

BUSINESS STUDIES
SEMESTER – III (2025)

1. Correct answer : (b)

Explanation :

Assertion (A) is true — Planning is called a mental exercise because it involves thinking in advance, analysing the future and deciding what to do before action is taken.

Reason (R) is also true — If there is only one way to achieve a goal, planning is not really needed because there is no choice to make.

But R does not explain why planning is a mental exercise — R talks about the need for planning, not about the nature of planning.

Therefore, both A and R are true, but R is not the correct explanation of A.

2. Correct answer : (b)

Explanation : A capital budget is a long-range plan because it is prepared for a long period and deals with heavy investment in fixed assets like land, buildings, machinery, and equipment.

Cash, sales, and production budgets are short-term plans prepared usually for one year, but capital budgeting decisions affect the business for many years.

3. Correct answer : (c)

Explanation : Line organisation is the oldest form of organisation because it is the simplest type where authority flows directly from top to bottom in a straight line.

In early businesses and armies, one person used to give orders and others followed, which is exactly how line organisation works.

4. Correct answer : (b)

Explanation : A divisional structure is expensive because each division has its own set of resources like managers, staff, and equipment, leading to duplication of functions. This makes it costlier compared to simpler structures like line or functional organisation.

5. Correct answer : (b)

Explanation : Authority means the power to make decisions and give orders, and this power can be transferred to a subordinate, this is called delegation. Responsibility and accountability cannot be transferred because the superior remains finally responsible for the work. Mobility is not related to delegation.

6. Correct answer : (c)

Explanation : The term PODSCORB stands for Planning, Organising, Directing, Staffing, Coordinating, Reporting and Budgeting, and it was given by Luther Gullick to describe the main functions of management.

7. Correct answer : (a)

Explanation : Management is called a process because it involves a continuous series of functions like planning, organising, staffing, directing and controlling to achieve organisational goals.

8. Correct answer : (d)

Explanation : Management is not static, it is a dynamic and continuous process that changes with situations. The principles and techniques of management are also flexible, not rigid, and can be adjusted according to the needs of the organisation.

9. Correct answer : (d)

Explanation : Art involves creativity in doing work, science is based on a systematised body of knowledge, and a profession follows an ethical code of conduct.

10. Correct answer : (a)

Explanation : Management exists to achieve organisational goals, and all managerial activities are directed toward achieving pre-determined objectives. Therefore, both the assertion and the reason are true, and the reason correctly explains the assertion.

11. Correct answer : (c)

Explanation : Authority means the power to take decisions, responsibility means the duty or obligation to perform the assigned work, and accountability means being answerable for the result of the work done.

12. Correct answer : (d)

Explanation : Delegation means transferring some authority and responsibility from a superior to a subordinate to reduce workload and improve efficiency, which is exactly what Mr. A has done.

13. Correct answer : (c)

Explanation : In a formal organisation, work is done according to officially defined rules, procedures and authority relationships, so personal feelings are ignored and strict discipline is maintained.

14. Correct answer : (b)

Explanation : Organisation has many levels and relationships, so it is a multiple structure, and communication can flow downward, upward or horizontally. However, the flow of communication does not explain why organisation is called a multiple structure, it only describes one feature of it.

15. Correct answer : (a)

Explanation : Centralisation means keeping decision-making power at the top level of management, which reduces the role and importance of subordinates in the organisation.

16. Correct answer : (d)

Explanation : Rules are mandatory instructions, and breaking them is considered an offence and is punishable, unlike policies, strategies, or procedures which guide actions but are not legally binding.

17. Correct answer : (b)

Explanation : Rules are set guidelines that control how people behave and ensure discipline is maintained in an organisation.

18. Correct answer : (c)

Explanation : A policy provides general guidelines and allows for alternatives in decision-making, while a rule is strict and must be followed exactly, so it has no alternative.

19. Correct answer : (b)

Explanation : Features of planning make it the primary function of management, its importance lies in providing a basis for controlling, its limitation is that it consumes time and cost, and the first step of planning is setting objectives.

20. Correct answer : (a)

Explanation : A rule is a strict guideline that must be followed exactly, like "goods once sold cannot be taken back," allowing no flexibility or alternatives.

