UGC NET COMMERCE PAPER-II MOCK TEST PAPER

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PAPER-II

- This paper contains 50 Objective Type Questions.
- Each question carries 2 marks.
- Attempt all the questions.
- Pattern of questions : MCQs
- Total marks : 100
- Duration of test : 1.5 Hours

PAPER-II

1. There is acute shortage of electricity in some of the states in India. This reflects a problem in which type of business environment ?

(1) Economic

(2) Demographic

(3) Politico-legal

(4) Socio-cultural

2. Which of the following denote the structural changes in Indian economy?

(1) Primary sector contribution has gone down.

(2) Service sector contribution has gone up.

(3) Secondary sector has not changed much.

(4) All of the above

3. Consider the following statements in respect of 'stand up India'

(I) It was launched on 5 April 2016

(II) to support entrepreneurship among women and SC & ST communities

(III) to support young entrepreneurs

(IV) It is a scheme to help industrial development"

Which of the above statements are correct ?

(1) I and II only.

(2) II and III only.

(3) I, II and III.

(4) I, II and IV

4. Consider the following statements in respect of Consumer Protection Bill 2015

(I) It will replace the Consumer Protection Act, 1986

(II) establishment of an executive agency 'Central Consumer Protection Authority' (CCPA).

(III) the bill proposes "concialation" as an alternative dispute resolution mechanism

(IV) the bill has provisions for "product liability"

Which of the above statements are correct ?

(1) I and II only.

(2) II and III only.

(3) I, II and III.

(4) I, II and IV

5. The accounting principle that states companies and owners should be accounted for separately.

(1) Business entity concept

(2) Going concern comcept

(3) Monetary unit concept

(4) Periodicity assumption

6. Compulsory winding up takes place under companies Act 2013 :

(I) If a company is unable to pay its debt

(II) If the company has by special resolution resolved that the company be wound up by the tribunal

(III) If the company has acted against the interest of the integrity or morality of India, security of the state

(IV) if there is Suspension of the business for one year from the date of incorporation

Which of the following is/are correct ?

(1) I and II

(2) II and III

(3) I, II, and III

(4) I, II, III and IV

7. Consider the following statements with reference to Companies (Amendment) Act, 2015 :

(I) The minimum paid-up share capital requirement has been done away with

(II) The company cannot declare dividend for a financial year, unless the losses and depreciation carried over from past years have been set-off against the profits of the company,

(III) thresholds will be prescribed for reporting of frauds to the Central Government, or the audit committee or the board of directors.

(IV) Section 11 of CA 2013 has been retained

Which of the above statements are correct

(1) I and II

(2) II and III

(3) I, II and III

(4) II, III and IV

8. Assertion (1): The demand curve has negative slope showing inverse relationship between price and the quantity demanded.

Reason (R): This applies only to Giffen goods.

Codes:

(1) Both (1) and (R) are true.

(2) (1) is true, but (R) is false.

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

(4) Both (1) and (R) are false.

9. Match the items in List - I with those in List - II and select the correct code for the answer:

List - I	**List - II**
(1) Monopoly	(i) Price Taker
(2) Monopolistic competition	(ii) Homogeneous product's price maker
(3) Perfect competition	(iii) Heterogeneous product
(4) Oligopoly	(iv) Price Rigidity

Codes:

	(1)	(2)	(3)	(4)
(1)	(ii)	(iii)	(i)	(iv)
(2)	(i)	(ii)	(iv)	(iii)
(3)	(iii)	(iv)	(ii)	(i)
(4)	(iv)	(i)	(iii)	(ii)

10. "The life expectancy of people in Kerala is more than that of Tamil Nadu." This statement is an example of

(1) Descriptive Hypothesis

(2) Causal Hypothesis

(3) Correlational Hypothesis

(4) None of the above

11. Which one(s) of the following statements is (are) correct with respect to Decision Support System (DSS)?

(i) It (DSS) is used by middle level management.

(ii) DSS applies to mostly structured problems.

(iii) DSS relies on mathematical models for analysis.

(iv) DSS is largely heuristics based.

Codes:

(1) (i) and (ii) are correct.

(2) (i) and (iii) are correct.

(3) (i), (ii) and (iii) are correct.

(4) All the four are correct.

12. Black box model in marketing relates to :

(1) Marketing planning

(2) Marketing mix

(3) Marketing control

(4) Consumer behavior

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

(1) Profit Maximisation

(2) Wealth Maximisation

(3) Value Maximisation

(4) Maximisation of social benefits

14. With reference to capital structure, consider the following statements :

(I) Capital structure is the mix of the long-term sources of funds used by a firm

(II) It is made up of debt and equity securities

(III) Capital structure maximizes the market value of a firm

(IV) Capital structure maximzes the firm's cost of capital or cost of financing

(1) I, II and III

(2) II, III and IV

(3) I, II and IV

(4) I, III and IV

15. Decision regarding demonetization is taken on the recommendation of :

(1) Finance Ministry.

(2) Reserve Bank of India

(3) Parliament.

(4) SBI.

