{50000} \times 100 = 20\%$$

$$\text{P/V Ratio} = 20\%$$

**41. "Higher the ratio, the more favourable it is" this does not apply to:**

- (a) Net Profit Ratio
- (b) Stock turnover Ratio
- (c) Operating Ratio
- (d) None of these

**Ans. (c) :** Operating ratio is expressed as a percentage of operating expenses in the total revenue of an organization. It is the ratio between operating expenses and revenue. A normal operating ratio is 60 percent to 80 percent, but the lower it is, the better and more profitable it is for the organization. The formula for calculating it is –

$$\text{Operating Ratio} = \frac{\text{Operating Expenses}}{\text{Net Sales}}$$

**42. In accounting, profit prior to incorporation is treated as:**

- (a) Capital Reserve
- (b) Revenue Reserve
- (c) Secret reserve
- (d) General Reserve

**Ans. (a) :** A company comes into existence when it receives a certificate of incorporation. A Private company can commence its business by obtaining a certificate of incorporation but a public company can commence its business only when it is issued a certificate of commencement of business. The company can carry on

business transactions before incorporation and can also make profit as a result of those transactions but all such profit made before incorporation will come under the category of capital profit of the company which can be used to write off capital losses. This is the profit which cannot be used to distribute dividends. This is because the company can never make profit before it comes into existence.

**43. Old profit sharing ratio minus new profit sharing ratio is equal to:**

- (a) Existing Ratio
- (b) Gaining Ratio
- (c) Sacrificing Ratio
- (d) Zero

**Ans. (c) :** When a new partner enters a partnership firm, he also becomes a partner in the profits of the firm and he receives this profit from the share of the old partners, that is, the old partners donate some part of their profits to the new partner. The ratio in which the old partners sacrifice their share in favour of the new partner is called the sacrificing ratio. The formula to find this sacrificing ratio is as follows –

$$\text{Sacrificing Ratio} = \text{Old Profit Ratio} - \text{New Profit Ratio}$$

**44. Among which of the following item will result in flow of funds?**

- (a) Credit sale of the Building
- (b) Issue of Bonus shares
- (c) Goodwill written off
- (d) Transfer of profit to General Reserve

**Ans. (a) :** The net inflow and outflow of cash in or out of the business from various financial assets is called fund flow. It can also be expressed as change in working capital. In the options, working capital will increase by selling the building on credit. As a result, there will be flow of funds. Apart from this, there is no flow of any financial asset in all other options, due to which there will be no flow of funds. All are non-cash transactions.

**45. In cash-flow from financial activities is included:**

- (a) Issue of share capital
- (b) Dividend Received
- (c) Transfer to Reserve
- (d) Cash paid to employees

**Ans. (a) :** The cash flow statement analyzes the cash flow in the organization by dividing it into various (three) activities and matching them with the opening and closing cash balance. These three activities are –

(1) Operating activity (2) Investing activity and (3) Financing activity. Operating activity is related to the operations and non-operational expenses of the business. Investing the cash of the business and its cash inflow (profit) and outflow (investment/loss) are included in investing activity. Financing activity is related to the management of finance or capital management for the business such as obtaining capital from shares and debentures etc. or their redemption. Hence option (a) will be correct.

46. Premium received on issue of shares can be used for:

- (a) Payment of dividend
- (b) Writing off preliminary expenses
- (c) Payment of director fees
- (d) Redemption of debentures

**Ans. (b) :** Premium means when shares are issued at a price higher than their face value. The premium received on the issue of shares is a capital gain for the company. Capital gains can be used by the company only to write off capital losses. The premium received on the issue of shares can be used for the following –

- (1) For issue of fully paid bonus shares to members
- (2) In writing off preliminary expenses
- (3) In writing off expenses and discounts on issue of shares and debentures
- (4) For the amount of premium paid on redemption of preference shares and debentures.

47. In comparison to perfect competition firm, a monopolistic competition firm:

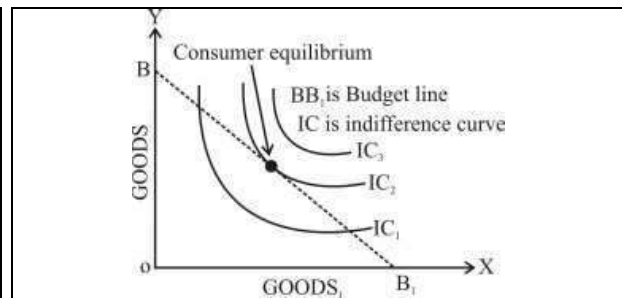
- (a) Is Smaller in size
- (b) Produces differential products
- (c) Has more freedom for entry and exit.
- (d) Spend more on advertisement

**Ans. (b) :** A perfect competition market is a market where the number of buyers/sellers is high and all of them are buying and selling the same kind of product. In imperfect competition or monopolistic competition, the number of buyers and sellers is high but they are buying and selling different kinds of goods. In perfect competition, there are homogenous products whereas in monopolistic competition, there is differentiation/difference in the product. In perfect competition, the firm accepts the price, the price is determined by the market. Whereas in monopolistic competition, the firm can influence the price only to a certain extent.