21. Correct answer : (c)

Explanation : A shopping product is one that a customer compares carefully before buying, like a motor car, unlike everyday products like milk or rice which are bought routinely.

22. Correct answer : (d)

Explanation : Marketing is customer-oriented, meaning it focuses on understanding and satisfying customer needs, not just the product.

Selling is product-oriented, meaning it focuses on promoting and persuading customers to buy the product, not on the customer's needs.

Therefore, both statements are wrong.

23. Correct answer : (a)

Explanation : A zero-level channel means the producer sells directly to the consumer without any intermediaries like wholesalers or retailers.

24. Correct answer : (b)

Explanation : Dettol is the name given to a product to identify it in the market, so it is a brand name, not the overall brand or logo.

25. Correct answer : (a)

Explanation : Packaging protects the product from damage, spoilage, or contamination during storage, handling, and transportation, ensuring it reaches the customer safely.

26. Correct answer : (d)

Explanation : Fayol's principles aim to improve the efficiency of the entire organisation, not just managers, workers, or owners, ensuring smooth coordination and better results.

27. Correct answer : (c)

Explanation : Breaking the unity of command principle (one boss for each employee) creates indiscipline. Breaking the unity of direction principle (one plan for similar activities) leads to lack of coordination in the organisation.

28. Correct answer : (b)

Explanation : Management principles are not absolute; they can be adapted to different situations. They explain cause-and-effect relationships, showing how certain actions lead to specific results in management.

29. Correct answer : (d)

Explanation : Order ensures everything is in its right place. Discipline helps in better labour management. Equity may not always be fully possible, so it partially does not get place. Initiative means taking steps with self-motivation.

30. Correct answer : (a)

Explanation : Management principles focus on human behaviour in organisations, and their main purpose is to influence and guide the behaviour of people to achieve organisational goals.

31. Correct answer : (d)

Explanation : PIL stands for Public Interest Litigation, which allows individuals or groups to approach the court to protect the public's interest, especially when the rights of a large number of people are affected.

32. Correct answer : (a)

Explanation : Ralph Nader is known as the pioneer of the consumer protection movement because he worked to safeguard consumers' rights and raise awareness about product safety and quality.

33. Correct answer : (c)

Explanation : Consumer protection encourages people to form consumer organisations to safeguard their rights, and in India, consumers are still not well-organised, so both statements are correct.

34. Correct answer : (a)

Explanation : Cases involving amounts up to ₹ 1 crore are handled by the District Commission, cases above ₹ 1 crore and up to ₹ 10 crore go to the State Commission, and cases above ₹ 10 crore are handled by the National Commission.

35. Correct answer : (a)

Explanation : Section 27 of the Consumer Protection Act deals with penalties and punishment for failure to comply with the orders of the Consumer Commissions, so penalties are imposed under this section.

36. Correct answer : (b)

Explanation : FDI means Foreign Direct Investment, which refers to investment made by a foreign company or individual directly into business or assets in another country.

37. Correct answer : (b)

Explanation : Business environment is not an absolute concept because it differs from country to country and place to place. It is largely uncertain because the factors affecting business like technology, government policy, and consumer preferences keep changing.

38. Correct answer : (a)

Explanation : Business environment is dynamic because it keeps changing over time, but the same change does not affect all businesses in the same way since different firms respond differently based on their size, nature, and strategy.

39. Correct answer : (d)

Explanation : revenue deficit occurs when a country's total expenditure is more than its total income, meaning the government is spending more money than it earns.

40. Correct answer : (a)

Explanation : Business environment is called a relative concept because it is not the same everywhere, and it changes from country to country and even from one region to another, which is exactly what the reason states.

ANSWERS									
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1. (b)	2. (b)	3. (c)	4. (b)	5. (b)	6. (c)	7. (a)	8. (d)	9. (d)	10. (a)
11. (c)	12. (d)	13. (c)	14. (b)	15. (a)	16. (d)	17. (b)	18. (c)	19. (b)	20. (a)
21. (c)	22. (d)	23. (a)	24. (b)	25. (a)	26. (d)	27. (c)	28. (b)	29. (d)	30. (a)
31. (d)	32. (a)	33. (c)	34. (a)	35. (a)	36. (b)	37. (b)	38. (a)	39. (d)	40. (a)