16. Reserve Bank of India controls the activities of some of the following banks in India:

(i) Commercial Banks

(ii) Cooperative Banks

(iii) Foreign Banks

(iv) Rural Banks

Codes:

(1) (i), (ii) and (iii)

(2) (i), (iii) and (iv)

(3) (ii), (iii) and (iv)

(4) (i), (ii), (iii) and (iv)

17. Which of the following is not a feature of a development bank ?

(1) It is a specialised financial institution

(2) It provides medium and long term finance to business units

(3) it accepts deposits from the public

(4) It is essentially a development-oriented bank

18. Which of the following is not correct regarding balance of payment :

(1) Balance of payments records all international inflows and outflows of funds to and from foreign countries.

(2) It is a component of the balance of trade

(3) The balance of payments shows an overall view of the country's financial status.

(4) It takes in to account transfers of capital, transfers of assets and funds, international investments, sales and purchases of assets etc

19. Name the two schemes introduced under the new foreign trade policy 2015-20?

(1) Merchandise Export from India Scheme & Services Export from India Scheme

(2) Services Export from India Scheme & Services Import from India Scheme

(3) Services Import from India Scheme & Merchandise Export from India Scheme

(4) Merchandise Import from India Scheme & Services Export from India Scheme

20. With reference to Exim policy of India , which of the following is not true ?

(1) Exim policy is also known as trade policy

(2) It is a set of guidelines and instructions established by the DGFT in matters related to the import and export of goods in India.

(3) It is regulated by Import and export Act 1948.

(4) The main objective of the Foreign Trade (Development and Regulation) Act is to provide the development and regulation of foreign trade

21. National treatment (NT) is an important policy of WTO. NT means

(1) All countries must not discriminate between imported and domestic product

(2) WTO members must not discriminate between imported and domestic product

(3) Exported products of a WTO member state must not be discriminate by other members via-a-vis

domestic products

(4) Both (2) & (3)

22. With reference to Securities Laws (Amendment) Act, 2014, which of the following is not correct ?

(1) It gives new powers to SEBI to effectively pursue fraudulent investment schemes.

(2) It also provides guidelines for the formation of special fast trial courts..

(3) The new law gave SEBI the power to search and obtain information, including call records, about any suspected entity from within or outside the firm.

(4) SEBI may conduct searches without a warrant from a court

23. Which of the following is not a constituent of a financial system ?

(1) Financial Assets

(2) Financial Markets

(3) Financial Institutions

(4) Financial debts

24. Key elements of ASEAN 2025 are :

(I) Political-Security Community Blueprint 2025

(II) Economic Community Blueprint 2025

(III) Socio-Cultural Community Blueprint 2025

(IV) Military community

(1) I, II and III

(2) I, II and IV

(3) II, III and IV

(4) All

25. Which of the following is part of capital account of a country ?

(1) Export and import of goods

(2) Export and import of services

(3) unilateral transfers from one country to another

(4) NRI deposits

26. There is acute shortage of electricity in some of the states in India. This reflects a problem in which type of business environment ?

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(4) II, III and IV

32. Assertion (1): Marginal cost and differential cost do not convey the same meaning in all the circumstances.

Reason (R): Differential cost increases or decreases due to change in fixed cost.

Codes:

(1) (1) is true but (R) is false

(2) (1) is false but (R) is true

(3) (1) and (R) are correct and (R) is correct explanation of (1).

(4) Both (1) and (R) are correct, but (R) is not the correct explanation of (1).

33. When the concept of ratio is defined in respect to the items shown in the financial statements, it is termed as

(1) Accounting ratio

(2) Financial ratio

(3) Costing ratio

(4) None of the above

34. Which of the following statements is not true about standard costing & budgetary control?

(1) Standard Costing and Budgetary Control are the two systems of costing

(2) The two aims at controlling costs and measuring the performance by fixing targets.

(3) Standard costing , forecasts, cost accounts but the budgetary control projects detail about financial accounts.

(4) These two systems are interdependent

35. "The life expectancy of people in Kerala is more than that of Tamil Nadu." This statement is an example of

(1) Descriptive Hypothesis

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(4) All the four are correct.

37. Business ethics refers to :

(1) contemporary standards or sets of values that govern the actions and behavior of an individual in the business organization

(2) contemporary standards or sets of values that govern the actions and behavior of managers in the business organization

(3) sets of values that govern the actions and behavior of workers in the business organization

(4) Rules and regulations of a business organization

38. Which of the following terms includes the task, duties and responsibilities of a particular job?

(1) Job Evaluation

(2) Job Enrichment

(3) Job Analysis

(4) Job Enlargement

39. Which of the following principle states that the selection of a candidate for a position is based on the candidate's performance in their current role ?