48. In which of the following areas the indifference curve is not used?

- (a) Consumers Equilibrium
- (b) Producers Equilibrium
- (c) In the field of exchange
- (d) In the field of substitution

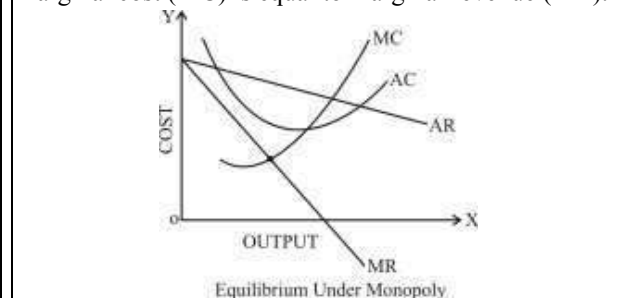
**Ans. (b) :** Indifference curve shows the relationship between two products which are substitute goods. Indifference curve is that which provides different sets of consumption of any two substitute goods. Here the consumer gets equal amount of satisfaction on every set. It is used in consumer equilibrium, area of exchange and area of substitution. Producer equilibrium is achieved where the profit of the producer is a maximum. Hence, it is not possible to achieve producer equilibrium through indifference curve.



49. The equilibrium level of output for the pure monopolist is where?

- (a)  $MR = MC$
- (b)  $P < AC$
- (c)  $MR < MC$
- (d)  $MR > MC$

**Ans. (a) :** The equilibrium point of a monopoly firm is achieved when the marginal cost curve of the firm cuts the marginal revenue curve of the firm from below and marginal cost (MC) is equal to marginal revenue (MR).



50. The nature of Business Economics is:

- (a) Prescriptive
- (b) Descriptive
- (c) Of a positive science
- (d) All of the above

**Ans. (a) :** Business economics is a field of behavioural economics that studies financial, organisational, market-related and environmental issues faced by institutions, business establishments and corporations during business. In this scarcity, distribution, production factors and consumption etc. are studied. It studies the economic problems prevalent in practice and provides directional suggestions for their solution. This can help the management in fulfilling its objectives.

### Elective-I- Accounting & Finance

51. Which one is not the function of new issue market?

- (a) Origination of securities
- (b) Underwriting of securities
- (c) Distribution of securities
- (d) Administration of securities

**Ans. (d) :** New issue market means a market where completely new securities of companies are issued for the first time. These are also called primary markets. In the new issue market, securities are originated, underwriting and distribution of securities etc. are carried out once the securities are issued, they come to the secondary market. There are stock markets in the secondary market. It is here that the administration of securities takes place.

**52. Which centre is not established in responsibility accounting?**

- (a) Revenue (b) Investment  
(c) Budget (d) Profit

**Ans. (c) :** Responsibility accounting is a method of accounting in which departments are divided into responsibility centers and information and analysis of cost, revenue and profit is done. In responsibility accounting, each center is committed to fulfilling its objectives. Its various centers are –

- (i) Cost Centers  
(ii) Profit Centers  
(iii) Revenue Centers  
(iv) Investment Centers

The Budget centre is not included among the centers of responsibility accounting.

**53. First private sector mutual funds in India is:**

- (a) Kothari Poineer (b) Kotak Mahindra  
(c) Reliance Capital (d) IDFC

**Ans. (a) :** Mutual Fund as we see them today first appeared in Boston in 1924. It was the Massachusetts Mutual Fund. Mutual Funds were first regulated in India in 1993, which registered and regulated all mutual funds excepts UTI. Then kothari pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

**54. Cost of capital from all sources of fund is called:**

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

**Ans. (b) :** The cost of capital from all sources of funds is called composite cost. An integrated cost form of the cost of various sources of funds such as shares, debentures, bonds, other long-term sources is called composite cost. Composite cost of capital is the cost of a company financing its business, which is determined by the weighted average cost of capital or WACC. Composite cost of capital is calculated by multiplying the cost of each capital component by its proportionate weightage.

**55. Which one of the following is not an accounting software**

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

**Ans. (d) :** SPSS (Statistical Package for Social Science Research) This is a statistical analysis software. It analyses the data obtained during research and explains the statistical relationships between them. Apart from this, there are all accounting software, which are used for accounting and their financial analysis.

**56. 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) :** An organization has the right to use different sources of capital as per its requirement. Such as equity shares, debentures, bonds, preference shares and loans etc. When an organization uses more than one capital source, then the proportional relationship between these sources is called capital structure. For example, if the capital of the organization is Rs. 10,00,000. In this Rs. 10,00,000 is from equity capital, Rs. 2,00,000 from preference share, Rs. 4,00,000 from debentures and Rs. 1,00,000 from retained earnings, then this is called capital structure.

**57. When a company takes over another one and clearly becomes a new owner, the action is called:**

- (a) Merger (b) Acquisition  
(c) Strategic Alliance (d) None of the above

**Ans. (b) :** An acquisition is when a company acquires another company and takes over its ownerships. An acquisition occurs when a company buys most or all of another company's stock to gain control of it. Purchasing more than 50 percent of a target firms stock gives that firm the right to make decisions regarding the assets of the newly acquired entity.

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

- (a) Government securities  
(b) Corporate Deposits  
(c) Corporate Equities  
(d) Global depository Receipt

**Ans. (a) :** Government securities have a major share in the debt market in India. The debt market is the market where investors buy and sell debt securities which are mostly in the form of bonds. India is a large debt market in Asia. The debt market in India is mainly divided into two categories-government securities and corporate bond market. Government Securities have the largest share in India.

**59. The rate of discount at which NPV of a project becomes Zero is also known as:**

- (a) Average rate of Return  
(b) Internal Rate of Return  
(c) Alternate rate of Return  
(d) None of these

**Ans. (b) :** Internal rate of return is a financial analysis technique for estimating the profitability of a potential investment. Internal rate of return is the discount rate at which the net present value becomes zero for all cash flows.

$$\text{Internal Rate of Return} = \frac{(\text{Cash flow})}{(1+r)^i} - \text{Initial Investment}$$

**60. Stock Exchange is a:**

- (a) State subject (b) Central subject  
(c) Regional Subject (d) Corporate subject

**Ans. (b) :** Stock markets are secondary markets where already issued securities are bought and sold. Stock markets buy and sell securities of companies (Corporations) and these securities and stock market are regulated and controlled by SEBI (Securities and Exchange Board of India), which is an independent institution. The regulation and control of stock markets, corporations and companies is with the Central Government, hence stock market is a central subject.

