

QUESTION BANK

BBA

SEMESTER III

FOR PRIVATE CIRCULATION

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QUESTION BANK

BUSINESS LAWS

BBA 201

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BUSINESS LAWS - BBA 201
BBA III**

UNIT - I

I MULTIPLE CHOICE QUESTIONS:

1. A contract is made where:
 - A. X agrees with Y to discover a treasure by magic.
 - B. X bids at a public auction
 - C. A takes a sea
 - D. A sit in a public Omni bus.ANSWER: D

2. A Void Contract
 - A. Is void from the very beginning?
 - B. Enforceable at the option of both the parties.
 - C. Enforceable at the option of one party
 - D. Not enforceable in the court of lawANSWER: D

3. In case of void agreements, collateral transactions are
 - A. Also void
 - B. Unenforceable
 - C. Not affected
 - D. IllegalANSWER: A

4. Undue influence can be exercised only between the parties who are:
 - A. Related to each other
 - B. Not related to each other
 - C. Friendly to each otherANSWER: A

5. Which of the following persons can perform the contract?
 - A. Promisor alone
 - B. Legal representative of promisor
 - C. Agent of the promisor
 - D. All of themANSWER: D

6. Which of the following is not a legal requirement of a valid consideration?
 - A. It must move at the desire of the promisor
 - B. It must be lawful
 - C. It must be real and not illusory
 - D. It must be adequateANSWER: A

7. Which of the following persons are not competent to contract?
A. Minor
B. Person disqualified by law
C. Person of unsound mind
D. All of the above
ANSWER: D
8. Consent is free under section 14 if not caused by
A. Coercion & undue influence
B. Fraud and misrepresentation
C. Mistake subject to the provisions of sections 20, 21 and 22
D. All the above
ANSWER: D
9. Which is correct?
A. Proposal + acceptance = promise
B. Promise + consideration = agreement
C. Agreement + enforceability = contract
D. All the above.
ANSWER: D
10. The Bailment of goods as security for payment of a debt or performance of a promise is called:
A. Pledge
B. Bailment
C. Contingent contract
D. Agreement
ANSWER: A
11. The delivery of goods by one person to another for some purpose, upon a contract and that they shall, when the purpose is accomplished, be returned or otherwise disposed of by accounting to the directions of the person delivering them, then it is called:
A. Contingent contract
B. Bailment
C. Pledge
D. Contract of indemnity
ANSWER: B
12. In contract of guarantee, the person to whom guarantee is given is known as:
A. Creditor
B. Surety
C. Principal debtor
D. Debtor
ANSWER: A

13. In contract of guarantee, the person in respect of whose default the guarantee is given, is known as:
A. Creditor
B. Surety
C. Principal debtor
D. Debtor
ANSWER: C
14. Promises which form the consideration or part thereof, for each other under section 2(F) are called
A. Acceptances for different proposals
B. Agreements
C. Reciprocal promises
D. Consideration
ANSWER: C
15. Express contract means a contract made by
A. words either spoken or written.
B. documents.
C. both words and documents.
D. all of the above.
ANSWER: D
16. Consideration should be something in return of promise which:
A. both the law and parties regard, as having some value
B. only law regards as having some value
C. only the parties regard some value
D. only adequate value necessary
ANSWER: A
17. Consent is free under section 14 if not caused by—
A. coercion & undue influence
B. fraud and misrepresentation
C. mistake subject to the provisions of sections 20, 21 and 22
D. all of the above
ANSWER: D
18. Which of the following person do not fall under the category of persons of unsound mind?
A. Drunkards
B. Lunatics
C. Idiots
D. Blind person.
ANSWER: D
19. What does Section 17 of the Indian Contract Act, define?
A. Coercion

- B. Undue influence
- C. Fraud
- D. Mistake

ANSWER: C

20. In Indian Contract Act, the term consensus ad idem means
- A. Parties under a mistake
 - B. Parties under the free consent
 - C. Parties agreeing upon the same thing in same sense
 - D. None of these

ANSWER: C

21. A contract to perform a promise or discharge the liability of a third party is called—
- A. Contract of indemnity
 - B. Contract of agency
 - C. Contract of guarantee
 - D. Contract of warranty

ANSWER: C

22. Sonia contracts with Anshul to buy a necklace, believing it is made of pearls whereas in fact it is made of imitation pearls of no value. Anshul knows that Sonia is mistaken and takes no steps to correct the error. Now Sonia wants to cancel the contract on the basis of fraud. Which of the following statement is correct?
- A. Sonia can cancel the contract alleging fraud
 - B. Sonia cannot cancel the contract
 - C. Sonia can cancel the contract alleging undue influence
 - D. Sonia can claim damages

ANSWER: B

23. Which of the following is false with respect to minor entering a contract?
- A. An agreement with or by a minor is void ab initio
 - B. A minor can be a beneficiary of a contract
 - C. The contracts involving a minor as a beneficiary may be enforced at the option of the third party
 - D. A minor cannot ratify a contract on attaining majority

ANSWER: C

24. Deepak, Ashwani and Tarun jointly promised to pay ` 90,000 to Pradeep. Deepak was compelled by Pradeep to pay the entire amount of ` 90,000. Here:
- A. Deepak can file a suit against Pradeep for recovery of amount exceeding his share.
 - B. Deepak is entitled to recover ` 30,000 each from Ashwani and Tarun
 - C. On payment by Deepak, the contract is discharged and Ashwani and Tarun are also not liable to Deepak.
 - D. Pradeep is not justified here and is liable to refund the entire amount to Deepak.

ANSWER: B

25. Anuj agrees to pay ` 10,000 to Manoj if a certain ship returns within a year. However, the ship sinks within the year. In this case, the contract becomes:
- A. Valid
 - B. Void
 - C. Voidable
 - D. Illegal
- ANSWER: B
26. A invites B for coffee in Coffee day Restaurant and B accepts the invitation. On the appointed date, B goes there but A does not come. In this case
- A. B has no remedy against A.
 - B. B has to wait for another invitation from A.
 - C. B can sue A for not honouring his words.
 - D. A has to invite B again, to keep the promise.
- ANSWER: A
27. When, at the desire of the promisor, the promisee or any other person has done or abstained from doing or, does or abstain from doing or promises to do or to abstain from doing something, such act or abstinence or promise under section 2(d) is called
- A. Reciprocal promise
 - B. Consideration for the promise
 - C. Counter offer
 - D. Acceptance.
- ANSWER: B
28. Where a contract has to be inferred from the conduct of parties, it is called
- A. Express contract.
 - B. Implied contract.
 - C. Tacit contract.
 - D. Unlawful contract
- ANSWER: B
29. According to enforceability, the contracts may be classified as
- A. Valid contracts.
 - B. Void contracts.
 - C. Voidable contracts.
 - D. All of the above.
- ANSWER: D
30. Voidable contract is one
- A. Which is lawful.
 - B. Which is invalid.
 - C. Which is valid as long as it is not avoided by the party entitled to do so.
 - D. Which is unlawful.
- ANSWER: C

32. A minor was facing a criminal prosecution for smuggling drugs. He borrowed Rs. 5000 to hire an advocate to defend him in the court of law. What is the remedy available to the creditor if the minor does not return the money on his own?
- The creditor cannot recover the amount from the minor since a contract with a minor is void ab initio
 - The amount of loan can be recovered from minor's property since it is a loan for necessaries
 - The creditor can recover his amount of loan from the minor on his (minor's) attaining the age of majority
 - The creditor can recover his amount from the parent or guardian of the minor
- ANSWER: A
33. Undue influence can be presumed between
- Guardian and Ward
 - Mother and Daughter
 - Doctor and Patient
 - All of the above
- ANSWER: D
34. Wagering Agreement is a _____ agreement
- Valid
 - Voidable
 - Void
 - Illegal
- ANSWER: C
35. Identical offers made by two parties to each other, in ignorance of each other's offer are known as
- Counter Offer
 - Cross-Offers
 - Standing Offer
 - None of the above
- ANSWER: B

II SHORT ANSWER TYPE QUESTIONS:

- Define Agreement.
- Define Contract.
- When is the contract said to be performed?
- State the essentials of a valid contract.
- What do you understand by Consideration? Is it necessary in all the cases?
- Difference between contract of Indemnity and Guarantee
- 'Every person is competent to contract' Comment
- "A minor can be appointed as an agent". Do you agree?
- Distinguish between Void and Voidable Contracts.
- Define Bailment. What are the requisites for the contract of bailment?
- What do you mean by 'Proposal' or 'Offer'?

12. What do you understand by capacity to Contract?
13. Who are competent and not competent to contract under Indian Contract Act, 1872?
14. "An agreement requires a meeting of minds" Comment.
15. What do you understand by 'Coercion'?
16. What do you mean by 'Undue Influence'? How it differs from Coercion?
17. What is Fraud? Discuss its effect on Contract.
18. What do you mean by 'Misrepresentation'? Distinguish between Fraud and Misrepresentation.
19. What is 'Mistake'?
20. "Contract without consideration is void". What are the exceptions of this rule?
21. State the various rights and duties of Indemnified and Indemnifier.
22. Who is Bailee? State his rights and obligations
23. What is meant by the 'Lien'?
24. Define 'pledge'. Discuss the essential elements of a pledge.
25. What is the difference between the Contract of Bailment and Pledge.
26. 'Material alteration renders the instrument void'. Elaborate
27. Write short notes on the following (a) Quantum meruit and (b) Specific Performance
28. Distinguish between agency by estoppel and agency by holding out.
29. What are the essential features of contingent contracts?

III LONG ANSWER TYPE QUESTIONS:

1. Define contract and essentials of a valid contract.
2. "All contracts are agreements but all agreements are not contracts". Explain with suitable examples.
3. "An agreement enforceable by law is a Contract". Comment. Discuss the essentials of a valid contract in brief.
4. What do you mean by 'Proposal' or 'Offer'? Explain its various characteristics.
5. By giving definition of an acceptance explain the various general rules regarding acceptance of an offer.
6. What do you mean by the communication of acceptance? By describing the modes of revocation of it, explain is there any time limit of its revocation.
7. What are the factors concerning consent not a free one? Discuss their effect on validity of Contract.
8. What is 'Mistake'? What are the kinds of it? Discuss the mistake of Law and its effect on Contract.
9. What do you mean by contract of indemnity? Discuss the right of indemnity holder. Discuss the difference of indemnity & Guarantee.
10. What is bailment? Discuss the right and duties of bailor & bailee.
11. What is pledge? Whether a person who is not the real owner of movable Property can pledge the goods?
12. Define continuing guarantee. When surety may discharge from his liability and when surety cannot discharge from his liability
13. What do you understand by 'Capacity to Parties' to contract? Discuss the law regarding Minor's agreements.
14. Define "Consideration". What are the legal rules of consideration?

15. "Insufficiency of consideration is immaterial but an agreement without consideration is void." Elaborate this statement.
16. Explain clearly the meaning of "Bailment" as provided in the Indian Contract Act. When does a contract of bailment terminate? Explain.
17. "Goods can be pledged by the owner only" discuss. State the circumstances in which the goods can be pledged by non-owners.
18. "A contract is a contract from the time it is made and not from the time performance is due". Comment.
19. "An agreement enforceable at law is a contract." Explain.
20. State with suitable examples the circumstances under which a minor is bound by his contracts for necessities as per Indian Contract Act.
21. When is consent said to be given under coercion? What is the liability of a person to whom money has been paid or goods have been delivered under coercion? How coercion differs from undue influence?
22. Explain each of the following statements:
 - (i) "Amount paid under mistake of law cannot be recovered back."
 - (ii) Mere silence as to facts is not fraud.
23. When is a contract said to be induced by undue influence? Discuss the effect of undue influence on the formation of a contract.
24. Explain the doctrine of "Public Policy". Discuss the agreements contrary to public policy.
25. Examine the legal position of:
 - (i) Minor Promisor
 - (ii) Minor Promisee
 - (iii) Minor Agent
26. "An agreement enforcement by law is a contract." Discuss and bring out the essential features of a valid contract. **(June 2014)**
27. Define fraud and point out its effects on the validity of a contract. How does it affect free consent? Give suitable examples to illustrate your answers. **(June 2014)**
28. When a contract is said to have been breached? Explain various remedies available to both the aggrieved party and the party which has breached the contract. **(June 2017)**
29. Explain "Free Consent". Give at least five instances covering each type of situations where consent is not free. **(June 2017)**
30. Promise made by husband to his wife will not create any legally binding obligations. Explain using relevant case law. **(June 2018)**
31. The Indian Contract Act, 1872 contains explicit provisions under which certain agreements are expressly declared as void agreements. Briefly discuss such void agreements. **(June 2018)**

UNIT - II

I MULTIPLE CHOICE QUESTIONS:

- 1 Section 2, sub-section _____, of the Sale of Goods Act, 1930 defines "Goods"
 - A. 5
 - B. 7
 - C. 6
 - D. None of above

ANSWER: C

2. As per section 2, sub section 7 every kind of moveable property other than actionable Claim and money is called
- A. Goods
 - B. Future goods
 - C. Both (a) and (b)
 - D. None of above

ANSWER: A

3. Future goods mean goods to be manufactured or produced or acquired by the seller
- A. In future prescribed time
 - B. After making of contract
 - C. Before making of contract
 - D. None of above

ANSWER: B

4. As per section 2(8), of the Sales of Goods Act, insolvent means a person
- A. Who has ceased to pay his debts in the ordinary course of business
 - B. Or cannot pay his debts as they become due
 - C. Both (a) and (b)
 - D. None of above

ANSWER: C

5. As per section 2(12), of the Sale of Goods Act, quality of goods includes
- A. State of goods
 - B. Conditions of goods
 - C. Both (a) and (b)
 - D. None of above

ANSWER: C

6. The goods identified and agreed upon at the time a contract of sale is made are called
- A. Ordinary goods
 - B. Specified goods
 - C. Scheduled goods
 - D. None of above

ANSWER: B

7. Section 4, of the Sale of Goods Act 1930, deals with
- A. Sale
 - B. Agreement to sell
 - C. Both (a) and (b)
 - D. None of above

ANSWER: C

8. A sold a stolen car to B which was subsequently recovered by the police from B's possession and he (B) was forced to return the same to the true owner. Here, there is breach of implied condition as to
- A. Merchantability
 - B. Fitness for buyer's purpose
 - C. Title
 - D. None of these
- ANSWER: C

9. A stipulation which is essential to the main purpose of the contract and if proved false, gives the buyer a right to terminate the contract, is legally known as
- A. Condition
 - B. Warranty
 - C. Guarantee
 - D. None of these
- ANSWER: A

10. When a person sells the goods by infringing the copying or trademark of the others, there is breach of an implied.
- A. Condition as to title
 - B. Condition as to description
 - C. Conditions as to merchantability
 - D. None of these
- ANSWER: A

11. The term condition is defined in which of the following Section of the Sale of Goods Act. 1930?
- A. Section 12 (1)
 - B. Section 12 (2)
 - C. Section 12 (3)
 - D. Section 12 (4)
- ANSWER: B

12. According to implied 'warranty as to quiet possession' it is presumed that the buyer shall have the
- A. Peaceful possession of the goods.
 - B. Right to use the goods as an owner.
 - C. Both
 - D. None of these
- ANSWER: C

13. In case of breach of condition, the buyer

- A. Has no remedy
- B. Can reject the goods.
- C. Cannot reject the goods.
- D. Can get the seller arrested

ANSWER: B

14. Where the goods are sold by description, there is an implied condition that the goods shall

- A. Be fit for buyer's purpose
- B. Free from any defects
- C. Correspond with the description
- D. Free from any encumbrance

ANSWER: C

15. The seller is required to supply the goods which shall be fit for buyer's purpose where the

- A. Seller is the sole distributor of goods sold.
- B. Seller knows the particular purpose of buyer.
- C. Buyer makes his purpose clear and relies upon seller's skill and judgement.
- D. Buyer is uneducated and the person of rural background.