(1) Promotion Principle

(2) Drucker Principle

(3) Validity Principle

(4) Peter Principle

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Codes:

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(3) Exported products of a WTO member state must not be discriminate by other members via-a-vis domestic products

(4) Both (2) & (3)

45. With reference to marketing mix, consider the following statements :

(I) It is a set of marketing tools that the firm uses to pursue its marketing objectives in the target market

(II) It refers to four broad levels of marketing decision (4Ps), namely: product, price, promotion, and place

(III) It refers to five broad levels of marketing decision, namely: product, price, promotion, place and people

(IV) In 1981, Booms and Bitner proposed a model of 7 Ps, comprising the original 4 Ps plus process, people and physical evidence, as being more applicable for services marketing.

Which of the following statements are correct ?

(1) I , II and III

(2) I, II and IV.

(3) II, III and IV

(4) I, II , III and IV

46. Indian Accounting Standards (Ind AS) is applicable to:

(1) Individual

(2) Partnership Firms

(3) Companies

(4) Trust

47. Which of the following is not a constituent of a financial system?

(1) Financial Assets

(2) Financial Markets

(3) Financial Institutions

(4) Financial debts

48. With reference to working of stock exchanges in India, consider the following statements :

(I) Stock exchange is an organization which interferes between company and investor to raise funds for the benefit of company as well as investor.

(II) In India, most Prominent stock exchanges are Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)

(III) BSE is the oldest stock exchange in Asia established in 1875

(IV) Sensex is an index for NSE

Which of the following statements are correct ?

(1) I , II and III

(2) I, II and IV.

(3) II, III and IV

(4) I, II , III and IV

49. With reference to social accounting, which of the following is correct ?

(1) It is the process of accountability of an organization to customers of its production actions.

(2) It is the process of communicating the social and environmental effects of organizations' economic actions

(3) It is the process of keeping financial accounts of expenditure on account of environmental factors.

(4) None of the above

50. According to the Purchasing Power Parity (PPP) theory,

(1) Exchange rates between two national currencies will adjust daily to reflect price level differences in the two countries

(2) In the long run, inflation rates in different countries will equalize around the world

(3) In the long run, the exchange rates between two national currencies will reflect price level differences in the two countries

(4) None of the above

ANSWER KEY

QUES.	1	2	3	4	5	6	7	8	9	10
ANS.	A	D	A	D	A	C	C	B	A	C
QUES.	11	12	13	14	15	16	17	18	19	20
ANS.	C	D	D	A	B	D	C	B	A	C
QUES.	21	22	23	24	25	26	27	28	29	30
ANS.	D	D	D	A	D	A	D	A	D	C
QUES.	31	32	33	34	35	36	37	38	39	40
ANS.	C	C	A	D	C	C	A	C	D	D
QUES.	41	42	43	44	45	46	47	48	49	50
ANS.	C	B	C	D	B	C	D	B	B	C

Hints and Solutions:

1. (1) The above reflects a problem of economic environment.

Economic Environment refers to all those economic factors, which have a bearing on the functioning of a business.

Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods.

Naturally, the dependence of business on the economic environment is total and is not surprising because, as it is rightly said, business is one unit of the total economy.

Economic environment influences the business to a great extent. It refers to all those economic factors which affect the functioning of a business unit. Dependence of business on economic environment is total - i.e. for input and also to sell the finished goods.

2. (4) The pattern of structural transformation in India represents sectoral distribution of GDP and their respective share from 1950-51 to 20015-16.

At the onset of planned economic development in India primary sector was contributing 56.70 per cent of the GDP of the country in 1950-51, which continuously declined over the period to 17.4 % in 2015-16.

During the same period the share of industry, increased from a low level of 13.66per cent in 1950-51 to 24.2 per cent in 2015-16

On the other hand, services sector has been continuously growing since 1951. Its share in GDP went up from 29.64 per cent in 1950-51 to 57.9 per cent in 2015-16

3. (1) Standup India was launched on 5 April 2016 to support entrepreneurship among women and SC & ST communities

The scheme offers bank loans of between Rs.10 lakh (US$15,000) and Rs.1 crore (US$150,000) for scheduled castes and scheduled tribes and women setting up new enterprises outside of the farm sector

4. (4) The Union Cabinet has approved a new Consumer Protection Bill 2015 that seeks to replace a 29-year-old law and proposes to set up a regulatory authority which will have powers to recall products and initiate class suit against defaulting companies, including e-tailers (a retailer selling goods via electronic transactions on the Internet).

The new bill, provides for a comprehensive framework for protection of consumer interest and will replace the Consumer Protection Act, 1986.

The decision comes against the backdrop of emergence of complex products and services in the era of growing e-commerce business in India that has rendered consumers vulnerable to new forms of unfair trade and unethical business practices.

The key features of the new bill include establishment of an executive agency 'Central Consumer Protection Authority' (CCPA) which will protect and enforce the rights of consumers.

The authority will intervene when necessary to prevent consumer detriment arising from unfair trade practices and to initiate class action including enforcing recall, refund and return of products.

That apart, the bill has provisions for "product liability" if product/services causes personal injury, death or property damage and will take action against defaulting manufacturers or service providers.

5. (1) The business entity concept states that the transactions associated with a business must be separately recorded from those of its owners or other businesses.

Doing so requires the use of separate accounting records for the organization that completely exclude the assets and liabilities of any other entity or the owner.