**61. Accounting for amalgamation of companies is done as per**

- (a) AS 4
- (b) AS 10
- (c) AS 14
- (d) AS 20

**Ans. (c) :** There are 14 accounting standards related to integration of companies. The Accounting Standards Boards of the Institute of chartered Accountants of India (ICAI) is responsible for issuing accounting standards in India. It was established in the year 1977. A total of 35 accounting standards have been issued in India so far.

AS-10- Related to Fixed Assets

AS-4- Related to contingencies and post preparation of financial statements.

AS-20- Related to Earnings per share.

**62. The statistical tool used to measure a company's risk;**

- (a) Mean
- (b) Mode
- (c) Variance
- (d) Co-variance

**Ans. (c) :** Variance can be used to measure the risk in a company. The effect to squared variance is used to obtain the variance. In statistics, standard deviation and beta ( $\beta$ ) are two common tools used for risk analysis.

**63. The world's first electronic stock market is:**

- (a) KOSPI
- (b) Nikkie
- (c) NASDAQ
- (d) Dow Jones

**Ans. (c) :** NASDAQ is the world's first electronic stock market. The full form of NASDAQ is National Association of Security Dealers Automated Quotations. NASDAQ is the second largest stock exchange in the world according to market capitalization, which is only smaller than NYSE (New York Stock Exchange). NASDAQ is a global electronic market for buying and trading securities. It was established on 8 February, 1971. It is the world's first electronic stock exchange.

**64. The financial market for residual claims is known as**

- (a) Debt market
- (b) Equity market
- (c) Exchange traded market
- (d) Over-the-counter market

**Ans. (b) :** Residual claims are the right of a shareholder or any other party to the profits of a company after all previous liabilities have been paid. The claims of equity shares are very important in case to winding up of a company and these are called residual claims.

Equity shares are considered to be the real owners of the business because their capital in case of winding up of the business and their share in the profit are determined from the balance after paying all other liabilities of the company. Hence these are called the financial market for residual claims.

**65. In calculation of total risk of a security, 'Unique risk is also known as'-**

- (a) Systematic Risk
- (b) Unsystematic Risk
- (c) Non-diversifiable Risk
- (d) Market Risk

**Ans. (a) :** Systematic Risk are those risks which affect all businesses equally. While unsystematic risks are those risks which affect an individual organization or entity. Hence, these are also called unique risks. These are also known as specific risks, unsystematic risks, residual risks or diversification risks etc. These arise due to internal reasons of the organization and can be controlled and avoided. In calculating the overall risk of a security, unique risks are also known as non-systematic risks.

**66. The National Stock Exchange introduced screen based trading in the year-**

- (a) 1992
- (b) 1994
- (c) 1995
- (d) 2002

**Ans. (b)** National stock Exchange was established incorporated in 1992. It was recognized by SEBI in April 1993 and started functioning in 1994. It was founded by R.H. Patil. NSE was the first electronic screen based trading stock exchange in India which started screen based trading in 1994. It has been India's largest stock exchange (based on total and daily turnover) Since 1993. It is located in Mumbai. Its indices are Nifty 50, Nifty 50 and Nifty 500, It is owned by the Government of India.

**67. Which one is not a sub-set of social accounting**

- (a) Environmental Accounting
- (b) Sustainability Accounting
- (c) Shadow Accounting
- (d) Energy Accounting

**Ans. (c) :** Social accounting is the process of communicating the social and environmental impacts of the economic activities of organizations within society and especially to special interest group in society. It is to communicate the impact of economic activities an society to all sections of society. Environmental accounting, sustainability accounting and energy accounting are all subsets of social accounting. while shadow accounting is not a part of it.

**68. Permanent working capital is generally financed through?**

- (a) Long term capital funds
- (b) Government assistance
- (c) Internal Financing
- (d) Short term loans from Banks

**Ans. (a):** Working capital is the capital required to carry out the daily activities of the business smooth. This is clear by the difference between current assets and current liabilities. There are two types of working capital.

1. Permanent working capital and
2. Variable working capital, permanent working capital is that which does not change with time and business condition, remains the same. whereas variable working capital changes from time to time according to the needs of the business. Generally, permanent working capital which in not variable is met through long term finance sources. Whereas short term capital sources are used for variable working capital.

**69. In case of projects are divisible under capital rationing an appropriate project appraisal method is**

- (a) Net Present Value Method
- (b) Profitability Index Method
- (c) Internal Rate of Return Method
- (d) Payback Period Method

**Ans. (b) :** The profitability index, also known as the return-to-investment ratio and the value-of-investment ratio, is the ratio of a proposed project's payout to the investment made. It is useful for ranking projects because it allows you to determine the amount of value created per unit of investment. Where potential projects can be divided. i.e. any part of the project is expected to generate returns in the same proportion as the investment made, such a calculation is called the profitability index.

**70. Window dressing is prohibited due to:**

- (a) Conservative convention
- (b) Convention of Disclosure
- (c) Convention of Materiality
- (d) Arrear of book accounts

**Ans. (b) :** According to the disclosure concept, the organization should present to correct information of the organization in the accounting books. They should not exaggerate any kind of financial data. Accounting is the language of business. It clearly tells the complete financial position of the business to the people who benefit from it like managers, directors, customers, suppliers and employees, All of them have vested interest in the business and it is necessary for them to know the exact position of the business. That is why the full disclosure concept says that the business should not exaggerate anything in the accounting books and should clearly state the real situation.