ANSWER: B

16. Which of the following types of conditions and warranties are covered by the Sale of Goods Act, 1930?

- A. Express
- B. Implied
- C. Both (a) and (b)
- D. Only (b)

ANSWER: C

17. As per the doctrine of caveat emptor incorporated in Section 16, there is no implied conditions or warranty in a contract of sale as to the

- A. Merchantability.
- B. Wholesomeness.
- C. Quality or fitness for buyer's purpose.
- D. None of these.

ANSWER: C

18. A warranty is a stipulation which is

- A. Essential to the main purpose of contract of sale.
- B. Essential for buyer's specific purpose.
- C. Collateral to the main purpose of contract of sale.
- D. None of these

ANSWER: C

19. Where the transfer of the property in the goods is to take place at a future time or subject to some condition, then such contract is called:

- A. An agreement to sell
- B. A contract to Sale
- C. Future Contract
- D. Conditional contract

ANSWER: A

20. Where the seller wrongfully neglects or refuses to deliver the goods to the buyer, the buyer may sue for:

- A. Damages for non-delivery
- B. Damages for non-acceptance
- C. Specific performance
- D. Compensation

ANSWER: A

21. _____ is termed as consideration in a contract of sale:

- A. Exchange money
- B. Barter money
- C. Price
- D. Reward

ANSWER: C

22. The unpaid seller has right of stoppage of goods in transit only where the buyer

- A. Become insolvent
- B. Refuses to pay price
- C. Acts fraudulently
- D. All of these

ANSWER: A

23. An unpaid seller is having rights against

- A. Goods only
- B. The buyer only
- C. Both goods and buyer
- D. None of the above

ANSWER: C

24. Under which of the circumstances unpaid seller loses his right of lien

- A. By estoppel
- B. Where seller waived the right of lien
- C. Where the buyer or his agent lawfully obtains possession of the goods
- D. Any of the above

ANSWER: D

25. Seller has right of resale where
- A. Goods are perishable
 - B. Seller has reserved such right.
 - C. Seller gives notice
 - D. All of these.

ANSWER: D

26. The voluntary transfer of possession from one person to another is called
- A. Transfer
 - B. Change of possession
 - C. Delivery
 - D. None of above

ANSWER: C

27. The agent having in customary course of business as such agent authority either to sell goods or to consign goods for the purpose of sale or to buy goods or to raise money on the security of goods is called
- A. Agent
 - B. Mercantile agent
 - C. Partner
 - D. None of above

ANSWER: B

28. According section 5(2) subject to provision of any law for the time being in force a contract of sale may be
- A. Made in writing
 - B. By words of mouth
 - C. Partly in writing or partly in words of mouth
 - D. All above ways

ANSWER: A

29. A stipulation in contract of sale with reference to goods which are the subject there of may be
- A. A condition
 - B. A warranty
 - C. Both (a) and (b)
 - D. None of above

ANSWER: C

30. Where an unpaid seller has made part delivery of the goods he may exercise his Right of
-
- A. Return of remaining goods
 - B. Lien on the remaining goods
 - C. Sale to any other person
 - D. None of above

ANSWER: B

31. Delivery of key of the warehouse by the seller to the buyer will amount to:
- A. Symbolic Delivery
 - B. Actual Delivery
 - C. Constructive Delivery
 - D. No delivery

ANSWER: A

32. The Right of Lien is exercised:
- A. To retain the possession of goods
 - B. To regain the possession of goods
 - C. To resell the goods
 - D. To transfer the goods

ANSWER: A

33. In case of an agreement to sell, action against a third party for damaging the goods can be taken by:
- A. The seller
 - B. The buyer
 - C. Both
 - D. None

ANSWER: A

34. In case of 'sale or return' the buyer is deemed to have accepted the goods when:
- A. He does not intimate to the seller that he has rejected them
 - B. He retains without intimating the seller that he has rejected them
 - C. He rejects the goods but does not intimate the seller
 - D. He pledges the goods

ANSWER: A

35. Caveat Emptor means
- A. Let the buyer beware
 - B. Let the seller beware
 - C. Let the government beware
 - D. None of the above

ANSWER: A

II SHORT ANSWER TYPE QUESTIONS:

1. Define a contract of sale of goods.
2. Discuss the essential characteristics of a contract of sale of goods.
3. Define Contingent goods?
4. Distinguish between Sale Agreement and Hire Purchase Agreement.
5. What is meant by specific goods?
6. Define a Condition.

7. What is a Warranty?
8. When can 'condition' be treated as 'warranty'? Comment.
9. What is meant by Condition as to Merchantable Quality?
10. What are the conditions to be satisfied in the condition of Fitness?
11. Explain the meaning of sale by sample, as well as, by description.
12. What is condition as to wholesomeness?
13. Which implied warranty results in presuming that when the goods are sold they are delivered free of any problems?
14. "A breach of condition cannot be treated as a breach of warranty." Comment.
15. "Custody or control of goods" implies "Property in Goods". Comment.
16. When a property passes to the buyer under "goods on approval" or "on sale or return"?
17. Write a note on Instalment Deliveries.
18. What is Ex-Ship Contract.
19. Who is an unpaid seller?
20. Distinguish between unpaid seller's right of lien and right of stoppage in transit. When can he resell the goods?
21. What are the rights of an unpaid seller against the goods?
22. Distinguish between particular lien and general lien.
23. Discuss two remedies available to a buyer against the seller for a breach of a contract of sale.
24. What are the rules as to delivery of goods by instalments under Sale of Goods Act?
25. "Risk prima facie passes with ownership." Comment.
26. Who is an unpaid seller? What are his rights? **(June 2014)**
 - a. Contract of Sale
 - b. Unpaid Seller
27. Briefly explain the rules related to transfer of property under the Sale of Goods Act, 1930 **(June 2016)**
28. In certain cases, non-owners can pass a better title than they themselves have. Elucidate **(June 2016)**
29. Write short notes on Particular Lien & General Lien.
30. Write short notes on Rights of an unpaid seller.
31. Define "Goods" under Sales of Goods Act, 1930.

III LONG ANSWER TYPE QUESTIONS:

1. State briefly the essential element of a contract of sale under the Sale of Goods Act, 1930. Examine whether there should be an agreement between parties in order to constitute a sale under the said Act.
2. Distinguish "sale" from an "agreement to sell" under the Sale of Goods Act, 1930.
3. Explain the term "goods" as defined in the Sale of Goods Act, 1930.
4. Define the term 'warranty'. What are the kinds of implied warranties under the provisions of the Sale of Goods Act, 1930?
5. What do you understand by an implied condition? State the Conditions implied in a contract of sale of goods.
6. Distinguish between Condition as to fitness of goods for buyer's purpose and condition as to wholesomeness.

7. Explain the doctrine of 'caveat emptor' with its exceptions.
8. "In a contract for the sale of goods, there is no implied condition or warranty as to the quality of the goods or their fitness for any purpose." Comment.
9. "The seller of goods is not bound to disclose defects in the goods that he intends to sell." Comment.
10. "In a contract of sale of goods, the buyer has always to bear the risk." Comment.
11. In a contract of sale of goods "no one can transfer a better title than what he himself has"- Explain.
12. Explain the rules regarding transfer of ownership from seller to the buyer.
13. Discuss briefly the cases in which a seller can give a better title to the goods than he himself has.
14. Explain the term "Delivery" as used in a contract of sale and state the rules regarding valid delivery of goods.
15. Explain the different modes of effective delivery of goods.
16. When can a seller of goods be deemed to be an unpaid seller? What are his rights against the (a) goods; and (b) the buyer personally?
17. Explain the nature of right of lien. When can the unpaid seller exercise the right of lien? Under what circumstances is the lien terminated?
18. Discuss the rules regarding the duration of transit. When does it come to end?
19. What are the conditions required to be fulfilled for the exercise of the right of stoppage in transit?
20. Can an unpaid seller exercise his right of lien or stoppage in transit on the goods transferred by way of sale or other disposition by the buyer?
21. 'The right of stoppage in transit is an extension of an unpaid seller's right to lien.' Comment.
22. What are the remedies available to the buyer in case of breach of a contract of sale by the seller?
23. Under what circumstances can an unpaid seller exercise the right of resale?
24. Define sale and agreement to sale, discuss its essentials. What is the effect, when goods perished before contract of sale & after agreement to sale?
25. Explain clearly the essential elements which must co-exist for constituting a valid sale of goods. In what respect does a "sale" differ from an "agreement to sell"?
26. Distinguish between following:- **(June 2014)**
 - (i) Sale and Agreement to Sell.
 - (ii) Conditions and Warranties.
27. "Delivery of goods does not amount to acceptance of goods." Comment.**(June 2014)**
28. Discuss the rule of Caveat Emptor. What are the exceptions to this rule available under Sale of Goods Act, 1930? Explain **(June 2016)**
29. Distinguish between "Sale" and "Agreement to Sell". Explain the rights of unpaid seller against the goods. **(June 2016)**
30. Conditions and Warranties are considered as exceptions to the general rule of "caveat emptor". Discuss. **(June 2018)**
31. Explain the circumstances under which sale by non-owners is regarded as legitimate sale and the buyer acquires better title than that of the seller over the goods. **(June 2018)**

UNIT - III

I MULTIPLE CHOICE QUESTIONS:

1. The term company is defined under which sec of the Act?
- A. Sec 3(1)
 - B. Sec 4(2)
 - C. Sec 2(4)
 - D. Sec 1(3)

ANSWER: A

2. Property of the company belongs to:
- A. Company
 - B. Shareholders
 - C. Members
 - D. Promoters

ANSWER: B

3. Which company shares can be freely transferable
- A. Private company
 - B. Public company
 - C. Both a & b
 - D. None of the above

ANSWER: B

4. Maximum number of members in case of public company is:
- A. 50
 - B. 100
 - C. 150
 - D. 200

ANSWER: D

5. XYZ company conducted an AGM on 1st September 2007. On that day due to fire accident in the hall. All shareholders died. Will the company be in existence?
- A. Yes
 - B. No

ANSWER: A

6. The liability of members if company is limited by guarantee.
- A. Unpaid value of shares
 - B. Guarantee amount
 - C. Unlimited liability
 - D. None of the above

ANSWER: A

7. The liability of members if company is limited by shares
- A. Unpaid value of shares

- B. Guarantee amount
- C. Unlimited liability
- D. None of the above

ANSWER: B

- 8 The companies which are formed under special charter granted by the king or queen of England are called
- A. Statutory companies
 - B. Registered companies
 - C. Chartered companies
 - D. None of these

ANSWER: C

- 9 The companies which are formed under special Act. Those companies are called as
- A. Chartered companies
 - B. Statutory companies
 - C. Registered companies
 - D. None of these

ANSWER: A

- 10 The companies which are formed under Companies Act.2013. They will be called as
- A. Chartered companies
 - B. Statutory companies
 - C. Registered companies
 - D. None of these

ANSWER: C

- 11 XYZ Co, is having 15% share capital held by X Company and 50% held by Central Government and 10% held by State Government and 25% held by other people then that company will be
- A. Government Company
 - B. Private Company
 - C. Public Company
 - D. None of these

ANSWER: C

- 12 XYZ Company is a Government Company and X Co. is a subsidiary of XYZ Co. Then X Co. will be
- A. Public Company
 - B. Private Company
 - C. Government Company
 - D. None of these

ANSWER: A

- 13 In the process of conversion of a private company into a public company which prospectus must be issued
- A. Deemed prospectus
 - B. Shelf prospectus
 - C. Statement in lieu of prospectus
 - D. None of the above

ANSWER: A

- 14 Company should file a prospectus in case of conversion of private company into a public company with in _____ from the date of resolution
- A. 30 days
 - B. 45 days
 - C. 60 days
 - D. none of these

ANSWER: D

- 15 _____ is the conclusive evidence in case of company that statutory requirements have complied with
- A. Certificate of Incorporation
 - B. Certificate of commencement of Business
 - C. Both
 - D. None of the above

ANSWER: B

- 16 The doctrine of _____ does not apply to acts void ab initio.
- A. Ultra virus
 - B. Intra virus
 - C. Constructive notice
 - D. Indoor management

ANSWER: C

- 17 A company can change its name at its own discretion by passing _____
- A. Ordinary resolution
 - B. Special resolution
 - C. Boards resolution
 - D. None of the above

ANSWER: C

- 18 Any change in the address of the registered office must be communicated to the registrar with in:
- A. 15 days
 - B. 30 days
 - C. 1 Month
 - D. 12 months

ANSWER: A

- 19 In the MOA there are 6 classes. We can alter all clauses except one clause. What is that clause?
- A. Objects clause
 - B. Name clause
 - C. Association clause
 - D. None of these
- ANSWER: C
- 20 Ultra vires means
- A. Beyond the power
 - B. Within the power
 - C. Both
 - D. None of the above
- ANSWER: B
- 21 Contracts made after incorporation but before the grant of Certificate of commencement of Business _____
- A. Provisional contracts
 - B. Pre incorporation contracts
 - C. Preliminary contracts
 - D. Both (b) & (c)
- ANSWER: A
- 22 Pre incorporation contract is also known as _____
- A. Provisional
 - B. Preliminary
 - C. Illegal
 - D. Legal
- ANSWER: A
- 23 _____ are the prospectus issued instead of full prospectus
- A. Abridged
 - B. Statement in lieu
 - C. Shelf
 - D. Red herring
- ANSWER: B
- 24 Which one of the following has a right to claim compensation for any loss due to mis-statement in prospectus
- A. Purchasing shares in Primary Market
 - B. Secondary Market
 - C. Subscribers to memo.
 - D. All the above
- ANSWER: A

- 25 _____ prospectus was issued in case securities were issued in stages
- A. Deemed
 - B. Shelf
 - C. Red herring
 - D. None of the above
- ANSWER: A
26. Alteration of objects clause of MOA of a company requires
- A. Special resolution
 - B. Approval of CLB
 - C. Ordinary resolution
 - D. Approval of ROC
- ANSWER: A
- 27 AOA is a
- A. Public document
 - B. Managerial document
 - C. Private document
 - D. Internal document
- ANSWER: D
- 28 Memorandum of association contains:
- A. The exact address of the registered office
 - B. The name of the state in which the company will have its registered office
 - C. The name of the country in which the company will have its registered office
- ANSWER: B
- 29 Memorandum of association governs the relationship of the company:
- A. With the outside world
 - B. With the shareholders
 - C. With other companies
 - D. of the above
- ANSWER: A
- 30 The association clause of a public company must be signed by:
- A. 10 persons
 - B. 12 persons
 - C. 7 persons
 - D. 5 persons
- ANSWER: C

- 31 Quorum should be present at the
A. Commencement of meeting
B. Middle of the meeting
C. End of the meeting
D. Any time during meeting.
ANSWER: D
- 32 Minutes should be recorded within _____ days from the date of conclusion of every meeting
A. 10
B. 20
C. 30
D. 40
ANSWER: C
- 33 Directors are _____ of the company
A. Employees
B. Employers
C. Both a) & b)
D. None of the above
ANSWER: A
- 34 Total managerial remuneration cannot exceed ____% of net profit
A. 11
B. 12
C. 13
D. 14
ANSWER: A
35. When a private company is converted into public company. In which form it should be
A. Schedule III
B. Schedule IV
C. Schedule VI
D. None of these
ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. Define a joint stock company.
2. Define Private company.
3. What is an 'Article of association'?
4. Discuss briefly various stages involved in formation of a company.
5. Who is a promoter? What are his functions?
6. "A certificate of incorporation is conclusive evidence that all the requirements of the companies act regarding registration of a company have been complied with". Explain.
7. Write short note on "Reduction of Share Capital".

8. What is the difference between MOA and AOA of a company?
9. Define prospectus and state its contents.
10. Prospectus is the face of the company. Do you agree?
11. Explain the legal requirements as to issue of a prospectus.
12. What is Red Herring Prospectus?
13. Write a note on the concept of book building.
14. Explain the rules related to the remuneration of directors in a company.
15. What are the requisites of a Valid Meeting?
16. Write a short note on “allotment of shares in fictitious names”?
17. What is irregular allotment?
18. What is “Return of Allotment”?
19. What is meant by “Minimum Subscription”?
20. Write a note on statutory meeting.
21. What are the requisites of a Valid Meeting?
22. Under what circumstances do special resolutions become necessary?
23. Briefly explain the statutory duties of Directors of a company.
24. State the different types of Directors.
25. Who can apply to the Company Law Board for relief in case of oppression or mismanagement?
26. Explain the object clause of Memorandum of Association.
27. Write a note on “Association not for Profit”.
28. What is a Government Company? Explain its special features.
29. How are the auditors of a company appointed?
30. Write short note on ‘statutory meeting’.