6. (3) As per new Companies Act 2013, a company can be wound up by a tribunal in the below mentioned circumstances:

1. When the company is unable to pay its debts
2. If the company has by special resolution resolved that the company be wound up by the tribunal.
3. If the company has acted against the interest of the integrity or morality of India, security of the state, or has spoiled any kind of friendly relations with foreign or neighboring countries.
4. If the company has not filled its financial statements or annual returns for preceding 5 consecutive financial years.

5. If the tribunal by any means finds that it is just & equitable that the company should be wound up.

6. If the company in any way is indulged in fraudulent activities or any other unlawful business, or any person or management connected with the formation of company is found guilty of fraud, or any kind of misconduct.

7. (3) CA 2013 required all companies to file following additional declarations with the Registrar of Companies prior to commencement of business or exercising any borrowing power: (i) declaration by a director that minimum paid-up share capital has been paid; and (ii) company has filed verification of registered office.

The CA Amendment 2015 has removed the above requirements and deleted Section 11 of CA 2013. This reduces the filings to be made by companies in India.

8. (2) At higher prices, the quantity demanded is less than at lower prices. A demand schedule indicates that, typically, there is an inverse relationship between the price of a product and the quantity demanded.

Demand curves generally have a negative gradient indicating the inverse relationship between quantity demanded and price.

It is possible to identify some exceptions to the normal rules regarding the relationship between price and current demand.

Giffen goods are those which are consumed in greater quantities when their price rises. These goods are named after the Scottish economist Sir Robert Giffen

In essence, a Giffen good is a staple food, such as bread or rice, which forms are large percentage of the diet of the poorest sections of a society, and for which there are no close substitutes.

A rise in the price of such a staple food will not result in a typical substitution effect, given there are no close substitutes. If the real incomes of the poor increase they would tend to reallocate some of this income to luxuries, and if real incomes decrease they would buy more of the staple good, meaning it is an inferior good.

Assuming that the money incomes of the poor are constant in the short run, a rise in price of the staple food will reduce real income and lead to an inverse income effect.

However, most inferior goods will have substitutes, hence despite the inverse income effect, a rise in price will trigger a substitution effect, and demand will fall.

In the case of a Giffen good, this typical response does not happen as there are no substitutes, and the price rise causes demand to increase.

9. (1) 'Monopoly' is a market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute.

Characteristics associated with a monopoly market make the single seller the market controller as well as the price maker. He enjoys the power of setting the price for his goods.

The term monopolistic competition represents the combination of monopoly and perfect competition. Monopolistic competition refers to a market situation in which there are a large number of buyers and sellers of products. However, the product of each seller is different in one aspect or the other.

The perfect competition is characterized by the presence of many firms. The all sell identical products. The seller is a price taker, not price maker.

The term oligopoly has been derived from two Greek words, oligoi means few and poly means control. Therefore, oligopoly refers to a market form in which there are few sellers dealing either in homogenous or differentiated products.

10. (3) A correlation is simply defined as a relationship between two variables. The whole purpose of using correlations in research is to figure out which variables are connected.

Correlational Hypothesis states merely that the variables occur together in some specified manner without implying that one causes the other.

For example: Level of job commitment of the officers is positively associated with their level of efficiency. Here we do not make any claim that one variable causes the other to change. That will be possible only if we have control on all other factors that could influence our dependent variable.

11.(3) DSSs include knowledge-based systems. A properly designed DSS is an interactive software-based system intended to help decision makers compile useful information from a combination of raw data, documents, and personal knowledge, or business models to identify and solve problems and make decisions.

DSS uses the summary information, exceptions, patterns, and trends using the analytical models. A decision support system helps in decision-making but does not necessarily give a decision itself. The decision makers compile useful information from raw data, documents, personal knowledge, and/or business models to identify and solve problems and make decisions.

Characteristics of a DSS

• Support for decision-makers in semi-structured and unstructured problems.

• Support for managers at various managerial levels, ranging from top executive to line managers.

• Support for individuals and groups. Less structured problems often requires the involvement of several individuals from different departments and organization level.

• Support for interdependent or sequential decisions.

• Support for intelligence, design, choice, and implementation.

• Support for variety of decision processes and styles.

• DSSs are adaptive over time.

12. (4) The Black Box Model of Buyer Behaviour identifies the process in which consumers will undertake when deciding whether to purchase a product or service. The first part of this model shows how consumers will begin by identifying the marketing stimuli which would be Product, Place, Price and Promotion. Other stimuli that the consumer may take into account during this process are PEST factors. This information is then put into the Buyer's Black Box, which is where the consumer's personal characteristics will be taken into account in order for them to begin the Buyer Decision Process. The characteristics that can have an effect on the behaviour of the buyer are:

Cultural - Such as specific cultures and religions

Social - Such as family and reference groups

Personal - Including age & lifecycle stage, economic circumstances and lifestyle

Psychological - Beliefs, perception, attitudes and motivation

13. (4) Financial management may be defined as planning, organising, directing and controlling the financial activities of an organisation.