### Elective-II- Marketing

**71. Life style is one of the major \_\_\_\_\_ basis of segmenting a market.**

- (a) Socio-Economic
- (b) Demographic
- (c) Psychographic
- (d) None of the above

**Ans. (c) :** Life style is the main attitudinal basis segmenting a market. Market differentiation is dividing the entire market into pieces for the purpose of making marketing effective. Market differentiation is mainly of 4 types.

- (i) **Demographic**– age, sex, income, employment, position, education, religion etc.
- (ii) **Geographic**– area. village, city, season, geographical region etc.
- (iii) **Psychographic**– social class, life style, personality, thinking etc.
- (iv) **Behavioural**– objectives/occasions, user status, consumer status, consumption, rates, consumers, loyalty levels, behaviour etc.

**72. Online marketing is associated with**

- (a) Segmentation
- (b) Product life cycle
- (c) Distribution
- (d) Packing

**Ans. (c) :** Online marketing is related to product distribution. The product manufacturer adopts many methods for distribution. in today's modern and digital age, distribution has been stated through computer or online medium. Through this medium, the seller or manufacturer is selling his product even in far-flung areas through the internet. in the old times, the area of distribution was limited. Today, the internet and online distribution have expanded the area and market.

**73. Penetration price is**

- (a) Charging high price
- (b) Charging low price
- (c) Charging competitive price
- (d) None of the above

**Ans. (b) :** Market Penetration Price is the price at which the seller keeps the price of the few product low during its market launch. Initially, the product has no market store. In such a situation, the manufacturer keeps the price of the product low to attract customers. When the product gains market share or the product makes its mark among the people, then its prices can be changed later.

**74. Physical distribution provides:**

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

**Ans. (c) :** Physical distribution is a state of product distribution when the product is physically present at a particular place and is made available directly to the consumer without any delay. Generally, distribution is a long process which may take time. Hence, physical distribution takes places at a fixed place which is convenient for the consumer. This provides place utility and immediate distribution of the product provides time utility, It includes all the activities from manufacturing the product to delivering the product to the final consumer. It also includes distribution through wholesalers and retailers.

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

- (a) Advertising (b) Personal selling  
(c) Trade promotion (d) Direct marketing

**Ans. (a) :** There are 5 elements to promotion mix–

- (i) Advertising  
(ii) Public Relations  
(iii) Direct Marketing  
(iv) Personal selling  
(v) Sales promotion

A wholesaler uses trade promotion to achieve his promotional objectives. The market of a wholesaler is entirely dependent on trade. Trade will increase sales. Trade promotion is a technique which provides benefits for a specific period of time and elicits a good response from the target consumers and intermediaries. It increases consumer demand and ensures product availability through competitions, sample products, discounts, deduction, trade fairs and exhibitions etc.

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

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

**Ans. (d) :** The product concept of marketing states that excellent products create demand and sell on their own. The products concept states that consumers will prefer and demand products with better quality, performance and features as compared to a mediocre product. The production concept is concerned with maximum production of a product. More production leads to more demand.

**77. Which subject is relevant to the study of consumer behaviour?**

- (a) Economics (b) Psychology  
(c) Sociology (d) All the above

**Ans. (d) :** The relevant subject for studying consumer behaviour is–

**Economics**– It is related to the income and expenditure of the consumer, According to this information, the product and the purchasing behavior of the consumer is studied.

**Psychology**– It helps the consumer in accepting or rejecting the product etc.

**Sociology**– It studies social problems and creation of products for their solution and studies the acceptance and reaction of the product by society.

**78. Public distribution system related to:**

- (a) Marketing system (b) Retailing system  
(c) Industrial system (d) Selling system

**Ans. (b) :** Public distribution system is related to the retail system. PDS is a network of fair price shops where essential commodities and staple food grains are

made available to poor people at a lower price than the market. This is a retail system Because there are retail shops for distribution. PDS includes government ration shops where wheat, rice cereals and sugar are distributed to the poor at very low prices according to the number of family members.

**79. In India which pricing practice is not permissible?**

- (a) Penetrating pricing  
(b) Skimming pricing  
(c) Predatory pricing  
(d) None of the above

**Ans. (c) :** In India the government provides an environment for healthy competition in the market. Under this, the competition Act of India 2002 was made. Predatory pricing is not allowed in India. This is the price at which goods and services are sold at such a low price that other firms are forced to leave the market. This is not good healthy competition. Hence, predatory pricing is not allowed. While the other two allowed.

**80. Which segmentation approach is the most compatible with the spirit of the marketing concept?**

- (a) Benefit sought (b) Income  
(c) Social class (d) Family size

**Ans. (a) :** Benefit sought or benefit demand is an approach to market segmentation based on the perceived value advantage or benefit that consumers derive from a good or service. Benefit sought market is most consistent with the spirit of marketing concept as it provides maximum customer satisfaction and is equally beneficial to the organization and consumers.

**81. Who coined the term "Marketing Myopia"?**

- (a) Philip Kotler (b) Keith Davis  
(c) Theodore Levitt (d) William Stanton

**Ans. (c) :** Marketing Myopia (MMY) is a term first coined by Harvard Business School marketing professor Theodore Levitt in a 1960 article. It is a theory states that companies focus on their own needs and short-term growth strategies, They ignore the needs and wants of their customers and fail as a result.

**82. 4P concept of marketing was given by:**

- (a) Neil Borden (b) Philip Kotler  
(c) McCarthy (d) Ogilvy

**Ans. (c) :** 4Ps of marketing mix (Product, Price, Promotion and Place) It was first proposed in 1960 by E.J. McCarthy in his book "Basic Marketing -A managerial Approach". marketing mix was given by Neil Borden but the 4 elements in it were mentioned by McCarthy.