III LONG ANSWER TYPE QUESTIONS:

1. What is joint stock company? Distinguish between a public limited company and a private limited company.
2. Board of directors of private company decided to convert it into a public company. State the steps to be taken for such conversion in order to comply with the requirements under the Companies Act.
3. Enumerate the privileges available to a private company.
4. “A certificate of incorporation is a conclusive evidence that all the requirements of the Companies Act regarding registration of a company have been complied with”. Explain.
5. “The Memorandum of Associations is the charter of a company and defines the limitations on the powers of the company.”
6. Discuss the meaning, importance, and contents of Memorandum of Association.
7. Explain the law relating to alteration of objects clause in Memorandum of Association.
8. Explain the formalities involved in obtaining the Certificate of Incorporation. What are the consequences of such a certificate?
9. “Is it compulsory for every company to register Articles of Association?” Comment & discuss the restrictions on the alteration of Articles of Association.
10. Explain in detail the process of company’s formation.

11. Define a Prospectus. State its contents. Explain the consequences of omissions and mis-statements in a company's prospectus. Define a Prospectus. State its contents. Explain the consequences of omissions and mis-statements in a company's prospectus.
12. Explain the meaning of "Shelf Prospectus". State the law relating to Shelf Prospectus contained in Companies Act.
13. When is a public company entitled to proceed to allot its shares? What is an irregular allotment? What are the consequences of an irregular allotment?
14. Explain the provisions and main contents of "Return of Allotment" under the Companies Act.
15. What is meant by "Minimum Subscription"? State the provisions of the Companies Act, regarding the refund and deposit of minimum subscription.
16. What is share? What different classes of shares a Joint Stock Company may issue?
17. Explain the statutory provisions regarding the holding of an Annual General Meeting. What business is transacted at such a meeting?
18. "One person alone cannot hold a meeting" Explain.
19. Explain in detail the Types of meetings conducted by the companies. How are the MOM recorded?
20. How are the directors of a public company appointed? How are they removed. When is the office of a director of a public company deemed to be vacated? Discuss the qualifications of the directors.
21. Distinguish between:
 - (a) Managing Director and Whole-time director
 - (b) Manager and Managing Director
22. Explain the provisions of the Companies Act, regarding appointment of directors by the Board of Directors.
23. What are the modes in which a director of a company can be appointed.
24. Discuss the powers of the Company Law Tribunal to prevent oppression and mismanagement of a company.
25. "Majority will have its way but the minority must be allowed to have its say." Discuss the above proposition with reference to prevention of oppression and mismanagement in a company.
26. Write short notes on the following:
 - (a) Remuneration of Promoters,
 - (b) Provisional Contracts,
 - (c) Pre-incorporation Contracts
 - (d) Certificate of Incorporation
27. Discuss the provisions related to the appointment of Directors of a company and their role vis-à-vis the company and shareholders. **(June 2018)**
28. Explain the contents of Memorandum of Association (MOA) and its significance under the "doctrine of ultravires" **(June 2018)**
29. Write notes on: **(June 2018)**
 - (a) Prospectus
 - (b) Share Capital
 - (c) Statutory Meeting
 - (d) Preference Shares

30. Briefly discuss the provisions related to formation of one-person company under Companies Act, 2013.

UNIT - IV

I MULTIPLE CHOICE QUESTIONS:

1. The Negotiable Instruments Act, 1881 applies to
- A. The whole of India
 - B. The whole of India except the State of Jammu and Kashmir
 - C. Those states as notified by the Union Government from time to time in the Official Gazette
 - D. The whole of India except the State of Jammu and Kashmir and the North- Eastern States.

ANSWER: B

- 2.. The Negotiable Instruments Act, 1881 came into force on
- A. 9th December 1881
 - B. 19th December 1881
 - C. 1st March 1882
 - D. none of the above.

ANSWER: A

3. The undertaking contained in a promissory note, to pay a certain sum of money is
- A. Conditional
 - B. Unconditional
 - C. May be conditional or unconditional depending upon the circumstances
 - D. None of the above.

ANSWER: B

4. A bill of exchange contains a/an
- A. Unconditional undertaking
 - B. Unconditional order
 - C. Conditional undertaking
 - D. Conditional order.

ANSWER: A

5. Cheque is a
- A. Promissory note
 - B. Bill of exchange
 - C. Both (a) and (b) above
 - D. None of the above.

ANSWER: D

6. The term 'negotiation' in section 14 of the Negotiable Instruments Act, 1881 refers to
- A. The transfer of a bill of exchange, promissory note or cheque to any person, so as to constitute the person the holder thereof

- B. The payment by a bank on a negotiable instrument after due verification of the instrument
- C. The bargaining between the parties to a negotiable instrument
- D. All of the above.

ANSWER: A

7. If an instrument may be construed either as a promissory note or bill of exchange, it is
- A. A valid instrument
 - B. An ambiguous instrument
 - C. A returnable instrument
 - D. None of the above.

ANSWER: A

8. If in an instrument the amount undertaken or ordered to be paid is stated differently in figures and in words
- A. The instrument is void due to uncertainty
 - B. The amount stated in figure shall be the amount undertaken or ordered to be paid
 - C. The amount stated in words shall be the amount undertaken or ordered to be paid
 - D. None of the above.

ANSWER: A

9. Under section 16 of the Negotiable Instrument Act, 'indorsement in blank' of an instrument means
- A. Where the indorser does not write anything on the instrument
 - B. Where the indorser signs his name only on the instrument
 - C. Where the indorser writes the name of the person who is directed to pay
 - D. None of the above.

ANSWER: A

10. 'At sight' under section 21 of the Negotiable Instrument Act, 1881, means
- A. On presentation
 - B. On demand
 - C. On coming into vision
 - D. None of the above.

ANSWER: A

11. A promissory note or bill of exchange which is not expressed to be payable on demand, at sight or on presentment is at maturity
- A. On the 30th day after the day on which it is expressed to be payable
 - B. On the 3rd day after the day on which it is expressed to be payable
 - C. On the 5th day after the day on which it is expressed to be payable
 - D. On the 4th day after the day on which it is expressed to be payable.

ANSWER: D

12. In a promissory note, the amount of money payable
- A. Must be certain
 - B. May be certain or uncertain
 - C. Is usually uncertain
 - D. None of the above.
- ANSWER: A
13. A bill is drawn payable to 'A' or order. 'A' indorses it to 'B', the indorsement not containing the words "or order" or any equivalent words. Can 'B' negotiate the instrument?
- A. Yes
 - B. No
 - C. Not always
 - D. None of the above.
- ANSWER: A
14. Can the holder of a negotiable instrument indorsed in blank convert the indorsement into an indorsement in full?
- A. No, such a conversion is not possible under the Negotiable Instruments Act, 1881 (Section 49)
 - B. Yes, the holder can, without signing his own name, and by writing above the indorser's signature a direction to pay to any other person as indorsee, convert the indorsement in blank into an indorsement in full (Section 49)
 - C. Yes, the holder can by signing his own name and by writing above the indorser's signature a direction to pay to any other person as indorsee, convert the indorsement in blank to an indorsement in full (Section 49)
 - D. None of the above.
- ANSWER: C
15. In determining reasonable time for the purpose of payment of a negotiable instrument
- A. Public holidays are included
 - B. Public holidays are excluded
 - C. Only the holidays observed by the banks are excluded
 - D. None of the above.
- ANSWER: B
16. To whom of the following, payment of the amount due on a promissory note, bill of exchange or cheque must be made in order to discharge the maker or acceptor
- A. Holder of the instrument
 - B. Indorser of the instrument
 - C. Indorsee of the instrument
 - D. None of the above.
- ANSWER: A

17. When a cheque bears across its face an addition of the name of a banker, either with or without the words not negotiable, the cheque is considered to have been crossed
- A. Specially
 - B. Generally
 - C. Normally
 - D. Either a or b or c

ANSWER: A

18. When an endorser willing to transfer to an endorsee only a part of the amount of the instrument, then it is which type of endorsement?
- A. Restrictive endorsement
 - B. Conditional endorsement
 - C. Special endorsement
 - D. Partial endorsement

ANSWER: D

19. If a cheque is refused by the State Bank of India (SBI) due to inadequacy of funds for the cheque to clear, then it is said to be
- A. Bounced cheque
 - B. Cancelled cheque
 - C. Either a or b
 - D. Both a and b

ANSWER: A

20. If the words "not negotiable" are used with special crossing in a cheque, the cheque is
- A. Not transferable
 - B. Transferable
 - C. Negotiable under certain circumstances
 - D. None of the above

ANSWER: B

21. Crossing of a cheque effect the
- A. Negotiability of the cheque
 - B. Mode of payment on the cheque
 - C. Both (a) and (b)
 - D. None of the above

ANSWER: C

22. Who among the following cannot cross a cheque?
- A. Drawer
 - B. Holder
 - C. Banker
 - D. Foreigner.

ANSWER: B

23. For the purpose of attracting the provisions of section 138 of the Negotiable Instruments Act, 1881, a cheque has to be presented to the bank
- A. Within a period of six months
 - B. Within a period of six months from the date on which it is drawn or within the period of its validity, whichever is earlier
 - C. Within a period of 15 days from the date on which it is drawn
 - D. None of the above.

ANSWER: B

24. A protest is made by
- A. The drawer
 - B. The indorser
 - C. A notary
 - D. None of the above.

ANSWER: C

25. Crossing of a cheque effect the
- A. Negotiability of the cheque
 - B. Mode of payment on the cheque
 - C. Both (a) and (b)
 - D. None of the above.

ANSWER: B

26. The indorser is excluded from his liability for dishonour of instrument towards his subsequent holder in case of
- A. Sans Recourse Endorsement
 - B. Facultative Endorsement
 - C. Sans Frais Endorsement
 - D. None of the above.

ANSWER: B

27. Acceptor for honour can be a party to
- A. A cheque
 - B. A bill of exchange
 - C. A promissory note
 - D. A hundi

ANSWER: B

28. Both noting and protest are compulsory in case of
- A. Foreign Bills
 - B. Inland Bills
 - C. Foreign as well as Inland Bills
 - D. None of them

ANSWER: C

29. Notice of dishonour must be given
- A. To the drawer and drawee only
 - B. To the drawer, acceptor and endorser(s) only
 - C. To all the parties liable on the instrument or to their duly authorized agent
 - D. To all the parties who are secondarily liable on the instrument or to their duly authorized agent

ANSWER: D

30. Presentation is required for
- A. Acceptance
 - B. Sight
 - C. Payment
 - D. Any of the above three purposes

ANSWER: D

31. A minor cannot be a _____ of the instrument
- A. Drawer
 - B. Drawee
 - C. Payee
 - D. Acceptor

ANSWER: C

32. Presentment of an acceptance is required in case of
- A. Every Bill of exchange
 - B. Every Bill of exchange payable after sight
 - C. Every promissory note
 - D. Every cheque

ANSWER: C

33. In case of insolvency of a drawee, a bill should be presented for acceptance to the
- A. Official receiver
 - B. Acceptor for honour
 - C. Drawee in case of need

ANSWER: A

34. A drawee is need to be given a deliberation of
- A. 24 hrs
 - B. 48 hrs
 - C. 72hrs
 - D. 10 days

ANSWER: B

II SHORT ANSWER TYPE QUESTIONS:

1. Enumerate the essential characteristics of negotiable instruments.
2. Define holder, enumerate the privileges of a holder in due course.

3. Illustrate the meaning of full endorsement.
4. Differentiate between Negotiation and Assignment.
5. What do you mean by maturity of a negotiable instrument?
6. Define Promissory notes. What are essentials? What is difference from B/E?
7. What is cheque?
8. Dishonoured cheque is not to be treated as an offence. Comment.
9. Distinguish between “dishonour by non-acceptance” and dishonour by non-payment”.
10. What are the consequences of dishonour of a cheque?
11. Discuss the significance of “Crossing of Cheque”?
12. When must the banker refuse payment of a cheque?
13. Write short note on “Forged endorsement”.
14. What is the effect of cancellation of endorsement by the holder?
15. Define opening of a crossed cheque.
16. Define restrictive crossing.
17. Distinguish between Account Payee Crossing and Not Negotiable Crossing.
18. Describe Not Negotiable Crossing.
19. What is negotiations?
20. What is meant by “Negotiation back”?
21. State different kinds of endorsement.
22. Who is an acceptor for honour?
23. What do you mean by “payment in due course”?
24. What do you understand by acceptance of a bill of exchange?
25. Who are the persons who can accept a bill of exchange?
26. Write a short note on Time and Place for Presentment of Negotiable Instrument
27. Write a note on Noting and protesting in case of Dishonour of Negotiable Instrument
28. Explain ‘presentment for sight’.
29. When is notice of dishonour not necessary under the Negotiable Instruments Act, 1881?
30. What is meant by noting? What are its contents?
31. Briefly discuss various types of Crossing of Cheques (**June 2018**)

III LONG ANSWER TYPE QUESTIONS:

1. What do you understand by ‘Negotiable Instrument’? What are its essential characteristics? Mention the presumptions made in respect of a negotiable instrument?
2. Define a Bill of Exchange. How does it differ from a Promissory Note, a cheque and a Demand Draft? Can a cheque be accepted like a Bill of Exchange?
3. What is a “Promissory Note” and what are its elements? Can maker of a promissory note himself be the payee?
4. Explain the meaning of Crossing of cheque. Discuss its types in detail.
5. Define "Holder in due course ' and privileges available to him.
6. What is meant by maturity of a Bill of Exchange or Promissory Note? Calculate the date of maturity of the following bills of exchange explaining the relevant rules relating to determination of the date of maturity as provided in the Negotiable Instruments Act, 1881:
 - (i) A Bill of Exchange dated 31st August 2007 is made payable three months after date.

- (ii) A Bill of Exchange drawn on 15th October 2007 is payable twenty days after sight and the bill is presented for acceptance on 31st October 2007.
7. Point out the difference between a “Cheque” and a “Bill of Exchange” under the Negotiable Instruments Act, 1881.
 8. “Every holder-in-due course is a holder, but every holder may not be a holder-in-due course.” Examine.
 9. Who are the important parties to a negotiable instrument? What do you know of their capacities to make, draw, accept, indorse or negotiate such instruments?
 10. Explain and illustrate different kinds of endorsement.
 11. What is meant by “noting”? What are its contents?
 12. When is a cheque said to be crossed? Distinguish between general crossing and special crossing.
 13. Explain “Payment of crossed cheque cannot be collected across the counter.”
 14. Discuss the rules regarding negotiation of a lost instrument, an instrument obtained for an unlawful consideration and an overdue instrument.
 15. Once a bearer instrument, always a bearer instrument.” Comment.
 16. What is negotiation? State the difference between negotiation and assignment.
 17. “A partial indorsement does not operate as a negotiation of the instrument.” Comment. Explain and illustrate the various classes of indorsements.
 18. Can the defence that one of the indorsements is forged be raised against a “holder un due course” by (a) the acceptor or (b) an indorser?
 19. Explain the liability of an indorser.
 20. Under the Negotiable Instrument Act, explain the rights and obligations of a person:
 - (i) Who is a finder of a lost instrument by unlawful?
 - (ii) Who has obtained an instrument by unlawful means or unlawful consideration.
 21. Explain:
 - (i) Conditional endorsement on negotiable instrument is invalid.
 - (ii) What do you mean by negotiation and assignment.
 22. What is an endorsement in relation to a bill of exchange? Explain the various types of such endorsements.
 23. “A cheque marked “not negotiable” is nevertheless negotiable.” Comment.
 24. “The banker is liable for wrongful dishonour of a cheque to the drawer only and not to the payee”. Comment.
 25. Explain as to why shall the combination of “not negotiable” with “Account payee” crossing be considered as the safest form of crossing a cheque.
 26. What is a bill of exchange? What are its essential elements? How does it differ from promissory note? (June 2014)
 27. Discuss the responsibilities and the liabilities of bankers in matters related to bouncing of cheques (June 2016)
 28. The right of a holder in due course are superior to the rights of a holder. Elucidate. (June 2018)
 29. Explain different types of Negotiable Instruments and discuss the characteristics of each type of negotiable instrument. (June 2018)
 30. What is meant by ‘dishonour’ of a negotiable instrument? State the penalty for dishonour of a cheque for insufficiency of funds to the credit of the account of the drawer.