Financial management is one of the functional areas of business. Therefore, its objectives must be consistent with the overall objectives of business.

The overall objective of financial management is to provide maximum return to the owners on their investment in the long- term. This is known as wealth maximisation.

Maximisation of owners' wealth is possible when the capital invested initially increases over a period of time. Wealth maximisation means maximising the market value of investment in shares of the company.

Very often maximisation of profits is considered to be the main objective of financial management. Profitability is an operational concept that signifies economic efficiency. It leads to efficient allocation of resources and optimum use of capital.

14. (1) Capital structure is the mix of the long-term sources of funds used by a firm. It is made up of debt and equity securities and refers to permanent financing of a firm.

It is composed of long-term debt, preference share capital and shareholders' funds.

Capital structure is usually designed to serve the interest of the equity shareholders.

Capital structure maximizes the market value of a firm, i.e. in a firm having a properly designed capital structure the aggregate value of the claims and ownership interests of the shareholders are maximized.

Capital structure minimizes the firm's cost of capital or cost of financing. By determining a proper mix of fund sources, a firm can keep the overall cost of capital to the lowest.

It also maximizes the company's market price of share by increasing earnings per share of the ordinary shareholders. It also increases dividend receipt of the shareholders.

15.(2) Demonetization is the act of stripping a currency unit of its status as legal tender.

Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit.

The opposite of demonetization is remonetization where a form of payment is restored as legal tender.

There are multiple reasons why nations demonetize their local units of currency. Some reasons include to combating inflation, to combat corruption, and to discourage a cash system. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

In 2016, the government decided to demonetize the 500- and 1000- rupee notes, the two biggest denomination notes.

These notes accounted for 86% of the country's cash supply.

The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy.

16.(4) The RBI is the supreme monetary and banking authority in the country and controls the banking system in India. It is called the Reserve Bank' as it keeps the reserves of all commercial banks.

Commercial banks may be defined as, any banking organization that deals with the deposits and loans of business organizations.

Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks. SCBs in India are categorized into the five groups based on their ownership and/or their nature of operations.

Scheduled commercial banks include public and private sector banks, foreign banks, regional rural banks and cooperative banks.

17.(3) Development bank is essentially a multi-purpose financial institution with a broad development outlook.

A development bank may be defined as a financial institution concerned with providing all types of financial assistance (medium as well as long term) to business units, in the form of loans, underwriting, investment and guarantee operations, and promotional activities - economic development in general, and industrial development, in particular.

Following are the main characteristic features of a development bank:

1. It is a specialised financial institution.

2. It provides medium and long term finance to business units

3. Unlike commercial banks, it does not accept deposits from the public.

4. It is not just a term-lending institution. It is a multi-purpose financial institution.

5. It is essentially a development-oriented bank. Its primary object is to promote economic development by promoting investment and entrepreneurial activity in a developing economy. It encourages new and small entrepreneurs and seeks balanced regional growth.

6. It provides financial assistance not only to the private sector but also to the public sector undertakings.

18. (2) Balance of payments records all international inflows and outflows of funds to and from foreign countries. The balance of trade is a component of the balance of payments and is recorded under one of the main components of the balance of payments; the current account.

While the balance of trade shows only the difference between the value of a country's total imports and exports of goods and services, the balance of payments shows an overall view of the country's financial status by taking into consideration transfers of capital, transfers of assets and funds, international investments, sales and purchases of assets, remittances, gifts, unilateral transfers, changes in reserves, etc.

The balance of trade is narrower in scope as it does not take into consideration the capital and financial transactions.

The balance of payments, on the other hand, is more comprehensive as it covers all international transactions and, therefore, offers a true and fair view of country's financial status and economic performance.

19. (1) The new trade policy introduced two new schemes; the first one is Merchandise Export from India Scheme (MEIS) for export of specific goods to specific markets.

The other, Services Export form India Scheme (SEIS) to increase the export of notified services. These two schemes will replace multiple schemes with different conditions for eligibility and usage.

The Government of India has brought in the Merchandise Exports Incentive Scheme (MEIS), replacing five other similar incentive schemes present in the earlier Foreign Trade Policy 2009-14.

With the aim in making India's products more competitive in the global markets, the MEIS provides incentive in the form of duty credit scrip to the exporter to compensate for his loss on payment of duties.

20.(3) Exim policy is a set of guidelines and instructions established by the DGFT in matters related to the import and export of goods in India.

The foreign trade policy of India is guided by the Export Import in known as in short EXIM Policy of the Indian Government and is regulated by the Foreign Trade Development and Regulation Act, 1992.

The main objective of the Foreign Trade (Development and Regulation) Act is to provide the development and regulation of foreign trade by facilitating imports into, and augmenting exports from India.

Foreign Trade Act has replaced the earlier law known as the imports and Exports (Control) Act 1947.

21. (4) National treatment: Treating foreigners and locals equally - Imported and locally-produced goods should be treated equally - at least after the foreign goods have entered the market.

The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.