**83. In the history of marketing when did production concept period end?**

- (a) Late 1800 (b) Early 1900  
(c) 1920's decade (d) None of the above



**Ans. (c):** Different Concepts in marketing and their periods–

- (i) General Trade period (pre-industrial Revolution)- before 1860
- (ii) Mass production 1860 – 1920
- (iii) Sales period – 1920 – 1940
- (iv) Marketing Department period – 1940 – 1960
- (v) Marketing company period – 1960 – 1990
- (vi) Relationship marketing period – 1990 – 2010
- (vii) Social/mobile Marketing period – 2010 till date.

**84. The fifth 'P' marketing as state by Philip Kotlar-**

- (a) Persistent (b) Purpose
- (c) Process (d) People

**Ans. (b) :** The fifth P of the marketing mix mentioned by Philip Kotler is purpose, its other 4Ps are product, Price, promotion and place like before. Philip Kotler is considered the father of marketing.

**85. Testing before launching a product is known as:**

- (a) Acid test (b) Concept testing
- (c) Market test (d) Test marketing

**Ans. (d) :** Testing a product before launching it in the market is called test marketing. Test marketing is a marketing method. Its purpose is to provide a basis for finding out the Consumer response to a product or marketing campaign before a wide release. Under that campaign, the consumer is not aware that he is a part of this test campaign.

**86. Marketing unit was propounded by:**

- (a) N.H. Borden (b) Phillip Kotler
- (c) Stanton (d) W. Anderson

**Ans. (a) :** The term marketing mix in marketing was first coined by Mr. N. H. Borden. He was the first to use this term. But the 4 P's (product, price, promotion and place) in the marketing mix were introduced by E.J. McCarthy. The 5<sup>th</sup> P in the marketing mix was introduced by Phillip Kotler. The 5<sup>th</sup> P was Purpose.

**87. When market is price sensitive, a firm adopts:**

- (a) Cost leadership strategy
- (b) Focus strategy
- (c) Price leadership strategy
- (d) Non any strategy

**Ans. (a) :** When the customer is influenced by the market price in such a situation the firms follow the cost leadership Strategy. Through the cost leadership strategy, the organizations claim to provide the product at the lowest price in the market by reducing their costs and present their competitiveness in the market.

**88. Black box model in marketing related to**

- (a) Marketing planning
- (b) Marketing mix

- (c) Marketing control
- (d) Consumer behaviour

**Ans. (d):** Black box in marketing is concerned with Consumer behavior. It deals with the study of consumer Characteristics and decision- making processes that determine consumer behavior. The black box model views consumer response as the result of an intelligent, rational and logical decision- making process.

**89. 'Press release' is a part of:**

- (a) Public Relation (b) Advertising
- (c) Sales Promotion (d) None of the above

**Ans. (a) :** Press release is related to public relations, press release is a communication technique through which the company establishes a large-Scale dialogue with its people internal and external, investors, Suppliers and consumers. Through these, the organization presents information and its view to everyone. press release is not very helpful in promoting sales but it is a good medium of public relations.

**90. Which of the following is not a type of direct marketing?**

- (a) Direct mail marketing
- (b) Retail marketing
- (c) Tele marketing
- (d) E-mail direct marketing

**Ans. (b) :** Direct marketing is a technique in which stages or middlemen and agents are not used for distribution. In direct marketing, the producer directly contacts the consumer and sells. In indirect marketing, stages and middlemen are used. Such as wholesalers, retailers, etc.

• Indirect Marketing–

Producer → whole saler → Re tailer → Consumer

• Direct Marketing → Producer → Consumer

### **Elective–III- Human Resource Management**

**91. The emphasis of Human Resource Management is:**

- (a) Development (b) Punishment
- (c) Promotion (d) Demotion

**Ans. (a) :** The Special emphasis of human resource management is on the development and efficient use of human resources or employees of the organization and their satisfaction. Human resources or employees are the most valuable assets of the organizations. The objective of human resource management is their development and satisfaction. Education, training, promotion and health of employees etc. are related to human resource management.

**92. The mechanism to identify employees growth potentials is done through:**

- (a) Job Enrichment
- (b) Job Evaluation
- (c) Job Assessment Centre
- (d) Position description

**Ans. (b) :** Performance appraisal is the examination and evaluation of the work done by an employee. In which his shortcomings and the possibility of improvement are revealed. If the work of the employee is good then he is entitled to promotion or additional wages or reward. But if there are shortcomings in his work then attention is given to his teaching-training and development. Performance appraisal is necessary to examine the work of the employee. Because Technological changes with time and decrease in efficiency with time affect the performance. Therefore, development potential is measured by performance appraisal. The Commission has considered its answer as (B).

**93. Which of the following step comes first in selection process?**

- (a) Preliminary interview
- (b) Medical examination
- (c) Interview
- (d) Induction

**Ans. (a) :** The stage involved in the selection process are—

- (i) Preliminary interview.
- (ii) Receiving applications.
- (iii) Scrutiny of applications.
- (iv) Employment test.
- (v) Interview.
- (vi) Affiliation check.
- (vii) Medical test.
- (viii) Final selection.
- (ix) Job introduction.

**94. Who has developed the 'Systems approach' of industrial relations?**

- (a) John Dunlop
- (b) Garry S. Beckex
- (c) Michael J. Jucius
- (d) Edwin B. Flippo

**Ans. (a) :** The systems approach was developed by J.P. Dunlop of Harvard University in 1958. According to this approach, the individual is part of a continuous but independent Social system. The behavior, functions and roles of individuals are shaped by social cultures.