QUESTION BANK

MARKETING MANAGEMENT

BBA - 203

QUESTION BANK
MARKETING MANAGEMENT – BBA 203
BBA-III

UNIT – I

I MULTIPLE CHOICE QUESTIONS:

1. The most formal definition of marketing is _____.
- A. Meeting needs profitably
 - B. Identifying and meeting human and social needs
 - C. The four Ps (product, price, place, promotion)
 - D. An organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.
 - E. Improving the quality of life for consumers

ANSWER: D

2. _____ takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.
- A. Marketing management
 - B. Forecasting
 - C. Segmentation
 - D. Targeting
 - E. Distribution

ANSWER: A

3. Marketing management is _____.
- A. Managing the marketing process
 - B. Monitoring the profitability of the company's products and services
 - C. Selecting target markets
 - D. Developing marketing strategies to move the company forward
 - E. The art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value

ANSWER: E

4. The _____ is a tool for identifying ways to create more customer value.
- A. Value chain
 - B. Customer survey
 - C. Brand loyalty index
 - D. Promotion channel
 - E. Supplier database

ANSWER: A

5. The _____ household consists of a husband, wife, and children (and sometimes grandparents).
- A. "Traditional"
 - B. "Extended"
 - C. "Diversity"
 - D. "Modern"
 - E. "Revised"
- ANSWER: A

6. Consumer expenditures are affected by _____.
- A. Savings
 - B. Debt
 - C. Credit availability
 - D. All of the above
 - E. None of the above
- ANSWER: D

7. Michael Porter has identified five forces that determine the intrinsic long-run attractiveness of a market or market segment. Which of the following would NOT be among Porter's five forces?
- A. Industry competitors
 - B. Technological partners
 - C. Substitutes
 - D. Buyers
 - E. Potential entrants
- ANSWER: B

8. Which of the following would be the best illustration of a subculture?
- A. A religion
 - B. A group of close friends
 - C. Your university
 - D. A fraternity or sorority
 - E. Your occupation
- ANSWER: A

9. In _____ marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers.
- A. Group
 - B. Mass
 - C. General
 - D. Segmented
 - E. Differentiated
- ANSWER: B

10. A housewife requests a new treadmill for her birthday. With respect to consumer decision roles, which role is the housewife currently playing?
- A. Initiator
 - B. Influencer
 - C. Decider
 - D. Buyer
 - E. Gatekeeper
- ANSWER: A
11. The marketing mix consists of; -
- A. Product, physical evidence, place, process
 - B. Process, price, place, packaging
 - C. People, process, place, promotion
 - D. Product, place, promotion, place
- ANSWER: D
12. Increasing the features and quality you offer is a decision made by which marketing mix?
- A. Product
 - B. Price
 - C. Promotion
 - D. Place
- ANSWER: A
13. Design is a _____ decision
- A. Product
 - B. Price
 - C. Promotion
 - D. Place
- ANSWER: A
14. Giving retailer an incentive to sell your product/service is the responsibility of which marketing mix?
- A. Product
 - B. Price
 - C. Promotion
 - D. Place
- ANSWER: D
15. Public Relations is managed by which marketing mix?
- A. Product
 - B. Price
 - C. Promotion
 - D. Place
- ANSWER: C

16. Branding is a _____ decision

- A. Product
- B. Price
- C. Promotion
- D. Place

ANSWER: A

17. Which one of the 4Ps is responsible for direct mail?

- A. Product
- B. Price
- C. Promotion
- D. Place

ANSWER: C

18. The term "marketing mix" describes:

- A. A composite analysis of all environmental factors inside and outside the firm
- B. A series of business decisions that aid in selling a product
- C. The relationship between a firm's marketing strengths and its business weaknesses
- D. A blending of four strategic elements to satisfy specific target markets

ANSWER: D

19. Newsletters, catalogues, and invitations to organization-sponsored events are most closely associated with the marketing mix activity of:

- A. Pricing
- B. Distribution
- C. Product development
- D. Promotion

ANSWER: D

20. The way in which the product is delivered to meet the customer's need refers to: -

- A. New product concepts
- B. Selling
- C. Advertising
- D. Place or distribution decisions

ANSWER: D

21. Which of the following environments examines institutions and other forces that affect society's basic values, perceptions, preferences, and behaviors?

- A. Cultural
- B. Demographic
- C. Economic
- D. Technological

ANSWER: A

22. Which of the following is NOT part of the external marketing environment?
- A. Political
 - B. Legal
 - C. Product
 - D. Socio-cultural
- ANSWER: C
23. A firm has decided to alter its pricing and promotional strategies in response to slower than expected job growth and declining personal incomes. The firm is responding to changes in its:
- A. Socio-cultural environment
 - B. Political environment
 - C. Economic environment
 - D. Competitive environment
- ANSWER: C
24. Robert is a marketer for a global consumer products company. He is working on the promotional campaign designed to reach a target audience in a new international market. Robert is working hard to make sure that the promotional campaign is clearly understood by the nation's consumers and doesn't offend anyone. Which of the factors in the external environment is he being influenced by?
- A. Socio-cultural environment
 - B. Competitive environment
 - C. Economic environment
 - D. Legal environment
- ANSWER: A
25. The process of collecting information about the external marketing environment is
- A. Environmental management
 - B. Environmental scanning
 - C. Marketing management
 - D. Marketing research
- ANSWER: B
26. The orange juice manufacturers know that orange juice is most often consumed in the mornings. However, they would like to change this and make the drink acceptable for other time periods during the day. Which form of segmentation would they need to work with to establish a strategy reflective of their desires?
- A. gender segmentation
 - B. benefit segmentation
 - C. occasion segmentation
 - D. age and life-cycle segmentation
- ANSWER: C

27. When companies market products on the basis of what the product's attributes will do for a given segment of consumers, they are using a powerful form of behavioral segmentation known as:
- A. occasion segmentation.
 - B. benefit segmentation.
 - C. user status segmentation.
 - D. usage rate segmentation.
- ANSWER: B
28. All of the following are major variables that can be used to segment business markets EXCEPT:
- A. operating characteristics.
 - B. psychographics.
 - C. demographics.
 - D. situational factors.
- ANSWER: B
29. _____ is forming segments of consumers who have similar needs and buying behavior even though they are located in different countries.
- A. External segmentation
 - B. International segmentation
 - C. Intermarket segmentation
 - D. Enriched segmentation
- ANSWER: C
30. When Mercedes-Benz targets the world's well-to-do, regardless of their country, they are most likely following a segmentation strategy called:
- A. external segmentation.
 - B. international segmentation.
 - C. enriched segmentation.
 - D. intermarket segmentation.
- ANSWER: D
31. Knowing the size, purchasing power, and profiles of a market segment are all part of which of the following characteristics?
- A. substantiality
 - B. measurability
 - C. action ability
 - D. accessibility
- ANSWER: B
32. The markets in which the market offerings are bought from sellers for reselling purpose are known as
- A. Business markets
 - B. Reseller markets
 - C. Government markets

D. International markets

ANSWER: B

33. In macro environment, the 'pressure groups' and 'government agencies' are part of

- A. the cultural environment
- B. the demographic environment
- C. the economic environment
- D. the political environment

ANSWER: D

34. A company's microenvironment, the 'general publics' consists of

- A. Minority groups
- B. Stockholders
- C. Community organizations
- D. Public image

ANSWER: D

35. A company's microenvironment does not include

- A. The company
- B. The marketing intermediaries
- C. Demographic forces
- D. The organization's suppliers

ANSWER: C

36. The major segmentation variables for consumer markets, refers to which of the following?

- A. Geographic, density, psychographic, behavioral
- B. Gender, demographic, psychographic, lifestyle
- C. Geographic, demographic, psychographic, behavioral
- D. None of the above

ANSWER: C

37. Packaging is a _____ decision

- A. Product
- B. Price
- C. Promotion
- D. Place

ANSWER: A

38. The term "marketing mix" describes:

- A. A composite analysis of all environmental factors inside and outside the firm
- B. A series of business decisions that aid in selling a product
- C. The relationship between a firm's marketing strengths and its business weaknesses
- D. A blending of four strategic elements to satisfy specific target markets

ANSWER: D

39. Targeting affluent customers with luxurious goods is an example of
- A. Geographic segmentation
 - B. Income segmentation
 - C. Psychographic segmentation
 - D. Behavioral segmentation
- ANSWER: D
40. Increasing the features and quality you offer is a decision made by which marketing mix?
- A. Product
 - B. Price
 - C. Promotion
 - D. Place
- ANSWER: A
41. Giving retailer an incentive to sell your product/service is the responsibility of which marketing mix?
- A. Product
 - B. Price
 - C. Promotion
 - D. Place
- ANSWER: D
42. The way in which the product is delivered to meet the customer's need refers to: -
- A. New product concepts
 - B. Selling
 - C. Advertising
 - D. Distribution decisions
- ANSWER: C
43. Which of the following environments examines institutions and other forces that affect society's basic values, perceptions, preferences, and behaviors?
- A. Cultural
 - B. Demographic
 - C. Economic
 - D. Technological
- ANSWER: D
44. Consumer behavior is a term that refers to
- A. Organizational and institutional buying behavior
 - B. Organizational and consumer buying behavior
 - C. Commercial and government buying behavior
 - D. Individual and/or household buying behavior
- ANSWER: D

45. When a company distributes its products through a channel structure that includes one or more resellers, this is known as _____.
- A. indirect marketing
 - B. direct marketing
 - C. multi-level marketing
 - D. integrated marketing

ANSWER:

46. The process of selecting the segments to serve by offering product is referred as
- A. Market segmentation
 - B. Targeting
 - C. Marketing
 - D. Both a and b

ANSWER:

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

II. SHORT ANSWER TYPE QUESTIONS:

1. State the nature of marketing. How does marketing satisfy the wants of people?
2. “The present-day marketing is consumer-oriented” Explain this statement with the help of suitable examples
3. What do you mean by marketing management? Explain its objectives.
4. How does marketing affect the lives of people? Explain with reference to various utilities created by marketing.
5. Distinguish between marketing concept and selling concept.
6. Illustrate the implementation of marketing concept by modern business organizations.
7. What is “Morph” marketing?
8. Write a brief note on ‘augmented’ marketing.
9. Discuss how demographic and economic environment are relevant to a marketer.
10. Explain the impact of (i) Demography and (ii) Social and cultural environment on marketing management.
11. What do you understand by premium segment marketing?
12. How should marketers respond to the changing environment?
13. Name and describe the elements of the company’s micro-environment?
14. Compare business and consumer market?
15. Explain how marketers can segment international market?
16. Explain the major features of the marketing concept.
17. Describe the characteristics of Industrial markets.
18. Describe the different levels of a product using an example to illustrate.
19. Describe the elements of a promotion mix.
20. Explain the factors to be considered in channel design.
21. Describe the advantages of direct marketing.

22. What are segmentation challenges in B2B market?
23. Can we communicate our unique brand position in a way that is understandable and compelling to our consumers?
24. Differentiate between the following:
 - (a) Points of parity and Point of difference association
 - (b) Product specialization and Market specialization
25. What are the various patterns of target market selection?
26. Distinguish between Target return pricing and promotional pricing
27. Discuss the role of segmentation, targeting and positioning
28. Identify the stages of the adoption process and explain the importance of different adopter categories in the marketing of products and services.
29. Prepare a report advising one of your clients on the sections to be included in a typical marketing plan and describe the information to be included in EACH section of the plan.
30. Distinguishing between marketing concept and selling concept
31. Distinguish between Market segmentation and Targeting
32. State the nature of marketing. How does marketing satisfy the wants of people?
33. How should marketers respond to the changing technical environment?
34. Describe the important characteristics of Industrial markets.
35. Describe the different levels of a product using an example to illustrate.

III LONG ANSWER TYPE QUESTIONS:

1. What is marketing? What environmental forces have led to the growth of different forms of marketing in today's world?
2. Which orientation to marketing do you find more relevant social or management? Support your answer with suitable justification.
3. Explain the origin and development of the marketing concepts.
4. Explain the importance and scope of marketing in today's competitive environment.
5. Throw some light on the challenges involved in marketing of goods and services in today's context.
6. Elaborate the concept of Marketing Mix. Is 4 Ps of marketing complete? Comment.
7. What do you mean by marketing environment? How can the external environment be studied?
8. What do you mean by Value chain analysis? How is it done?
9. What is SWOT analysis?
10. "In today's turbulent business environment competitive intelligence is a hygiene factor". In view of this statement explain why the study of competitive environment is important.
11. Write short notes on:
 - a. PEST analysis
 - b. SWOT analysis
 - c. Five force model
12. Why is an understanding of a consumer's buyer behavior such an important issue? Discuss using an example. What are the factors that influence consumer buying behavior?
13. What factors affect buying decision making process in industrial buying? Also explain the process of industrial buying.

14. How can an understanding of consumer behavior be useful in developing marketing strategies? Give concrete examples. List and briefly describe each of the stages of the consumer decision making process.
15. Describe various participants of consumer buying process.
16. What is market demand? What do you mean by market measurement? What tools can be used for the same. What is the importance of estimating market demand?
17. What is segmentation? What are the characteristics of effective segmentation?
18. What do you mean by targeting and positioning of a product? What strategies can be used for the same? Also explain some common positioning errors.
19. What are the bases for segmentation? Explain your answer with suitable examples.
20. What do you mean by targeting? What are strategies for targeting a market?
21. Write an explanatory note on market segmentation selection.
22. "With products being differentiated, more and more markets are certain to become increasingly segmented." Discuss this statement and outline the benefits of market segmentation.
23. "Pricing and promotion are integral elements of marketing-mix of a firm". Comment.
24. Explain the concept and scope of expanded marketing-mix.
25. "Marketing is the performance of business activities that direct the flow of goods and services from producer to users or consumers". Explain this statement in the light of importance of marketing.
26. As an independent marketing consultant you have been asked by one of your clients to describe the benefits to be derived from an effective marketing control system. What information would you provide to your client?
27. Marketing orientated organizations operate within a number of environments that can affect, directly or indirectly, their operations. Identify the main business environments and explain their likely impact on the marketing operations of a company.
28. Classify and discuss the main influences on consumer buying behavior and explain how marketing management can respond to these influences.
29. As a senior marketing consultant you have been asked to prepare a presentation highlighting the key activities associated with the following: a) Differentiated marketing strategy b) Undifferentiated marketing strategy c) Concentrated marketing strategy
30. As an independent marketing consultant, you have been asked to prepare a report explaining the differences between demographic, geographic and psychographic segmentation and to identify the conditions to effective market segmentation. What information would you include in your report?
31. What do you mean by targeting? What are strategies for targeting a market?
32. "Pricing and promotion are integral elements of marketing-mix of a firm". Comment
33. Name and describe the types of consumer buying behavior. Which one you are most likely use if deciding on a laptop computer purchase and which for picking a restaurant for dinner?
35. What are the objectives of promotion of goods and services? Discuss the elements of promotion

UNIT – II

I MULTIPLE CHOICE QUESTIONS:

1. The customer will judge the offering by three basic elements: _____, services mix and quality, and price.
- A. Performance
 - B. Salespeople
 - C. Price
 - D. Product features and quality
 - E. None of the above

ANSWER: D

2. The five product levels constitute a _____. At each level more customer value is added.
- A. Customer-augmented product
 - B. Customer consumption system
 - C. Customer value-hierarchy
 - D. Customer-perceived value
 - E. Customer hierarchy