National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

22.(4) Securities Laws (Amendment) Act, 2014 is a legislation in India which provided the securities market regulator Securities and Exchange Board of India (SEBI) with new powers to effectively pursue fraudulent investment schemes, especially ponzi schemes.

The bill also provides guidelines for the formation of special fast trial courts.

The new law gave SEBI the power to search and obtain information, including call records, about any suspected entity from within or outside the firm.

However, before conducting such searches SEBI must obtain a warrant from a Mumbai court.

Depending on the nature of the crime, minimum penalties may range from Rs. 1 lakh to Rs.10 lakh. The minimum penalty for securities related crimes was set at Rs. 1 lakh. The minimum penalty for insider trading was at Rs. 10 lakh.

The maximum penalty for insider trading was set at Rs. 25 crore or three times the profit, whichever was higher.

SEBI was given the authority to initiate recovery and sale of assets

23.(4) Financial System is a set of institutional arrangements through which financial surpluses in the economy are mobilised from surplus units and transferred to deficit spenders.

The institutional arrangements include all conditions and mechanisms governing the production, distribution, exchange and holding of financial assets or instruments of all kinds and the organisations as well as the manner of operations of financial markets and institutions of all descriptions.

Thus, there are three main constituents of financial system:

(1) Financial Assets

(2) Financial Markets, and

(3) Financial Institutions.

24.(1) The ASEAN 2025 Document is the outcome of a year of planning and intense discussions, and reflects the determination of Member States to forge ahead with the next phase of ASEAN's evolvement.

ASEAN 2025 consists of specific action lines and strategic measures to realise the targets identified.

The key aspirations across the three pillars are: Political-Security Community. Economic Community and Socio-Cultural Community.

It is a forward looking roadmap that articulates ASEAN goals and aspirations to realise further consolidation, integration and stronger cohesiveness as a Community.

ASEAN is working towards a Community that is "politically cohesive, economically integrated, and socially responsible".

25. (4) The capital account is where all international capital transfers are recorded.

This refers to the acquisition or disposal of non-financial assets (for example, a physical asset such as land) and non-produced assets, which are needed for production but have not been produced, like a mine used for the extraction of diamonds.

The capital account is broken down into the monetary flows branching from debt forgiveness, the transfer of goods, and financial assets by migrants leaving or entering a country, the transfer of ownership on fixed assets (assets such as equipment used in the production process to generate income), the transfer of funds received to the sale or acquisition of fixed assets, gift and inheritance taxes, death levies and, finally, uninsured damage to fixed assets.

The current account, on the other hand, is used to mark the inflow and outflow of goods and services into a country. Earnings on investments, both public and private, are also put into the current account

26. (1) The above reflects a problem of economic environment.

Economic Environment refers to all those economic factors, which have a bearing on the functioning of a business.

Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods.

Naturally, the dependence of business on the economic environment is total and is not surprising because, as it is rightly said, business is one unit of the total economy.

Economic environment influences the business to a great extent. It refers to all those economic factors which affect the functioning of a business unit. Dependence of business on economic environment is total - i.e. for input and also to sell the finished goods.

27. (4) The pattern of structural transformation in India represents sectoral distribution of GDP and their respective share from 1950-51 to 20015-16.

At the onset of planned economic development in India primary sector was contributing 56.70 per cent of the GDP of the country in 1950-51, which continuously declined over the period to 17.4 % in 2015-16.

During the same period the share of industry, increased from a low level of 13.66per cent in 1950-51 to 24.2 per cent in 2015-16

On the other hand, services sector has been continuously growing since 1951. Its share in GDP went up from 29.64 per cent in 1950-51 to 57.9 per cent in 2015-16

28. (1) Standup India was launched on 5 April 2016 to support entrepreneurship among women and SC & ST communities

The scheme offers bank loans of between Rs. 10 lakh (US$15,000) and Rs. 1 crore (US$150,000) for scheduled castes and scheduled tribes and women setting up new enterprises outside of the farm sector

29. (4) The Union Cabinet has approved a new Consumer Protection Bill 2015 that seeks to replace a 29-year-old law and proposes to set up a regulatory authority which will have powers to recall products and initiate class suit against defaulting companies, including e-tailers (a retailer selling goods via electronic transactions on the Internet).

The new bill, provides for a comprehensive framework for protection of consumer interest and will replace the Consumer Protection Act, 1986.

The decision comes against the backdrop of emergence of complex products and services in the era of growing e-commerce business in India that has rendered consumers vulnerable to new forms of unfair trade and unethical business practices.

The key features of the new bill include establishment of an executive agency 'Central Consumer Protection Authority' (CCPA) which will protect and enforce the rights of consumers.

The authority will intervene when necessary to prevent consumer detriment arising from unfair trade practices and to initiate class action including enforcing recall, refund and return of products.

That apart, the bill has provisions for "product liability" if product/services causes personal injury, death or property damage and will take action against defaulting manufacturers or service providers.

30. (3) As per new Companies Act 2013, a company can be wound up by a tribunal in the below mentioned circumstances:

1. When the company is unable to pay its debts

2. If the company has by special resolution resolved that the company be wound up by the tribunal.

3. If the company has acted against the interest of the integrity or morality of India, security of the state, or has spoiled any kind of friendly relations with foreign or neighboring countries.