**95. Techniques of 'Transaction Analysis' was developed by:**

- (a) Elton Mayo
- (b) Peter Drucker
- (c) Eric Berne
- (d) Adam Smith

**Ans. (c) :** Transaction Analysis was developed by Dr. Eric Berne in the 1960s. Dr. Berne was a psychiatrist by profession. The behavior analysis model was not only used for theoretician approach but it was also adopted in practice. It was adopted for counseling and therapy purposes. In this, the ego state of the operator (enhancer) is studied. These ego states are

- (i) Parent Ego state
- (ii) Adult Ego state
- (iii) Child Ego state

**96. Which one of the following methods is not a demand forecasting method of Human Resource Planning**

- (a) Managerial Judgment
- (b) Managerial Grid
- (c) Work Study techniques
- (d) Statistical techniques

**Ans. (b) :** All are forecasting methods of human resource planning but managerial grid is not. Managerial grid is related to leadership style. It was propounded by Robert R. Black and done Moution. Others managerial Judgment (Estimation) work study Techniques are statistical Techniques'. All these are related to forecasting the number of human resources or labour (employees) required in the organisation in future.

**97. The major provisions for employees health and safety are contained in.**

- (a) The Industrial disputes Act, 1947
- (b) The Factories Act, 1948
- (c) The industrial Employment (Standing order) Act, 1946
- (d) The Employees compensation Act, 1923

**Ans. (b) :** The factories Act 1948 was established primarily to promote the safety, use, health and welfare of workers working in factories. The Factories Act was amended in the year 1987. It has been replaced by the occupational safety, Health and working conditions code, 2020 in the year 2020. This Act applies where there is work without electricity and the number of employees is at least 10 and with electricity there are at least 20 employees.

**98. Which one of the following is not a major punishment?**

- (a) With holding of increments
- (b) Demotion
- (c) Transfer
- (d) Suspension

**Ans. (c) :** It is common for the management to punish the employees for his mistake but punishment is necessary only when the employee's mistake is big. Punishing is a negative motivation. Transfer is the lightest punishment among all these, while all other punishment among all these are considered big in comparison to this.

**99. The Method of training in crafts, trades and technical areas is known as:**

- (a) Vestibule training
- (b) Coaching
- (c) Mentoring
- (d) Apprenticeship

**Ans. (d):** The method of training in crafts, trades and technical fields is called apprenticeship. Apprenticeship training refers to a course of training in any industry or establishment. Apprenticeship training consists of basic training (theoretical instruction) and practical on the job training, at the actual work place. In this method the employee is trained on the job.

**100. Which one of the following training method is not a managerial 'on the job' training method?**

- (a) Coaching (b) Action learning  
(c) Job rotation (d) Management games

**Ans. (d) :** On the job training methods–

- (i) Coaching  
(ii) Job Rotation  
(iii) Apprenticeship  
(iv) Job instruction training  
(v) Orientation  
(vi) Internship  
(vii) Action Learning

So it is clear that managerial work is not a method of workplace training. It is a technique away from the workplace. Here training is given in an artificial environment.

**101. What are the operative functions of HRM?**

- (a) Organizing (b) Directing  
(c) Controlling (d) All of the above

**Ans. (\*):** The functions of human resource management can be divided into categories.

**Managerial functions–**

planning  
organizing  
Directing  
controlling

**Executive Functions–**

Employment  
Training and Development  
Compensation  
Co-partnership/Integration  
Maintenance  
Industrial Relations  
Procedural Records

The question is wrong, none of the above options is correct.

**102. Which one is not a performance appraisal method?**

- (a) 360° performance appraisal  
(b) Balance score card  
(c) Rank method  
(d) Interview method

**Ans. (d) :** Performance appraisal evaluates the work done by the employee and finds out the development and training needs of the employees. The techniques of performance appraisal are as follows–

**Traditional techniques–**

- (i) Ranking method  
(ii) Graphic rating scale  
(iii) Critical incident method  
(iv) Narrative essay

**Modern technologies–**

- (i) Management by objectives  
(ii) Bars (Behaviourally Anchored Rating scale)  
(iii) Human Resource Accounting  
(iv) Assessment centre  
(v) 360° Assessment  
(vi) 720° Assessment

**103. Job analysis provides information used for writing:**

- (a) Organisation chart (b) Policy  
(c) Job description (d) Procedure

**Ans. (c) :** Job analysis is helpful in clarifying the job description. Job analysis analyzes in detail the job title, location, conditions, salary, qualification, job information, authority, responsibility and other qualifications for a job and writes it down. The detailed written analysis of job analysis is the job description.

**104. Performance appraisal means evaluating an employees performance related to:**

- (a) Established Goods  
(b) Fellow employees  
(c) Expectations from work  
(d) Performance standard

**Ans. (d) :** Performance appraisal means evaluating the present or past performance of an employee with his performance standards. The main steps in performance appraisal are–

1. Setting performance standards and estimates.
2. Getting continuous feedback.
3. Recording actual results.
4. Comparing actual results with standards

**105. Workers participation in management in any organization is:**

- (a) Voluntary (b) Institutional  
(c) Democratic (d) All of the above

**Ans. (a) :** Participation of employees in management, decision making etc. of an organization is called employee participation in management. It is completely up to the management of the organization whether they want the participation of employees or not. It is not compulsory. But it is generally seen that in the organizations where employees participate in management. Performance and management is more efficient. But it is completely voluntary.

**106. Employees morale relates to:**

- (a) Productivity (b) Attitude  
(c) Empathy (d) Skills

**Ans. (a) :** Employees morale is related to the employees job satisfaction, attitude and sense at happiness he feels at the workplace. It has direct impact on the employee's productivity. An increase in morale can cause a positive or negative change in productivity; Since morale is a factor that affects productivity, it is likely that if the employee is satisfied, high morale will refer to high productivity but if he is dissatisfied, It will affect him negatively.