ANSWER: C

3. Marketers have traditionally classified products on the basis of three characteristics: _____, tangibility, and use.
- A. Customer value hierarchy
 - B. Expected
 - C. Augmented
 - D. Durability
 - E. None of the above

ANSWER: D

4. The _____ of a product mix refers to how many variants are offered of each product in the line.
- A. Width
 - B. Length
 - C. Depth
 - D. Consistency
 - E. Height

ANSWER: C

5. The _____ of the product mix refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.
- A. Consistency
 - B. Depth
 - C. Width
 - D. Length

E. Composition

ANSWER: A

6. The definition of _____ prices is: In considering an observed price, consumers often compare it to an internal memory reference price or an external frame of reference (such as a posted “regular retail price”).
- A. Historical
 - B. Reference
 - C. Promotional
 - D. Everyday low price
 - E. None of the above

ANSWER: B

7. Pricing cues such as sale signs and prices that end in 9 become more influential when _____.
- A. Consumer price knowledge is poor
 - B. Items are purchased frequently
 - C. Items have been on the market a long time
 - D. Prices are consistent year-round
 - E. They are employed frequently

ANSWER: A

8. In market-penetration pricing, the company’s objective is to _____, believing that higher sales volume will lead to lower unit costs and higher long-run profits.
- A. Block competitive launches
 - B. Maximize their market share
 - C. Minimize their market share
 - D. Maximize volume
 - E. None of the above

ANSWER: B

9. To maximize market share, a firm may use _____ pricing, which is based on the theory that as sales volume increases, unit costs will decrease.
- A. Market-penetration
 - B. Market-skimming
 - C. Value pricing
 - D. Demand pricing
 - E. Price bands

ANSWER: A

10. Consumers _____ low-cost products or items they buy infrequently.
- A. Prefer the lowest total cost of ownership of
 - B. Remember prices of
 - C. Are ambivalent to prices of
 - D. Are more price sensitive to
 - E. Are less price sensitive to
- ANSWER: E
11. Sigma-Sunco has decided to introduce its new sunscreen eye drops in a limited market consisting of only two cities and closely monitor the reactions of potential customers to the product and marketing program. This is called
- A. Diffusion analysis
 - B. Use test
 - C. Concept test
 - D. Test marketing
 - E. Laboratory test.
- ANSWER: D
12. At the *Melting Moments*, an ice cream parlour, customers place their orders, watch their ice-cream sundaes being prepared, and then quickly eat the sundaes in the store before the ice cream melts. This is an example of a characteristic of services known as
- A. Inseparability
 - B. Intangibility
 - C. Heterogeneity
 - D. Perishability
 - E. Dependency
- ANSWER: D
13. Raw materials such as forest and food are termed as a.
- A. Infinite resources
 - B. Finite resources
 - C. Finite renewable resources
 - D. Finite non renewable resources
 - E. All of the above
- ANSWER: C
14. In a recent research study initiated by Tel-E-Fone Telecommunications, survey calls were made to a randomly selected group in which every member has an equal chance of selection. This type of sample selection is called
- A. Probability sample
 - B. Convenience sample
 - C. Judgment sample
 - D. Quota sample
 - E. Area sample
- ANSWER: A

15. Which of the following is not one of the problems typically associated with secondary data?
- A. It is too expensive to obtain
 - B. It may not be current
 - C. It may not exist
 - D. It may not be impartial
 - E. It may not be reliable.
- ANSWER: A

16. Primary data can be collected through all the four ways except –
- A. Observation
 - B. Surveys
 - C. Focus group
 - D. Chatting
 - E. Experiments
- ANSWER: D

17. The research instruments that a marketing researcher can make use of area.
- A. Questionnaires, Qualitative measure and mechanical devices
 - B. Questionnaires, experimental research and behavioral data
 - C. Questionnaires, qualitative measure and experimental research
 - D. Qualitative measure, Experimental research and survey research
 - E. Experimental research, behavioral data and mechanical devices.
- ANSWER: A

18. Intercept interviews involves
- A. Asking questions and recording observations
 - B. Seeking an appointment from respondents and paying some incentive for being interviewed.
 - C. Stopping people at a shopping mall and requesting an interview.
 - D. Calling up people and requesting an interview
 - E. Sending online questionnaire and asking respondents to fill
- ANSWER: C

19. If Wrigley's makes all the world's bubble gum but sells it through middlemen who market under individual store brands, Wrigley's is utilizing which type of brand-sponsorship?
- A. Manufacturer's brand
 - B. Slotting brand
 - C. Private brand
 - D. Licensed brand
 - E. Dealer brand.
- ANSWER: C

20. Which of the following is not one of the major steps involved in the marketing research process?
- A. Defining the problem and research objectives
 - B. Developing the research plan
 - C. Collecting and tabulating data
 - D. Establishing a marketing information system
 - E. Interpreting and reporting the findings.
- ANSWER: D
21. Ellen decided to conduct an experiment in her mall's car park to see if shoppers would respond to a lower parking price to park in some of the under-utilized sections of the car park. Which of the following types of market research Ellen is using?
- A. Exploratory
 - B. Causal
 - C. Descriptive
 - D. Investigative
 - E. Behavioral
- ANSWER: B
22. Whenever a new product eliminates another product because of its improvements, such as CDs to Cassettes, this phenomenon is referred as
- A. Improvements
 - B. Creative destruction
 - C. Creative construction
 - D. Improvement destruction
 - E. Creative innovation.
- ANSWER: B
23. Sigma-Sunco has decided to introduce its new sunscreen eye drops in a limited market consisting of only two cities and closely monitor the reactions of potential customers to the product and marketing program. This is called
- A. Diffusion analysis
 - B. Use test
 - C. Concept test
 - D. Test marketing
 - E. Laboratory test.
- ANSWER: D
24. Which of the following stages is not included in AIDAS theory?
- A. Gaining interest
 - B. Evaluation
 - C. Securing attention
 - D. Inducing action
 - E. Building satisfaction.
- ANSWER: B

25. Which of the following see(s) the product, in a commodity market as very important and demand the deepest discount and the highest service?
- A. Bargain hunters
 - B. Programmed buyers
 - C. Relationship buyers
 - D. Transaction buyers
 - E. Gatekeepers.
- ANSWER: A
26. A specialty product is _____ intensively distributed than a shopping product
- A. More
 - B. Less
 - C. Somewhat more
 - D. Substantially more
- ANSWER: B
27. The demand for a product is _____ when price cut causes revenue to increase.
- A. Income elastic
 - B. Price elastic
 - C. Cross elastic
 - D. None of the above
- ANSWER: B
28. Carrying the line of only one manufacturer is known as
- A. Exclusive assortment
 - B. Open bid
 - C. Negotiated contract
 - D. Deep assortment
- ANSWER: A
29. When the market is run by a small number of firms that together control the majority of market share is known as
- A. Oligopoly
 - B. Monopoly
 - C. Oligopsony
 - D. Perfect competition
- ANSWER: A
30. In marketing, _____ is the focal point.
- A. Profit
 - B. Sales
 - C. Customer
 - D. All of the above
- ANSWER: C

- 31 The brand choice is heavily influenced by reference group in which stage of Product life cycle?
A. Introduction
B. Growth
C. Maturity
D. Decline
ANSWER: C
- 32 The major components of marketing mix are
A. Product
B. Price
C. Place
D. All of the above
ANSWER: D
- 33 Marketers operate in which marketplaces:
A. Consumer and business
B. Global and non-profit
C. a & b both
D. None of the above
ANSWER: C
- 34 Better products, Better value, Better living"• is the mission statement of which company:
A. VICCO
B. HUL
C. P&G
D. NIRMA
ANSWER: D
- 35 Marketing people market following entities:
A. Goods
B. Services
C. Experiences
D. All of the above
ANSWER: D
- 36 Which of the following is not one of the major “product” variable decisions to be made by a retailer?
A. Target market selection
B. Product assortment decision
C. Merchandising
D. Store atmosphere decision
ANSWER: A

- 37 The pricing strategy in which prices are set lower to actual price to trigger short term sales is classified as
- A. promotional pricing
 - B. short term pricing
 - C. quick pricing
 - D. cyclical pricing
- ANSWER: A
- 38 The major sources of ideas for product development comes from
- A. internal sources
 - B. external sources
 - C. product lines extension
 - D. both a and b
- ANSWER: D
- 39 _____ is the only element of the marketing mix that produces revenue.
- A. Product
 - B. Price
 - C. Place (distribution)
 - D. Promotion
- ANSWER: B
- 40 Marketing chewable vitamins for children and a different version for adults is an example of
- A. Geographic segmentation
 - B. Psychographic segmentation
 - C. Regional segmentation
 - D. Age and life-cycle segmentation
- ANSWER: D
41. A firm that bases its price on how it thinks the competitors will price, rather than on its own costs or demand, to win a contract is most likely using
- A. Going-rate pricing
 - B. Cost-plus pricing
 - C. Perceived-value pricing
 - D. Sealed-bid pricing
- ANSWER: C
- 42 The _____ of a product mix refers to how many variants are offered of each product in the line.
- A. Width
 - B. Length
 - C. Depth
 - D. Consistency
- ANSWER: C

43 The environment which examines institutions and other forces that has a deep effect on society's basic values, perceptions, preferences, and behaviors is referred to as what?

- E. Cultural Environment
- F. Demographic Environment
- G. Economic Environment
- H. Technological Environment

ANSWER: D

44 The concept of product mix which refers to wide range of product lines carried by the company is classified as

- A. width of product mix
- B. length of product mix
- C. depth of product mix
- D. consistency of product mix

ANSWER: A

45 In the product mix, the company producing the toothpaste, paper products, detergents and bathing soap bars is classified as

- A. product line consistency
- B. product line width
- C. product line length
- D. product line depth

ANSWER: C

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

II SHORT ANSWER TYPE QUESTIONS:

1. Define a product. What are the various viewpoints to explain the concept of a product?
2. What are the objectives and strategies considered as the pillars for the success of any product? Discuss with examples.
3. "The elements of a product policy are difficult to determine." Comment.
4. Define product planning. How it is different from product development?
5. Explain the concepts of product-line width, length, depth, and consistency.
6. What is meant by product differentiation? Compare the advantages of product differentiation and market segmentation.
7. Distinguish between product planning and product life-cycle.
8. Describe concept testing as it is used to manage the development process.
9. Briefly discuss the reasons for failure of new products.
10. What is meant by pricing? Why pricing is an important element of marketing mix?
11. What are the determinants of price of a product? Discuss.
12. Explain the objectives of pricing policy of a business firm.

13. Illustrate and explain the factors that affect pricing decisions by a firm. What factors push up the prices? Discuss.
14. Explain the price quotations based on geographical location of buyers.
15. Explain (a) skimming and (b) penetration pricing. Point out the reasons for such pricing strategies. What are their advantages?
16. Write short notes on the following
 - (a) Product life cycle
 - (b) Emotional product motives
 - (c) Product myopia
 - (d) Psychological pricing
17. Briefly state the important criteria used to screen new product ideas.
18. Explain the relevance of individual brand and family brand.
19. Is there any relation between the price of the good or services and their quality? How do you think customer relate price to quality?
20. "High price is equivalent to high quality product". Comment
21. Explain the concept of PLC?
22. Can companies rescue product foundering in the maturity phase of their life cycle and return them to the growth phase? Suggest strategies that marketers may use to force consumers mental shift.
23. Explain the AIDA model in brief?
24. What do you understand by test marketing?
25. What do you understand by value pricing and going rate pricing techniques of determining price for a product?
26. Define product planning. How it is different from product development?
27. Explain the concepts of product-line width, length, depth, and consistency.
28. What is meant by product differentiation? Compare the advantages of product differentiation and market segmentation.
29. Distinguish between product planning and product life-cycle.
30. Describe concept testing as it is used to manage the development process.
31. Give the steps in launching a new product. Also give various methods of test marketing a new Product.
32. What do you understand by value pricing and going rate pricing? Discuss
33. What is meant by of PLC? Briefly discuss the different stages of PLC
34. What are the basis for determination of price of a product? Discuss
35. What is meant by product-line width, length, depth, and consistency. Discuss briefly

III LONG ANSWER TYPE QUESTIONS:

1. Write an essay on product policy of any marketing organization.
2. What is meant by product line expansion? Are the product line expansion and diversification synonyms?
3. What are the reasons of going in for diversification? Explain with the help of examples.
4. In an economy of change, continuous innovation is necessary. Most companies rarely innovate, some innovate occasionally, and a few innovate continuously. Comment on why a company should continuously develop new products.

5. What are the steps involved in new product launch. Discuss with the help of suitable examples.
6. Describe the important criteria used to screen new product ideas.
7. How can the test of PLC be used in the following:
 - (a) As a tool of plan market share strategies
 - (b) As an indication of opportunity to a firm
8. How PLC concept works as a guidelines for formulating and implementing the marketing strategies.
9. In planning its market offering, the marketer must address the five product levels of the customer-value hierarchy. Describe the “customer-value hierarchy” and identify the five levels of product contained within.
10. Customer needs and wants are the logical place to start the search for new product ideas. Identify four ways a company can draw new ideas from its customers.
11. Prior research has shown that although consumers may have fairly good knowledge of the range of prices involved, surprisingly few can recall specific prices of products accurately. When examining products, consumers often employ reference prices. List the possible prices consumers use as their “reference.”
12. What is meant by pricing policy? How can the pricing policy be developed for an organization? Discuss in detail the basic methods of pricing adopted by Indian industry.
13. Write an essay on legal restrictions on fixing a price for a product.
14. Why do pricing objectives vary from organization to organization? What is the importance of pricing objectives? Discuss.
15. What are the factors that affect pricing decisions in a marketing organization?
16. “Price is the only element of marketing mix that produces revenue”. Discuss. Identify and discuss the six steps of the pricing procedure. Explain.
17. An increasing number of companies are basing their prices on the customer’s perceived value. Explain the concept of “perceived value” and identify the key to pricing in this manner.
18. As a president of a home video recording Machine Company, you must decide between penetration or skimming pricing policy. Explain the factors you would consider in making your choice.
19. Define pricing as a function of marketing and discuss its contribution in the success of the marketing strategy of a company.
20. What are various kind of pricing strategies? Discuss in detail. What are the factors affecting price – sensitivity? Describe the factors that influence the pricing strategy of a firm.
21. Suggest appropriate pricing strategies for the following products/services:
 - (a) Insurance policy
 - (b) Car batteries
 - (c) Chocolate bars
22. Write an essay on Total Quality Management highlighting the importance of quality products in marketing.
23. Examine the salient factors that ought to be taken into account while introducing a new product. Illustrate your answer.
24. Suggest appropriate marketing strategies for each of the stages of the product life-cycle.

25. What do you understand by psychological pricing and premium pricing? Based on your personal experience, give examples of both
26. Describe the key **characteristics** that distinguish services from products and suggest how they are likely to **affect** the development of marketing campaigns.
27. Advise a group of marketing students on the meaning of the following marketing terms:
a) Product hierarchy, b) Brand equity, c) Packaging
28. Explain the **importance** of developing new products and **describe** the approach to be used for the development of a new product.
29. Describe the marketing activities associated with the different stages of the Product Life Cycle and summarize the limitations of the model.
30. What is your understanding of the term **brand equity**? Discuss the **main criteria** you would consider in selecting a brand name for a product or service.
31. Customer needs and wants are the logical place to start the search for new product ideas. Identify four ways a company can draw new ideas from its customers.
32. Prior research has shown that although consumers may have good knowledge of the range of prices involved, surprisingly few can recall specific prices of products accurately. When examining products, consumers often employ reference prices. List the possible prices consumers use as their “reference.”
33. What is meant by pricing policy? How can the pricing policy be developed for an organization? Discuss in detail the basic methods of pricing adopted by Indian industry.
34. What do you understand by PLC? What strategies would you recommend for a product in maturity stage of PLC. Discuss giving suitable examples
35. What is meant by new product? Discuss the various stages in the process of new product development.