4. If the company has not filled its financial statements or annual returns for preceding 5 consecutive financial years.

5. If the tribunal by any means finds that it is just & equitable that the company should be wound up.

6. If the company in any way is indulged in fraudulent activities or any other unlawful business, or any person or management connected with the formation of company is found guilty of fraud, or any kind of misconduct.

31. (3) CA 2013 required all companies to file following additional declarations with the Registrar of Companies prior to commencement of business or exercising any borrowing power: (i) declaration by a director that minimum paid-up share capital has been paid; and (ii) company has filed verification of registered office.

The CA Amendment 2015 has removed the above requirements and deleted Section 11 of CA 2013. This reduces the filings to be made by companies in India.

32. (3) Marginal cost represents the increase or decrease in total cost which occurs with a small change in output say, a unit of output. In Cost Accounting variable costs represent marginal cost.

Differential cost is the change (increase or decrease) in the total cost (variable as well as fixed) due to change in the level of activity, technology or production process or method of production.

In other words, it can be defined as the cost of one unit of product or service which would be avoided if that unit was not produced or provided.

The main point which distinguishes marginal cost and differential as that change in fixed cost when volume of production increases or decreases by a unit of production.

In the case of differential cost variable as well as fixed cost. i.e. both costs change due to change in the level of activity, whereas under marginal costing only variable cost changes due to change in the level of activity.

33. (1) Accounting ratios are an important tool of financial statements analysis.

A ratio is a mathematical number calculated as a reference to relationship of two or more numbers and can be expressed as a fraction, proportion, percentage and a number of times.

When the number is calculated by referring to two accounting numbers derived from the financial statements, it is termed as accounting ratio.

Accounting ratios assist in measuring the efficiency and profitability of a company based on its financial reports.

Also called financial ratios, accounting ratios provide a way of expressing the relationship between one accounting data point and another, which is intended to provide a useful comparison.

An accounting ratio compares two aspects of a financial statement, such as the relationship (or ratio) of current assets to current liabilities.

The ratios can be used to evaluate the financial condition of a company, including the company's strengths and weaknesses.

Examples of financial ratios include the gross margin ratio, operating margin ratio, the debt-to-equity ratio and the payout ratio. Each of these ratios requires the most recent data in order to be relevant.

34. (4) Standard Costing and Budgetary Control are the two systems of costing, which are quite similar to each other like both provides a benchmark which helps to compare the actual performance with the estimated figures.

The two aims at controlling costs and measuring the performance by fixing targets. These two systems are neither alike nor interdependent. The former, forecasts, cost accounts but the later projects detail about financial accounts.

Budgetary control is the process of ascertaining several budgeted figure for the future of a business enterprise and then making comparison of budgeted and actual figure will allow the management to take curative actions at a proper time.

Whereas Standard costing is basically a technique of cost accounting which compares the "standard cost" of each product or service with the actual cost, to determine the efficiency of the operation, so that any remedial action may be taken immediately.

35. (3) A correlation is simply defined as a relationship between two variables. The whole purpose of using correlations in research is to figure out which variables are connected.

Correlational Hypothesis states merely that the variables occur together in some specified manner without implying that one causes the other.

For example: Level of job commitment of the officers is positively associated with their level of efficiency. Here we do not make any claim that one variable causes the other to change. That will be possible only if we have control on all other factors that could influence our dependent variable.

36. (3) DSSs include knowledge-based systems. A properly designed DSS is an interactive software-based system intended to help decision makers compile useful information from a combination of raw data, documents, and personal knowledge, or business models to identify and solve problems and make decisions.

DSS uses the summary information, exceptions, patterns, and trends using the analytical models. A decision support system helps in decision-making but does not necessarily give a decision itself. The decision makers compile useful information from raw data, documents, personal knowledge, and/or business models to identify and solve problems and make decisions.

Characteristics of a DSS

• Support for decision-makers in semi-structured and unstructured problems.

• Support for managers at various managerial levels, ranging from top executive to line managers.

• Support for individuals and groups. Less structured problems often requires the involvement of several individuals from different departments and organization level.

• Support for interdependent or sequential decisions.

• Support for intelligence, design, choice, and implementation.

• Support for variety of decision processes and styles.

• DSSs are adaptive over time.

37. (1) Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment.

• It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

• Business ethics refers to contemporary standards or sets of values that govern the actions and behavior of an individual in the business organization. "

• Business ethics reflects the philosophy of business, of which one aim is to determine the fundamental purposes of a company."

• If a company's purpose is to maximize shareholder returns, then sacrificing profits to other concerns is a violation of its fiduciary responsibility.

38. (3) Job analysis (also known as work analysis is a family of procedures to identify the content of a job in terms of activities involved and attributes or job requirements needed to perform the activities.

Job analysis provides information to organizations which helps to determine which employees are best fit for specific jobs.

Through job analysis, the analyst needs to understand what the important tasks of the job are, how they are carried out, and the necessary human qualities needed to complete the job successfully.