**107. What is the method used to determine wage differentials?**

- (a) Merit rating
- (b) Job design
- (c) Job evaluation
- (d) None of the above

**Ans. (a) :** Merit rating is also known as performance appraisal. It tells the value of an individual employee. In this, the performance of the employees is evaluated by the managers. It tests the performance of the employee in group activities with other colleagues. In this, the qualities, shortcomings and needs of the employee are tested. Employees who perform well are to be awarded with incentives, salary hikes, promotions, transfer etc. Here merit rating is used to give differential wages to deserving and undeserving employees.

**108. Selection means:**

- (a) Elimination
- (b) Testing
- (c) Recruitment
- (d) None of the above

**Ans. (a) :** Selection means exclusion because in the selection process those applicants who are not eligible for the organization are excluded from the process. Selection means choosing the eligible in which the unqualified applicants are excluded from the process. That is why selection is also called a negative process.

**109. Social security benefit include:**

- (a) Annual Bonus
- (b) Non-financial Incentives
- (c) Old age pension
- (d) None of the above

**Ans. (c) :** The benefits of social security include all those benefits which strengthen the social life of the employee. Among the options, adulthood or old age pension is the benefit which is necessary for a respectable social life even after the retirement of the employee. Other social benefits are pension, health insurance, health facility, disability benefit, maternity benefit and gratuity etc.

**110. Which of the following relates to performance appraisal?**

- (a) Task Method
- (b) Price Method
- (c) M.B.O.
- (d) Link Method

**Ans. (c) :** Management by objectives is a performance appraisal method and is related to performance evaluation. For information on other methods of performance appraisal, see the explanation of question no. 102 of Elective - III.

## Elective-IV- International Business

**111. ASEAN was formed in the year-**

- (a) 1967
- (b) 1982
- (c) 1993
- (d) 1994

**Ans. (a) :** ASEAN (Association of South East Asian Nations) was established on 8 August 1967. It was founded in Bangkok by 5 original members - Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam (1984), Vietnam (1995), Laos and Myanmar (1997) Cambodia (1999) become members. Currently there are a total of 10 members and its head quarters is in Jakarta, Indonesia.

**112. In which year WTO came into existence?**

- (a) 1980
- (b) 1995
- (c) 2000
- (d) 2006

**Ans. (b) :** The world Trade organization(WTO) was established in 1995. It replaced the GATT (general Agreement of Trade and Tariff) of 1947. Its work was done with the aim of establishing a smooth flow of trade between member Countries. Its headquarters is in Geneva, Switzerland. Its current number of members is 164. Afghanistan is its newest member (2016).

**113. Which of the following is not a Trading Block?**

- (a) NAFTA
- (b) ASEAN
- (c) SAARC
- (d) IMF

**Ans. (d) :** Trading Block is a kind of inter-governmental agreement, which is an organization between regional governments here, regional barriers (tariff and non-tariff) for international trade are eliminated or reduced between member countries. Due to this, they can trade easily. NAFTA (North America Free trade Agreement), ASEAN (South Asian Association of regional Cooperation) all these are examples of trade blocks. Whereas IMF is not related to trade. Nor it is a trade block.

**114. Among the following financial derivatives which involves the least risk for the holder**

- (a) Forward
- (b) Option
- (c) future
- (d) Swap

**Ans. (b) :** A forward contract is an agreement to buy or sell an asset at a fixed price on a specified date (in the future). Futures are exchange- based contracts that specify the size, delivery time and price of a commodity. Futures are easily tradable as they are regulated on an exchange. Futures involve various aspects of each commodity that is traded. a Swap is an agreement between two parties to exchange cash flows at a specified date, Here, one party usually pays at a fixed rate and the other at a floating rate. An option is a form of derivative that gives the holder the right, but not the obligation, to buy or sell an asset at a future date. The lack of obligation in options makes them minimally risky.

**115. Which of the following is used for international money transfer?**

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

**Ans. (c) :** SWIFT is used for international money transfer. The full form of SWIFT is society for World Wide Inter Bank Financial Tele Communication. It is to make international transfers faster and more secure. It is an offline service which is available in most of the Indian banks which have foreign branches.

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

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

**Ans. (c) :** National stock Exchange (NSE) was the first to start online trading in India and it is the largest private wide area network in India and the first extended C- Band VSAT network in the world. currently, about 10,000 user make real-time online purchases. This stock exchange uses powerful UNIX Servers. NSE is India's first modern technology-based Stock market.

**117. Out of the following one is not related with WTO:**

- (a) TRIPS
- (b) Ministerial Conference
- (c) TRIMS
- (d) TRAI

**Ans. (d) :** World trade organisation was established in 1995 in place of GATT (1947) with the aim of increasing trade cooperation among member countries in the world and to ensure free flow of goods and services. There are two agreements under WTO - TRIPS (Trade Related intellectual property Rights) TRIMS (Trade Related Investment Measures) and all these agreements are under WTO. Ministerial conference is the meeting of members where representatives from all countries are present and it is the biggest decision making committee of WTO. TRAI (Telecom Regulatory Authority of India) it is the regulatory authority of Telecom sector in India.

**118. The companies globalize their operations through different means**

- (a) Exporting directly
- (b) Licensing/Franchising
- (c) Joint ventures
- (d) All the above

**Ans. (d) :** Globalization means opening up of markets of the whole World to each other, i.e. integration of the world market where the goods of one country are sold in the markets of other countries without any restriction and are available in the markets of the first country. There are many ways to adopt globalization. These are as follows-

- (i) Direct Exporting
- (ii) Licensing and Franchising
- (iii) joint ventures

Globalization means trading of products, services, capital, technology and knowledge at a global level. It does not bind the business to a single country but spreads it to many countries. License is required to trade a particular produce and franchise is the right to sell products of a specific brand. Business expands through both these means. Joint Venture does business in collaboration with another company. This is also responsible for globalization.