UNIT – III

I MULTIPLE CHOICE QUESTIONS :

1. Marketing channel that involves no intermediaries to make their products available to final buyers is classified as
 - A. direct channel
 - B. indirect channel
 - C. flexible channel
 - D. static channel
 ANSWER: A

2. Process of managing upstream and downstream of final goods, flow of raw materials and information about resellers and final consumers is classified as
 - A. marketing logistics network
 - B. supply chain management
 - C. delivery network
 - D. physical distribution network
 ANSWER: B

3. In marketing channels, conflict occurs in marketing channels working at same level is classified as
- A. steep conflict
 - B. slope conflict
 - C. vertical conflict
 - D. horizontal conflict

ANSWER: D

4. Network of delivering products to customer which is composed of distributors, suppliers and manufacturing company is classified as
- A. supply chain management
 - B. marketing channels
 - C. delivery channels
 - D. value delivery network

ANSWER: D

5. In marketing intermediaries, way of distribution in which few dealers distribute company's product in selective territories is classified as
- A. selective distribution
 - B. intensive distribution
 - C. inclusive distribution
 - D. exclusive distribution

ANSWER: D

6. Avon, Amway, and Tupperware use which of the following forms of channel distribution?
- A. direct marketing channel
 - B. indirect marketing channel
 - C. forward channel
 - D. fashion channel

ANSWER: A

7. From the economic system's point of view, the role of marketing intermediaries is to transform:
- A. raw products into finished products.
 - B. consumer needs into producer needs.
 - C. consumer needs and wants into product desires.
 - D. assortments of products made by producers into the assortments wanted by consumers.

ANSWER: D

8. A distribution channel moves goods and services from producers to consumers. It overcomes the major time, place, and _____ gaps that separate goods and services from those who would use them.
- A. possession

- B. profit
- C. image
- D. psychological

ANSWER: A

9. Through their contacts, experience, specialization, and scale of operation, _____ usually offer the firm more than it can achieve on its own.
- A. manufacturers
 - B. producers
 - C. direct marketers
 - D. intermediaries

ANSWER: D

10. Makers of televisions, cameras, tires, furniture, and major appliances normally use which of the following distribution channel forms?
- A. direct marketing channel
 - B. indirect marketing channel
 - C. horizontal channel
 - D. synthetic channel

ANSWER: B

11. Using manufacturer's representatives or sales branches is usually a characteristic of which of the following channel forms?
- A. business marketing channels
 - B. customer marketing channels
 - C. service marketing channels
 - D. direct marketing channels

ANSWER: D

12. Transporting and storing goods is part of which of the following marketing channel functions?
- A. negotiation
 - B. physical distribution
 - C. contact
 - D. matching

ANSWER: B

13. Who sells to the customers?
- A. Semi wholesalers
 - B. Wholesalers
 - C. Retailer
 - D. Distributor

ANSWER: C

14. The benefits of marketing channels are.....
- A. Cost saving
 - B. Time saving
 - C. Financial support given
 - D. All of above
- ANSWER: D
15. With respect to a channel of distribution, the number of intermediary levels within the channel indicates the _____ of a channel.
- A. width
 - B. depth
 - C. length
 - D. similarity
- ANSWER: C
16. Independent firms at different channel levels integrate their programs on a contractual basis to achieve systemic economies and increased market impact are known as.....
- A. Corporate vertical marketing systems
 - B. Contractual vertical marketing systems
 - C. Administered vertical
 - D. None of the above
- ANSWER: B
17. Which of the following statements about the sales force in the 21st century is true?
- A. Sales managers will use a hands-off approach and let the professional salesperson be his or her own boss
 - B. Transactional exchanges no longer occur
 - C. Sales management must be smart and nimble and provide technology-centered solutions to support the sales effort
 - D. Salespeople make little use of the Internet because they realize the importance of the personal touch
 - E. All of the above statements about the sales force in the 21st century are true.
- ANSWER: C
18. When channel members assume responsibility for one or more of the marketing flows over at least two separate levels of distribution manufacturing and wholesaling, in fact, such systems are synonymous with both forward and backward vertical integration is known as.....
- A. Corporate vertical marketing systems
 - B. Contractual vertical marketing systems
 - C. Administered vertical marketing systems
 - D. None of the above
- ANSWER: A

19. The difference between transactional selling and relationship selling is
- A. In transaction, selling buyers must pay cash
 - B. In relationship selling, buyers and sellers must be related
 - C. In transaction selling, sellers provide greater service
 - D. In relationship selling, sellers work to provide value to their customers e. In transaction selling, the transaction is the beginning of a relationship
- ANSWER: D
20. A _____ is a set of interdependent organizations involved in the process of making a product or service available for use of consumption by the consumer or business user.
- A. retailer
 - B. wholesaler
 - C. distribution channel
 - D. middleman
- ANSWER: C
21. The work of setting up objectives for selling activities, determining and scheduling the steps necessary to achieve these objectives is known as.....
- A. Selling
 - B. Sales policy
 - C. Sales programme
 - D. Sales planning
- ANSWER: D
22. Karen is studying the potential for selling her company's products in China. As part of her analysis, she is assessing the number, types and availability of wholesalers and retailers. Karen is studying the country's
- A. Natural conditions
 - B. Technological feasibility
 - C. Social and cultural norms
 - D. Distribution structure
 - E. Legal and political constraints
- ANSWER: D
23. Mr. Narayan, the new national sales manager is learning about the internal organizational environment in her company. She will learn about all the following EXCEPT
- A. Human resources
 - B. Financial resources
 - C. Service capabilities
 - D. Social and cultural environment
 - E. Research and development activities
- ANSWER: D

24. Which is not a strategic role of sales management?
- A. Tracking
 - B. Reporting
 - C. Delivery
 - D. Optimizes distribution
- ANSWER: C
25. John, the sales manager for a building materials company, knows the customers in one profitable sales territory, are particularly hostile to women sales reps. John faces an ethical dilemma primarily in the area of:
- A. Determining compensation and incentives
 - B. Equal treatment in hiring and promotion
 - C. Respect for individuals in supervisory and training programs
 - D. Fairness in the design of sales territories e. Fairness in the assignment of sales territories
- ANSWER: E
26. What is the basic property of a service which makes it different from a product?
- A. Shape
 - B. Size
 - C. Very expensive
 - D. Intangibility
- ANSWER: D
27. Buying goods and services for further processing or for use in the production process refer to which of the following markets?
- A. Consumer markets
 - B. Government markets
 - C. Business markets
 - D. International markets
- ANSWER: C
28. Which one of the following is a key to build lasting relationships with consumers?
- A. Price of the product
 - B. Need recognition
 - C. Customer satisfaction
 - D. Quality of product
- ANSWER: C
29. The factors such as the buyer's age, life-cycle stage, occupation, economic situation, lifestyle, personality and self-concept that influences buyer's decisions refers to which one of the following characteristic?
- A. Personal characteristics
 - B. Psychological characteristics
 - C. Behavioral characteristics
 - D. Demographical characteristics
- ANSWER: D

- 30 While considering the place for a product which of the following is important for customer.
- A. Communication
 - B. Convenience
 - C. Cost
 - D. Solution
- ANSWER: C
- 31 Market –oriented firms focus on:
- A. Retailers
 - B. Distributors
 - C. Customers
 - D. Wholesalers c
- ANSWER: C
- 32 Reorder point tells
- A. When to order
 - B. How much to order
 - C. When the order will reach
 - D. All of the above
- ANSWER: A
- 33 Which of the following is not an area of responsibility for a logistics manager?
- A. Inventory
 - B. Marketing
 - C. Information systems
 - D. Warehousing
- ANSWER: B
- 34 Which of the following should be the first step in designing a marketing channel?
- A. Exploring international opportunities
 - B. Evaluating intermediaries
 - C. Identifying what consumers want from the channel
 - D. Identifying channel objectives
- ANSWER: C
- 35 Which type of product might require a more direct marketing channel to avoid delays and too much handling?
- A. products in their decline stage
 - B. products in their maturity stage
 - C. perishable products
 - D. high-priced products
- ANSWER: A

- 36 Intermediaries include retailers, _____, and logistical organizations.
- A. Internet companies
 - B. wholesalers
 - C. competitors
 - D. box stores
- ANSWER: B
- 37 Major retailer types include the following EXCEPT _____.
- A. specialty store
 - B. discount store
 - C. catalog showroom
 - D. the Internet
- ANSWER: D
- 38 Intermediaries sponsor their own brands because _____.
- A. private-label brands sell at higher volumes
 - B. private-label brands are recognizable to the consumer as being widely available from many different retailers
 - C. private-label brands are always of better quality than national brands
 - D. private-label brands can be sold at lower prices yet generate a higher profit margin because of their lower cost structure
- ANSWER: D
- 39 Non-store retailing falls into four major categories. Which of the following is NOT one of the four nonstore retailing categories?
- A. Buying service
 - B. Internet sales
 - C. Automatic vending
 - D. Direct marketing
 - E. Direct selling
- ANSWER: B
- 40 Direct-marketing programs create _____
- A. One-to-one contacts with customers
 - B. Frequency programs
 - C. Re-analysis of databases
 - D. New mass media messages
- ANSWER: A
- 41 When a car dealer complains to the manufacturer that another dealer of the same make of cars is selling outside their assigned territories, it is a type of
- A. Parallel conflict
 - B. Customer-service conflict
 - C. Vertical conflict
 - D. Horizontal conflict
- ANSWER: D

42. When a seller requires that a dealer not handle competitors' products, the agreement is called a/an
- A. Exclusive distribution
 - B. Exclusive dealing
 - C. Control criterion
 - D. Dual distribution
- ANSWER: D
43. The reseller market mainly consists of
- A. Consumers
 - B. Manufacturers
 - C. Wholesalers and retailers
 - D. Industrial users
- ANSWER: C
44. Avon, Amway, and Tupperware use which of the following forms of channel distribution?
- A. direct marketing channel
 - B. indirect marketing channel
 - C. forward channel
 - D. fashion channel
- ANSWER: A
45. Makers of televisions, cameras, tires, furniture, and major appliances normally use which of the following distribution channel forms?
- A. direct marketing channel
 - B. indirect marketing channel
 - C. horizontal channel
 - D. synthetic channel
- ANSWER: B

II SHORT ANSWER TYPE QUESTIONS:

1. How can one motivate the intermediaries?
2. How does the nature of a product influence the choice of a channel of distribution?
3. What are the ethical issues involved in choice of an intermediary?
4. What factors lead to the growth of sales promotion?
5. Write a short note on Direct Marketing as an emerging channel of distribution.
6. Write a short note on the effectiveness of celebrity endorsements.
7. What do you understand by distribution logistics?
8. What is the purpose of marketing communication?
9. Write a short note on agency payment system.
10. What are the necessary traits of an effective salesman?
11. Explain consumer promotion as a technique of sales promotion.
12. Write a brief note on channel dynamics.

13. Compare a Store and a Non-Store based retailer.
14. Write short notes (on any three)
 - a. Co-branding
 - b. Channel conflicts
 - c. Types of advertising
 - d. Non-store retailing
 - e. New trends in packaging.
15. Discuss the factors that influence channel design decisions.
16. Middlemen are parasites. This charge has been made by many over the centuries. Is this likely to be the case in a competitive economic system? Why or why not?
17. What are the major activities involved in physical distribution of goods?
18. Explain the role of marketing in Indian economy.
19. Explain three functions of labeling.
20. Explain the functions of packing
21. What are the major activities involved in physical distribution of goods.
22. Explain the various Channels of distribution
23. What does physical distribution mean? Explain four important decision areas in management of physical distribution.
24. Explain in detail the term Viral Marketing? How it is different from Retail Marketing?
25. Discuss “The law of pull and push” in context of Internet Marketing.
26. What are the advantages and limitations of Direct marketing Explain with suitable examples.
27. Write notes on the following
 - a) Selective distribution, b) Market penetration strategy, c) Integrated marketing
28. Write notes on the following:
 - a) Non-store retailing, b) Private labels, c) Functions performed by wholesalers
29. Critically appraise the contributions distribution channels can make to the marketing of fast moving consumer products.
30. Distinguish between Selective distribution and Intensive distribution
31. Write a short note on Direct Marketing as an emerging channel of distribution.
32. What do you understand by distribution logistics?
33. Compare a Store and a Non-Store based retailer.
34. Write a short note on channel conflict.
35. Compare a Store and a Non-Store based retailer.

III LONG ANSWER TYPE QUESTIONS:

1. Explain the concept of distribution channels. What are the functions performed by distribution channels?
2. What factors influence the selection of intermediaries? How can channel members be managed effectively?
3. Explain meaning and nature of marketing Channel?
4. Discuss various types of Intermediaries.
5. Discuss the channel functions with relevant examples
6. Discuss the factors affecting channels choice.

7. A large sized company is planning to introduce a range of consumer electronic products in India. Briefly discuss various decisions company needs to make in connection with the development of its channel strategy.
8. Explain the major considerations in the selection of a distribution channel for consumer products. What are the criteria that can be used for the evaluation of channel members? Give examples also.
9. Charms Spa, a Spa chain having branches all over India is setting up its new branch at Hyderabad. As the spa concept is new to many Indian customers, it is planning to run a sales promotion campaign to attract customers and create awareness about its service offerings. What are the various sales promotion schemes that Charms Spa can adopt?
10. Syscom, a computer education provider operating successfully in Hyderabad is planning to expand nationally. However, the company is uncertain as to whether it should adopt the direct distribution route or the franchising route. Which option will be appropriate for Syscom?
11. Insurance companies sell their services mainly through agents and brokers, instead of selling them through their own personnel. What are the major reasons for their adopting such a distribution strategy?
12. Is channel policy always determined by the manufacturer? What factors influence the selection of channel for distribution of the following products: -
 - a. Soft drinks
 - b. Cosmetics
13. WestSide, a departmental store chain with 14 stores spread across the country, is planning to enter the hypermarket segment under the brand name 'Star India Bazaar'. The stores are mainly aimed at middle class customers who are cost conscious. The product range includes grocery, durables, apparels, utensils, and plastics. If you were marketing director for the company, how would you go about planning the service promotion for the hypermarket venture?
14. "Call Us Cabs" is a new service provider in the city. The market is already nearing saturation with the city hosting several other service providers in the same industry like "Maxi cabs", "Citi Taxi", "City Cabs", etc. What pricing strategy should the new service provider adopt for each of the stages of its life cycle?
15. American Pizzas, a leading fast food chain in the US, entered the Indian market through the franchising route in 1999. It replicated its American style of functioning and within one year of inception, the outlets increased from 4 to 20 and the company recorded sales revenue of Rs 50 crore. However, with increasing competition from other US fast food chains and local players, sales have dipped drastically. The company's in-house study revealed that the low motivational levels of the franchisees and poor service quality were the main factors for the poor performance. Suggest an intermediary management strategy that will help American Pizzas resurrect sales in India.
16. Pantaloon Retail India Ltd, a leading retailer in India with brands Pantaloons, Big Bazaar, Food Bazaar, and Gold Bazaar, has recently entered into mall management services by opening a chain of malls in various cities under the brand 'Central'. It leases its mall to various consumer product manufacturers and service providers. In November 2004, it opened 'Hyderabad Central' with an investment of Rs 70 crore. While deciding the leasing rate for the stores in the mall, what pricing objective will Pantaloon seek to implement?