The process of job analysis involves the analyst describing the duties of the incumbent, then the nature and conditions of work, and finally some basic qualifications

39. (4) The Peter principle is a concept in management theory formulated by Laurence J. Peter and published in 1969.

It states that the selection of a candidate for a position is based on the candidate's performance in their current role, rather than on abilities relevant to the intended role.

Thus, employees only stop being promoted once they can no longer perform effectively, and "managers rise to the level of their incompetence."

In an organizational structure, assessing an employee's potential for a promotion is often based on their performance in the current job. This eventually results in their being promoted to their highest level of competence and potentially then to a role in which they are not competent, referred to as their "level of incompetence". The employee has no chance of further promotion, thus reaching their career's ceiling in an organization.

40. (4) The RBI is the supreme monetary and banking authority in the country and controls the banking system in India. It is called the Reserve Bank' as it keeps the reserves of all commercial banks.

Commercial banks may be defined as, any banking organization that deals with the deposits and loans of business organizations.

Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks. SCBs in India are categorized into the five groups based on their ownership and/or their nature of operations.

Scheduled commercial banks include public and private sector banks, foreign banks, regional rural banks and cooperative banks.

41.(3) Development bank is essentially a multi-purpose financial institution with a broad development outlook.

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42.(2) Balance of payments records all international inflows and outflows of funds to and from foreign countries. The balance of trade is a component of the balance of payments and is recorded under one of the main components of the balance of payments; the current account.

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44 (4) National treatment: Treating foreigners and locals equally - Imported and locally-produced goods should be treated equally - at least after the foreign goods have entered the market.

The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.

National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax.

45. (2) The 'marketing mix' (also known as the four Ps) is a foundation concept in marketing.

The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target market".

Thus the marketing mix refers to four broad levels of marketing decision, namely: product, price, promotion, and place.

The contemporary marketing mix, or the 4Ps, which has become the dominant framework for marketing management decisions, was first published in 1960.

In services marketing, a modified and expanded marketing mix is used, typically comprising 7 Ps made up of the original 4 Ps plus process, people, physical environment.

Occasionally service marketers will refer to eight Ps; comprising the 7 Ps plus performance.

46. (3) Indian Accounting Standards (abbreviated as Ind-AS) in India accounting standards were issued under the supervision and control of Accounting Standards Board (ASB), which was constituted as a body in the year 1977.

The new Ind AS was notified on February 16, 2015.

The Ind AS are named and numbered in the same way as the corresponding International Financial Reporting Standards (IFRS).

National Advisory Committee on Accounting Standards (NACAS) has recommended these standards to the Ministry of Corporate Affairs (MCA).

MCA has to spell out the accounting standards applicable for companies in India.

As on date MCA has notified 39 Ind AS.

This shall be applied to the companies of financial year 2015-16 voluntarily and from 2016-17 on a mandatory basis.

47. (4) Financial System is a set of institutional arrangements through which financial surpluses in the economy are mobilised from surplus units and transferred to deficit spenders.

The institutional arrangements include all conditions and mechanisms governing the production, distribution, exchange and holding of financial assets or instruments of all kinds and the organisations as well as the manner of operations of financial markets and institutions of all descriptions.

Thus, there are three main constituents of financial system:

(1) Financial Assets

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48. (2) Stock exchange is an organization which interferes between company and investor to raise funds for the benefit of company as well as investor.

India consists of 22 stock exchanges overall under government regulation. Most Prominent stock exchange is Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) as most of the trading is done in these exchange.

BSE is the oldest stock exchange in Asia established in 1875 while NSE is established in mid 1990s.

Index is the benchmark of both stock exchanges for tracking of market status or checking upward or downward movement of stock.

It consists of basket of stocks of companies which are listed under exchange under regulation of SEBI.

Sensex is an index for BSE which comprises of 30 constituents while Nifty is an index for NSE which comprises of 50 constituents

49.(2) Social accounting (also known as social accounting and auditing, social and environmental accounting, corporate social reporting, corporate social responsibility reporting, non-financial reporting or accounting) is the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large.

It points to the fact that companies influence their external environment (some times positively and many a times negatively) through their actions and should therefore account for these effects as part of their standard accounting practices.

Social accounting is in this sense closely related to the economic concept of externality.

Main objectives of social accounting are to help society by providing different facilities by enterprise and to record them.

50.(3) Purchasing Power Parity (PPP) is an economic theory that compares different countries' currencies through a market "basket of goods" approach.

According to this concept, two currencies are in equilibrium or at par when a market basket of goods (taking into account the exchange rate) is priced the same in both countries.

Theories that invoke purchasing power parity (PPP) assume that in some circumstances (for example, as a long-run tendency) it would cost exactly the same number of, for example, US dollars to buy euros and then to use the proceeds to buy a market basket of goods as it would cost to use those dollars directly in purchasing the market basket of goods.

The concept of purchasing power parity allows one to estimate what the exchange rate between two currencies would have to be in order for the exchange to be at par with the purchasing power of the two countries' currencies.

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