**119. Which of the following is not a function of foreign exchange market?**

- (a) Stabilization function
- (b) Hedging function
- (c) Credit function
- (d) Transfer function

**Ans. (a) :** The important function of foreign exchange are

- (i) Transfer Function- It transfers purchasing power between countries. It converts one currency into another.
- (ii) Credit Function- It provides domestic and international loans/credit to promote foreign trade.
- (iii) Hedging Function- Foreign currency performs the function of hedging in case of manufacturing risk. Hedging works by balancing one's assets and liabilities in a foreign currency to avoid the risk that may result from future foreign exchange movements.

It does not provide stabilization (Stability in prices).

**120. ADR's and GDR's are an excellent means of investment to invest in India for.**

- (a) NRI's (b) Foreign nationals
- (c) Both (a) and (b) (d) None of these

**Ans. (c) :** ADR and GDR are the best investment options for NRI's and foreign Nationals to invest in India. American Depository Receipts (ADR) are depository receipts issued by US depository bank to represent shares in a non-US company stock. While global depository Receipts (GDR) are depository receipts issued by a foreign depository bank to represent stock in a foreign company.

**121. Which country is not a member of NAFTA?**

- (a) United States (b) Canada
- (c) Mexico (d) China

**Ans. (d) :** North America Free Trade Agreement (NAFTA) This is a treaty between the united states, Canada and Mexico by which they have removed their trade restrictions and trade freely with each other. The main feature of this treaty is that they have completely removed tariffs on import and export of goods between them. This treaty (NAFTA) has been in force since 1 january 1994. China is not a member of it.

**122. World Trade organization (WTO) is based on which of the following principles?**

- (a) Rule based trading system
- (b) Free trade Principle
- (c) Dismantling trade barriers
- (d) All of the above

**Ans. (d) :** WTO (World Trade Organization) aims to promote free trade and free healthy trade competition among its members. So that proper development of all member countries is possible. The world Trade organization is basically based on the following principles.

**1. Rule Based Trading system–** Members have to follow the trading rules set by the WTO. The rules are made in such a way that the interests of both the parties are not affected.

**2. Free Trade principle –** The WTO removes essential trade barriers between members, allowing the free flow of goods and services between them.

**3. Removal of Trade Barriers–** It removes trade barriers between members.

**123. NAFTA is an example**

- (a) Common Market
- (b) Custom Union
- (c) Economic community
- (d) Free Trade Area

**Ans. (d) :** NAFTA (North America Free Trade Agreement) is an example of a free trade area. It has been in force since 1994 its member countries are the united states, Canada and Mexico. They have free all trade restrictions between themselves and abolished tariffs on any kind of import and export.

**124. Interest payments on loans borrowed from abroad are recorded in:**

- (a) Capital Account
- (b) Current Account
- (c) Errors and Omission section
- (d) Official Reserve Account

**Ans. (b) :** Interest on loan received from foreign countries will be shown in the current account. In the capital account, the transaction of capital i.e. loan transaction will be shown but if interest is paid on capital then it will be shown in the current account. The capital account shows the change in the assets and liabilities of the country. Whereas the current account shows the change in the savings and investment of the country. Both of these are related to the balance of payments.

**125. SDRs are popularly known as:**

- (a) Currency Notes
- (b) Paper Gold
- (c) Silver Coin
- (d) Gold Coin

**Ans. (b) :** Special drawing rights are supplementary foreign exchange reserve assets defined and maintained by the international monetary Balance. SDRs are units of account for the IMF and not currencies. They

represent a claim the currency held by IMF member Countries for which they can be exchanged. SDRs are also known as paper gold. The 5 currencies included in SDR are US Dollar, Euro, Chinese Yuan, Japanese Yen and Pound Sterling.

**126. Euro became sole legal tender in major part of Europe in the year**

- (a) 1995
- (b) 1999
- (c) 2002
- (d) 2008

**Ans. (c) :** Euro is the common currency of 19 countries. It was first launched in the year 1999. But for the first 3 years it was used only for accounting and online payment and remained invisible. After this, on 1 January 2002, 12 European Countries officially accepted it as a legal tender for transactions. This is the biggest currency change in history.

**127. The government of India has allowed Foreign Institutional investors (FIIs) to invest in all types of securities in primary and secondary capital markets since-**

- (a) 1991
- (b) 1992
- (c) 1995
- (d) 2003

**Ans. (c) :** As per section 15(1) (a) of the SEBI, FII Regulations 1995, a foreign institutional investor (FII) may invest in securities, including shares, debentures and warrants, of unlisted, listed or to be listed companies, in the primary and secondary markets.

**128. Trade between countries is financed through letter of credits also known as:**

- (a) Packing Credits
- (b) Pre-shipment Credit
- (c) Documentary Credit
- (d) Forfeiting

**Ans. (c) :** Letter of credit, also known as documentary credit or paper credit, is a widely used instrument for securing payments in domestic and international trade. This document is issued by a financial institution at the request of the importer.

**129. India has been a member of World Trade Organization since the year**

- (a) 1947
- (b) 1992
- (c) 1993
- (d) 1995

**Ans. (d) :** India has been a member of the world trade organization since its inception on 1 January, 1995. A part from this, before WTO, India was a member of GATT (1947) since 8 July, 1948.

**130. Trade related intellectual property rights came into force in the year:**

- (a) 1947
- (b) 1948
- (c) 1982
- (d) 1995

**Ans. (d) :** The Agreement on Trade Related Aspects of Intellectual Property rights (TRIPS) is a legal international agreement between all 164 member countries of the world Trade organizations. It was signed on 15 April, 1994 and is fully in force since 1 January, 1995.