17. ABN-Amro Bank has surprised the banking industry by announcing the lowest interest rate of 6.5% for its housing loans, which is 1% less than what other banks are offering. What kind of pricing strategy has ABN-Amro Bank adopted in this case? Describe the pricing strategy.
18. (a) What factors must be considered in the selection of marketing channels?
19. (b) A new firm is designing and marketing trendy and highly stylish women's clothing. Should the firm establish a website to sell its products?
20. GATI, the cargo services company, plans to launch 'The Millennium Parcel Express' a co-enterprise between Gati and Indian Railways, that consists of a cargo train, having a capacity of 230 tonnes, specially designed to carry high-value express cargo. What do you think the promotional objective of GATI should be? Which of the promotion mix elements would be best suited to launch 'The Millennium Parcel Express'?
21. Fit & Fine, a leading chain of health and fitness centers brings out advertisements which say "Bring this advertisement and avail free 5kg weight loss program". What is the motive behind such promotions?
22. You are the marketing manager of Citi Bank's Online Banking Division. How would you provide the concepts of providing customer satisfaction and customer retention to designing and marketing effective online banking?
23. Why do we use direct marketing? How do we measure the results of direct marketing?
24. What are the various macro variables of the marketing environment? How do these variables influence the four P's of marketing? Give examples.
25. How do organizations procure the required inputs from the suppliers. Explain in detail the entire process of organizational buying behavior.
26. Compare and contrast THREE pricing methods used by marketing-orientated companies in highly competitive operating environments.
27. Critically analyze the main problems associated with setting prices for new products and compare TWO popular pricing methods that can be considered for consumer products
28. Analyze the value of an effective distribution network to the marketing of fast-moving consumer goods in highly competitive markets and describe the criteria you would use in order to select the most suitable intermediaries.
29. Critically evaluate the factors to be considered in the selection of the most appropriate distribution channels for a company's products and provide examples to support your recommendations.
30. As a newly-appointed Marketing Manager, **explain** the following marketing topics to your staff: a) Selective distribution b) Intensive distribution c) Exclusive distribution
31. Explain the concept of distribution channels. What are the functions performed by distribution channels?
32. What factors influence the selection of intermediaries? How can channel members be managed effectively?
33. Insurance companies sell their services mainly through agents and brokers, instead of selling them through their own personnel. What are the major reasons for their adopting such a distribution strategy?
34. (a) Explain various functions performed by distribution channel intermediaries.
(b) What are the various factors taken into consideration at the time of establishing a distribution channel? Discuss in brief.
35. Why do we use direct marketing? How do we measure the results of direct marketing?

UNIT – IV

I MULTIPLE CHOICE QUESTIONS :

1. Considering promotional mix, method of giving short term incentives to encourage sale of particular market offering is classified as
 - A. sales promotion
 - B. personal selling
 - C. public relations
 - D. advertisingANSWER: A

2. According to promotional mix, method which follows corporate image building, handling unfavorable events and stories to get favorable publicity is called
 - A. sales promotion
 - B. personal selling
 - C. public relations
 - D. advertisingANSWER: C

3. Considering promotional mix, paid, non personal promotion of ideas or market offerings by some specific sponsor is classified as
 - A. public relations
 - B. advertising
 - C. sales promotion
 - D. personal sellingANSWER: D

4. Systematic blend of personal selling, sales promotion, advertising and public relations to communicate customer value is called
 - A. promotion mix
 - B. marketing communication mix
 - C. strategic buyer behavior mix
 - D. both a and bANSWER: D

5. According to promotional mix, method which focuses on building relationships with individual customers to maintain lasting relationship is called
 - A. sales promotion
 - B. offline promotion
 - C. direct channeling
 - D. direct marketingANSWER: D

6. Major strategies regarding promotion mix are
- A. pull and push strategy
 - B. rational and moral selling strategy
 - C. direct strategy
 - D. indirect strategy
- ANSWER: A
7. Promotion strategy in which producers promotes goods to final customers by using sales force is classified as
- A. rational selling strategy
 - B. push strategy
 - C. pull strategy
 - D. moral selling strategy
- ANSWER: B
8. Promotional mix strategy in which advertisement and promotions are made to final customers to induce them to buy products is classified as
- A. pull strategy
 - B. moral selling strategy
 - C. rational selling strategy
 - D. push strategy
- ANSWER: A
9. Method of managing promotion budget by defining objectives, determining tasks to achieve objectives and estimating costs for activities is called
- A. percentage of sales method
 - B. affordable method
 - C. competitive parity method
 - D. objective and task method
- ANSWER: D
10. Method of managing advertising budget at a certain percentage of sales price per unit or forecasted sales of products is classified as
- A. percentage of sales method
 - B. affordable method
 - C. competitive parity method
 - D. objective and task method
- ANSWER: A
11. Methods used to determine total budget for advertising its market offerings are
- A. affordable method
 - B. competitive parity method
 - C. percentage of sales method
 - D. all of above
- ANSWER: D

12. Method of managing promotional budget to match outlays of competitors is called
- A. percentage of sales method
 - B. affordable method
 - C. competitive parity method
 - D. objective and task method
- ANSWER: C
13. Method of managing advertising budget at level company can have money for is classified as
- A. percentage of sales method
 - B. affordable method
 - C. competitive parity method
 - D. objective and task method
- ANSWER: B
14. Another name for a company's marketing communications mix is:
- A. The advertising program.
 - B. The sales force.
 - C. The image mix.
 - D. The promotion mix.
- ANSWER: D
15. Which tool of the promotional mix is defined as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor?
- A. Advertising
 - B. Public relations
 - C. Direct marketing
 - D. Sales promotion
- ANSWER: A
16. The _____ is the specific mix of advertising, personal selling, sales promotion, public relations, and direct marketing tools that the company uses to pursue its advertising and marketing objectives.
- A. Value mix
 - B. Integrated dealer mix
 - C. Marketing communications mix
 - D. Marketing control mix
- ANSWER: C
17. Which tool of the promotional mix consists of short-term incentives to encourage the purchase or sale of a product or service?
- A. Advertising
 - B. Public relations
 - C. Direct marketing
 - D. Sales promotion
- ANSWER: D

18. If a company wants to build a good “corporate image,” it will probably use which of the following marketing communications mix tools?
- A. Advertising
 - B. Public relations
 - C. Direct marketing
 - D. Sales promotion
- ANSWER: B
19. _____ is direct communications with carefully targeted individual consumers to obtain an immediate response.
- A. Personal selling
 - B. Public relations
 - C. Direct marketing
 - D. Sales promotion
- ANSWER: C
20. There is an increasing amount of commerce being done via the Internet. With respect to the promotional mix, which of the following categories would be most directly concerned with Internet commerce?
- A. Advertising
 - B. Public relations
 - C. Direct marketing
 - D. Sales promotion
- ANSWER: C
21. The personal presentation by the firm’s sales force for the purpose of making sales and building customer relationships is called:
- A. Personal selling.
 - B. Public relations.
 - C. Direct marketing.
 - D. Sales promotion.
- ANSWER: A
22. Which of the following major promotional tools use press relations, product, Publicity, corporate communications, lobbying, and public service to communicate information?
- A. Advertising
 - B. Public relations
 - C. Direct marketing
 - D. Sales promotion
- ANSWER: B
23. Which of the following major promotional tools use the telephone, mail, fax, e-mail, and the Internet to communicate directly with specific consumers?
- A. Advertising

- B. Public relations
- C. Direct marketing
- D. Sales promotion

ANSWER: C

24. Although the promotion mix is the company's primary communication activity, the _____ must be coordinated for greatest communication impact.

- A. Organizational culture
- B. Entire marketing mix
- C. Demand mix
- D. Profit variables in a company

ANSWER: B

25. Two major factors are changing the face of today's communications. One of these factors is the fact that:

- A. Costs of promotion are rising.
- B. Mass markets are fragmented and marketers are shifting away from mass marketing.
- C. Global communications are not growing rapidly enough.
- D. Marcom managers have achieved more power and control.

ANSWER: B

26. Which of the following takes place at retailer's end?

- A. Promotion
- B. Placing
- C. Pricing
- D. Exchange

ANSWER: D

27. The consumer's estimate of the product's overall capacity to satisfy his or her needs is called:

- A. Product Cost
- B. Product Value
- C. Product need
- D. Product Satisfaction

ANSWER: B

28. Price is the only element in the marketing mix that produces:

- A. Fixed cost
- B. Expense
- C. Variable cost
- D. Revenue

ANSWER: D

29. Identify the products that the customer usually buys frequently and with a minimum of comparison and buying effort.
- A. Specialty
 - B. Convenience
 - C. Unsought
 - D. Augmented Answer
- ANSWER: B
30. _____ guides the development of advertisements and personal sales presentations.
- A. AIEA
 - B. AIBA
 - C. AICA
 - D. AIDA
- ANSWER: D
31. Of the following reasons, which is not a reason to use sales promotion?
- A. To reach new customers
 - B. To reward behaviour
 - C. To develop brand image
 - D. To assist integration
- ANSWER: C
32. Which of the following is NOT considered to be an objective associated with the use of sales promotions?
- A. Change buyer attitudes
 - B. Increase volume of individual purchases
 - C. Prompt buyers into trial purchase
 - D. Product improvement
- ANSWER: A
33. Sales promotions are thought to make consumer purchase decisions:
- A. less satisfying
 - B. simpler
 - C. more complex
 - D. more satisfying
- ANSWER: D
34. If there is low involvement and the product/market is established then sales promotions should be used for:
- A. loyals to reward and increase usage
 - B. loyals to increase loyalty
 - C. loyals to encourage trial
 - D. all to block out the competition
- ANSWER: A

35. According to promotional mix, the method which follows corporate image building, handling unfavorable events and stories to get favorable publicity is called

- A. sales promotion
- B. personal selling
- C. public relations
- D. advertising

ANSWER: C

36. In terms of goals for public relations, a hit is _____

- A. An advertisement that is successful
- B. A consumer promotions' tie in with publicity
- C. Mention of the company's name in a news story
- D. An advertising slogan with high recall

ANSWER: C

37. Friends don't let friends drive drunk" is an example of

- A. Niche marketing
- B. Social marketing
- C. Selling
- D. Advertising
- E. Sales promotion.

ANSWER: B

38. Which tools of the promotional mix is defined as any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor?

- A. advertising
- B. public relations
- C. direct marketing
- D. sales promotion

ANSWER: A

39. Which element of the promotional mix consists of short-term incentives to encourage the purchase of a product?

- A. advertising
- B. public relations
- C. direct marketing
- D. sales promotion

ANSWER: D

40. The promotion technique for consumers according to which demonstrations and displays of products made at place of sale is called

- A. point of purchase promotion
- B. cents off deals
- C. sales premium
- D. advertising specialties

ANSWER: A

41. The third step in personal selling process after completion of pre-approach step is to
 A. prospecting and qualifying
 B. handling objections
 C. approach
 D. presentation and demonstration
 ANSWER: C
42. The step-in personal selling process which consists of first meeting between customer and sales person is called
 A. qualifying
 B. prospecting
 C. follow up
 D. approach
 ANSWER: D
43. Undermarketing every customer is treated as unique.
 A. Word of mouth
 B. viral
 C. guerilla
 D. one-on-one
 ANSWER: D
44. Sales force structure in which a sales representative works to sell specific items of product line is classified as
 A. indirect sales force structure
 B. territorial sales force structure
 C. customer sales force structure
 D. product sales force structure
 ANSWER: D
45. The step-in personal selling process after completion of pre-approach step is called
 A. prospecting and qualifying
 B. handling objections
 C. approach
 D. presentation and demonstration
 ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. What are the major issues involved in developing a promotion campaign?
2. Enumerate the various components of communication mix
3. Draw a flowchart of the integrated marketing communication process.
4. What is the difference between Personal Selling and On-line selling?
5. Compare the role of a Retailer and a Wholesaler in promotion of a product.
6. What do you understand by Publicity?
7. Enumerate the objectives of sales promotion.

8. Explain industrial states and telemarketing as non-traditional methods of communication.
9. Enumerate the components of an advertisement copy.
10. Write a short note on public relations
11. When is Personal Selling more appropriate than other methods of Sales Promotion? Explain with examples.
12. Distinguish between the various elements of promotion mix.
13. “Sales promotion and Advertising are two names of the same thing”. Comment.
14. Are Publicity and Word -of- mouth Communication similar? Why or why not?
15. What are the merits and demerits of advertising?
16. A toy car is free with noodles is the example of one promotional technique. Name the technique and explain two techniques with examples.
17. You have invented a device for killing mosquitoes. Suggest two ways to promote it in the market.
18. You are advertising manager of organization producing refined oil. Which media will you choose to advertise your product and why?
19. State briefly the objectives of Advertising
20. Distinguish between advertising and personal selling
21. What is Umbrella Marketing? Name 3 Products of HLL which comes under Umbrella Marketing?
22. How is Online Marketing different from Direct Marketing?
23. How can you differentiate “The Law of Niche” from “The Law of Giving and Selling”?
24. When is Personal Selling more appropriate than other methods of Sales Promotion? Explain with examples.
25. Write short notes on any three of the following: a) STP strategies b) Targeting Strategies c) Elements of promotion mix d) Promotional Mix e) Marketing Concept
26. Write a note on stages of the selling process and discuss the value of the process to marketing decision making.
27. Discuss the meaning and role of Relationship marketing
28. What role does sales promotions play within the promotion mix of a firm marketing consumer goods
29. Distinguish between advertising and personal selling
30. Explain the significance of integrated marketing communication in the fast-changing marketing environment, with suitable examples
31. Draw a flowchart of the integrated marketing communication process.
32. What is the difference between Personal Selling and On-line selling?
33. Distinguish between Advertising and Personal selling
34. Briefly discuss the important methods of setting advertising budget
35. Write a note on sales promotion techniques

III LONG ANSWER TYPE QUESTIONS:

1. What do you mean by marketing communication mix? What is the role of marketing communication in today’s marketing environment?
2. What steps should be taken ensure that the marketing communication is effective?
3. What do you mean by promotion mix? What are its determinants?

4. Explain the different elements of promotion mix. Also bring out the advantages and disadvantages of each element over the other.
5. What do you mean by personal selling? What are the steps in the personal selling process?
6. What do you mean by sales promotion? What are its types? Elaborate on some tools of trade promotion.
7. Discuss the major objectives of Sales Promotion. As a marketer of a leading consumer durable company. When do you consider it an appropriate time to organize such promotions and why?
8. India TV is a new Hindi news channel launched in the cluttered Indian television channel market with well-entrenched names like NDTV, Zee News, Aajtak, and Star News. Mr. Rajat Sharma the head of India TV wants to establish the channel as a “mouthpiece of the common man.” As the channel is free-to-air, its only source of revenue is advertising. Therefore, while pricing the advertising space in the channel what are various factors that the channel management must keep in mind?
9. Assure USA a leading insurance company in the US has established its BPO subsidiary in India for managing its inbound and outbound telemarketing activities. However, the company received complaints from customers regarding poor customer service and improper response at the Indian subsidiary. What may be the factors that are responsible for such poor communication process?
10. What in your opinion will be suitable consumer promotion scheme for branded Atta in Delhi?
11. What is advertising? What is the relevance of advertising in today’s markets?
12. “Advertisements pays when business is bad and it also pays when business is good”. Justify this statement with examples.
13. “A marketing communication must start with a clear target audience in mind”. Elaborate.
14. Explain the role of personnel selling in rural marketing?
15. Discuss the major objectives of Sales Promotion. As a marketer of a leading consumer durable company. When do you consider it an appropriate time to organize such promotions and why?
16. (a) “Advertising is a waste of consumers’ money.” Do you agree? Why?
(b) Explain the objectives of and types of consumer sales promotions commonly used in the fast-moving consumer goods category.
17. Explain the promotional strategy that you would use during the Growth and Maturity stages of the following products: (i) Men's shoes (footwear) (ii) Laptops
18. Why and how do psychological factors influence consumer buying behaviour ? As a potential buyer of a latest brand of DVD, briefly explain the social and cultural factors that affect your buying decision.
- (a) (a) Discuss the major objectives of Sales Promotion. As a marketer of a leading consumer durable company, when do you consider it an appropriate time to organise such promotions and why? (b) Personal Selling and Advertising are the two major vehicles of communication for marketing industrial products. Discuss with a suitable example of your choice.
19. Direct selling is a two-way communication best suited to a company marketing consumer product with a poor brand loyalty. Discuss for selling, FMCG in today’s context, Examine the role of direct selling as a tool of direct marketing.

20. Enumerate and discuss the direct marketing strategies for the following
 - (a) FMCG Company
 - (b) Indian Airlines
 - (c) Santro Car
21. Sales promotion is an important tool for
 - (a) Increasing sales. Explain the relevant tools which can be used in rural marketing.
 - (b) Explain the problem of Rural banking with example.
22. Your company has recently launched a range of technically superior television sets in rural market. The constraint that you face the favor of incurring huge advertising expenditure. Suggest the route you will take in your advertising planning.
23. How personal selling is important to (a) business men (b) Customer and (c) Society
24. Tata Steel Ltd. wants to promote its sales in the market. Suggest any three sales Promotion techniques for the purpose.
25. Distribution has grown in importance within the marketing mix in the last few years. Highlight the reasons for the growth in popularity and explain the key elements of a distribution system.
26. Analyse the contributions that advertising campaigns can make to the effective marketing of products and services and provide examples to support your recommendations.
27. The last few years have witnessed a significant increase in direct response advertising campaigns. Discuss the main benefits of direct response advertising and identify the main promotional media that can be considered.
28. Critically apprise THREE advertising media that can be used in order to support the launch of a new range of cosmetics for men.
29. Discuss the importance of sales promotions to the marketing of consumer products and explain how sales promotions can support the other elements of the promotion mix
30. Explain the different elements of promotion mix. Also bring out the advantages and disadvantages of each element over the other
31. What is advertising? What is the relevance of advertising in today's markets?
32. 'Advertising is a social waste 'Do you agree with this statement? Justify your answer with the help of suitable examples
33. You are advertising manager of organization producing refined oil. Which media will you choose to advertise your product and why?
34. Explain the promotional strategy that you would use during the Growth and Maturity stages of: (i) Women's Cosmetics (ii) Mobile Phone.

QUESTION BANK

BUSINESS ETHICS & CORPORATE SOCIAL RESPONSIBILITY

BBA 205

QUESTION BANK
BUSINESS ETHICS & CORPORATE SOCIAL RESPONSIBILITY – BBA 205
BBA - III

UNIT – I

I MULTIPLE CHOICE QUESTIONS

1. Which of these are key principles of the code of ethics?
A. Objectivity
B. Familiarity
C. Professional behavior
D. A and C
ANSWER:D

2. If you face an ethical dilemma, what should your first step be in resolving the issue?
A. Contact the regulators
B. Stay quiet
C. Check your facts
D. None of the above
ANSWER:C

3. In which of these areas might you face pressures?
A. Working with colleagues from different functional areas within the organisation
B. Meeting reporting deadlines
C. Allocating bonuses
D. All of the above
ANSWER:D

4. Which of these are safeguards for upholding high ethical standards?
A. Having written orders to do something
B. Companies' internal codes, policies and education
C. Corporate governance regulations
D. B and C
ANSWER:D

5. How does CIMA support its members and students?
A. Setting standards and disciplinary process
B. Making decisions for them
C. Offering helplines globally
D. A and C
ANSWER:D

6. Which principles of 'adequate procedures' should be in place to prevent bribery according to the recent UK Bribery Act?
- A. Top level commitment
 - B. Communication
 - C. Write a document
 - D. A and B

ANSWER: D

7. The most influential theory of corporate responsibility of the past century is:
- A. The moral minimum model.
 - B. The classical model.
 - C. The social contract theory.
 - D. The stakeholder theory.

ANSWER: B

8. The ethical roots of the classical model of corporate social responsibility are found in which statement:
- A. The idea that the interests of stakeholders are as important as the interests of a corporation's stockholders.
 - B. The free market theory which holds that managers are ethically obliged to take as much money as possible for their stockholders because to do otherwise would undermine the very foundations of our free society.
 - C. The ethical imperative to cause no harm.
 - D. The ethical imperative to prevent harm.

ANSWER: B

9. Which of the following reasons might a free market economic theorist use to justify the hostile takeover of a company?
- A. The takeover target company's stock is undervalued. That is evidence that the resources are being inefficiently used.
 - B. If current management is not maximizing profits, it is violating the utilitarian imperative to maximize the overall good.
 - C. The organization seeking to take over the target company will maximize profits for the stockholders and will be serving the public's interests because it is only by satisfying consumer (public) demand that a business can make profits.
 - D. If the takeover target's managers are using their stockholders' money to serve interests other than those of the stockholders, they are stealing from them.
 - E. All of the above.
 - F. None of the above.

ANSWER: E

10. Which of the following statements does not represent a market failure, i.e., a situation in which the pursuit of profit will not result in a net increase in consumer satisfaction?
- A. The costs of pollution, groundwater contamination and depletion, soil erosion and nuclear waste disposal are borne by parties external to the economic exchange between buyer and seller.

- B. Where there is no mechanism for pricing, for setting a value on, public goods, there is no guarantee that the markets result in the optimal satisfaction of the public interest in regards to public goods.
- C. Situations in which externalities have been internalized result in an equilibrium in the exchange price between true costs and benefits.
- D. The pursuit of individual self-interest results in a worse outcome than would have occurred had the behavior of the parties involved in the economic exchange been coordinated through cooperation or regulation rather than mere competition.

ANSWER:C

- 11 Which statement does not support the claim that an unconditioned ethical directive such as the one the classical model of corporate social responsibility demands of business management is inappropriate for utilitarian theory?
- A. Markets can work to prevent harm only by first-hand experience with harms that have to occur before they can be remedied.
 - B. It is claimed that once market failures are adequately addressed by the government, business just needs to obey the law that addressed them. Business, however, has the ability to inappropriately influence government policy and the law.
 - C. (c) Business has the ability to influence consumers' desires by helping shape those desires through advertising.
 - D. A more precise formulation of a utilitarian- based principle would be to maximize profit whenever doing so produces the greatest good for the greatest number, with the proviso that managers must consider the impact a decision will have in many ways other than merely financial.

ANSWER:D

- 12 According to the private property defense of the classical model of corporate social responsibility, managers who use corporate funds for projects that are not directly devoted to maximizing profits are stealing from their owners. Which statement supports this view?
- A. Property rights are restricted when they conflict with the basic rules of society as embodied in law and custom.
 - B. The connection between ownership and control that exists for personal property does not legally exist for corporate property.
 - C. Investors buy their stocks with the hope of maximizing return on their investment.
 - D. Stockholders in publicly traded corporations are better understood as investors rather than owners.

ANSWER:C

- 13 Which statement is true of Bowie's Kantian approach to business ethics?
- A. People have a duty both to not cause harm and to prevent harm.
 - B. Both causing no harm and preventing harm override other ethical considerations.
 - C. While it is ethically good for managers to prevent harm or do some good, their duty to stockholders overrides these concerns.

- D. A narrow interpretation of Bowie's "cause no harm" imperative makes the duties faced by management under the neo-classical model significantly different from the classical model.

ANSWER:C

- 14 Select the reasons, historically speaking, why the modern corporation was established as a legal entity:
- A. Social benefits flow from corporate institutions.
 - B. Corporations provide an efficient means for raising large amounts of capital needed to produce and distribute socially desired goods and services.
 - C. Corporations distribute risks widely over large populations, minimizing the risk to any one individual.
 - D. Corporations provide individuals with efficient means for the creation of wealth and for supplying jobs.
 - E. All of the above.
 - F. None of the above.

ANSWER: E

- 15 Which statement does not challenge the notion of a hypothetical social contract between society and corporations?
- A. If the social contract presupposes an amoral beginning, it seems to offer few guarantees that certain fundamental ethical rights will be protected under the contract.
 - B. Micro-social contracts can be developed within particular local communities that establish the specific ethical rights and responsibilities within that community as long as they fit within the general limitations of the hyper norms governing any and all social contracts.
 - C. It is difficult to specify exactly what responsibilities will be drawn from this hypothetical contract.
 - D. If the theory already begins with certain fundamental rights and responsibilities, then the social contract may be irrelevant to providing an ethical justification for business' responsibilities.

ANSWER: B

- 16 Which statement represents a challenge to Evan's and Freedman's defense of the stockholder theory against the classical model of corporate social responsibility?
- A. The law now recognizes a wide range of managerial obligations to such stakeholders as consumers, employees, competitors, the environment, the disabled.
 - B. Courts and legislatures have recognized that the rights and interests of various constituencies affected by corporate decisions limit managers' fiduciary responsibility.
 - C. Stakeholder theory cannot ANSWER the question as to how, exactly, a manager should go about balancing the diverse and competing claims of all parties.
 - D. There is no guarantee that when managers produce profits they will serve the interests of either stockholders or the public.

ANSWER:C

17. Which statement correctly reflects the free market view of business social responsibility?
- A. In addition to making a profit, businesses are just as responsible for seeing to the well-being of their employees and the communities in which they operate
 - B. No one other than the managers and owners of a business may claim to have any stake in the business decisions managers make.
 - C. In the process of providing goods and services to customer who need and want them and maximizing profits for its shareowners, a business fulfills its social responsibility
 - D. A business is responsible for maximizing profits for its shareowners, but, in special circumstances, may have to sacrifice profits in the interest of the community whose citizens depend on it for employment.

ANSWER: C

18. Which of the following statements is decisive in determining whether or not to study business ethics?
- A. Business managers don't need to study ethics in order to know how to treat employees, shareowners, and customers.
 - B. Business and ethics simply don't mix. In the final analysis, self-interest represented by profit overrides the interests of employees, customers, and communities. Opinion and sentiment get in the way of efficient business decision-making.
 - C. Ethical concerns are as unavoidable in business as are concerns of marketing, accounting, finance, and human resources. Formal study of business ethics helps address these concerns so that decisions of right and wrong may be made deliberately and conscientiously
 - D. The ANSWERS to ethical questions are clear-cut enough; all business people already know right from wrong.

ANSWER: C

19. Which statement correctly describes the relationship between philosophical ethics and ethos?
- A. Individuals who obey the conventions, mores, and rules of their cultures are already acting ethically. No further philosophical reflection is required.
 - B. Philosophical ethics distinguishes what people do value from what they should value.
 - C. What people do value and should value are, for all practical purposes, the same?
 - D. Philosophical ethics is too abstract to be useful in everyday life situations. Following the mores and customs of one's culture is a more dependable way to make moral decisions.

ANSWER: B

20. Which statement does not reflect the idea of ethical relativism:
- A. All opinions are equal; no one can say what is ethically right or wrong.
 - B. One's culture, society, or personal feelings are the only criteria for deciding what is ethically right or wrong.
 - C. Determining what is ethically right or wrong is a process of arguing from an appeal to values and principles that justify and legitimize an opinion.

D. Philosophical ethics is simply a process of clarifying values, not a process of justifying them.

ANSWER:C

21. Which of the following intellectual disciplines provides absolute proof of its conclusions?
- A. The social, biological, meteorological, and medical sciences.
 - B. Ethical judgments based on well-reasoned arguments from sound moral principles.
 - C. The applied sides of engineering, chemistry, and physics.
 - D. All of the above.
 - E. None of the above.

ANSWER: E

22. Which statement is a correct view of psychological egoism?
- A. While our own interests are important, they make sometimes have to give way to the interests of others.
 - B. Psychological egoism makes claims about how people should act.
 - C. If psychological egoism is true, we should abandon ethics.
 - D. Psychological egoism does not claim to provide an accurate descriptive account of human behavior.

ANSWER:C

23. Identify the statement that is consistent with utilitarian ethical theory:
- A. Adhering to a set of principles may well forbid an act that would otherwise provide overall net good consequences.
 - B. No act is ever morally right or wrong in all cases, in every situation. It will all depend on the act's consequences.
 - C. Some actions like murder, theft, rape, and lying are wrong of their very nature, the kind of acts they are. No amount of net good consequences could ever justify them.
 - D. The end never justifies the means.

ANSWER: B

24. Which statements are legitimate challenges to utilitarian ethical theory?
- A. The end may justify the means.
 - B. There is no consensus among utilitarians on how to measure and determine the overall good.
 - C. It is difficult to know how to consider the consequences for all the parties that will be affected by an act.
 - D. It is difficult for the utilitarian to find a balance between individual freedom and the overall good. The more utilitarians emphasize freedom the more likely they hold more relativistic accounts of the good.
 - E. All of the above.
 - F. None of the above.

ANSWER: E

25. Which of the following reasons accounts for utilitarianism's dominance among policy makers and administrators?
- A. It seems obvious that policy questions should be judged by results and consequences.
 - B. Policy experts at all levels are focused on results and getting things done.
 - C. Efficiency is simply another word for maximizing happiness.
 - D. Policy experts focus on the collective or aggregate good.
 - E. All of the above.
 - F. None of the above.

ANSWER: E

26. Which statements are characteristic of virtue ethics?
- A. Our character traits are easily modified, almost on a day-to-day basis if we so choose.
 - B. Like Kantian ethical theory, virtue ethics requires that we disregard personal emotions and feelings.
 - C. Virtue ethics is about describing people as good or bad.
 - D. Even if a person is caring, empathetic, charitable and sympathetic, the challenge of egoism is still a factor in his or her decision-making.
 - E. All of the above.
 - F. None of the above.

ANSWER: F

27. Which of the following statements best describes ethics?
- A. Ethics considers how someone chooses among alternative courses of action.
 - B. Ethics is about values and principles.
 - C. Ethics is concerned with how a person chooses between right and wrong.
 - D. Each of the above covers part of the definition.
 - E. None of the above is true.

ANSWER: D

28. Which one of the following is not a feature of moral standard?
- A. Prohibit
 - B. Value
 - C. Condemn
 - D. All the above

ANSWER: D

29. The main purpose of business ethics is to understand
- A. Ethical uncertainties
 - B. Principles and concepts
 - C. Application of practices
 - D. All of the above

ANSWER: D

30. Ethical universalism is defined as
- A. there being no universal set of ethical standards
 - B. giving preference to one's own ethical values

- C. A set of universally accepted and valid ethical standards
- D. what is right is synonymous with what is legal
- E. moderation in all things

ANSWER: D

31. The primary stakeholders are:

- A. Customers.
- B. Suppliers.
- C. Shareholders.
- D. Creditors.

ANSWER: C

32. The goal of corporate governance and business ethics education is to:

- A. Teach students their professional accountability and to uphold their personal Integrity to society.
- B. Change the way in which ethics is taught to students.
- C. Create more ethics standards by which corporate professionals must operate.
- D. Increase the workload for accounting students.

ANSWER: C

33. An organization's appropriate tone at the top promoting ethical conduct is an example of:

- A. Ethics sensitivity.
- B. Ethics incentives.
- C. Ethical behavior.
- D. Consequentialist

ANSWER: C

34. An independent director is one who:

- A. Did not attend a school supported by the company.
- B. Does not have outside relationships with other directors.
- C. Does not have any other relationships with the company other than his or her directorship.
- D. All of the above.

ANSWER: C

35. The corporate governance structure of a company reflects the individual companies':

- A. Cultural and economic system.
- B. Legal and business system.
- C. Social and regulatory system.
- D. All of the above.

ANSWER: D

36. Business ethics deals primarily with

- A. Social responsibility.
- B. the pricing of products and services.
- C. moral obligation.

D. being unfair to the competition

ANSWER: C

37. Ethics are important because
- A. suppliers prefer to deal with ethical companies.
 - B. customers prefer to deal with ethical companies.
 - C. employees prefer to deal with ethical companies.
 - D. all of the choices.

ANSWER: D

38. Benefits derived from social responsibility include;
- A. enhanced organizational efficiency
 - B. producing better products
 - C. attracting people who want to work for the firm
 - D. both A & C

ANSWER: D

39. Unethical behavior is often triggered by
- A. pressure from higher management to achieve goals.
 - B. an organizational atmosphere that condones such behavior.
 - C. both a & b
 - D. a system of checks and balances

ANSWER: C

40. Building a sustainable environment includes
- A. developing a green supply chain
 - B. omitting hazardous emissions
 - C. both a & b
 - D. writing a code of ethics

ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. What is value? What are the major sources of values?
2. Discuss the basic similarities & differences between values & attitudes.
3. What values should a business organization is concerned with?
4. What do you understand by virtue ethics? Explain.
5. Why do ethical decisions sometimes differ?
6. What do you mean by teleological theory? Analyze its various ramifications.
7. Discuss the salient features of Gandhian theory of justice.
8. Why does a good man sometimes do ethically bad work? Comment.
9. Can ethics be taught? Explain.
10. What is more important, ethics or law? Give reasons.
11. What is Indian Ethos? Explain the principles and characteristics of Indian Ethos.
12. Write a note on Leadership qualities with special reference to Indian thoughts.
13. What are the basic detriments of ethical decision making in business?

14. Explain critically the four popular modes of business decision making.
15. Decision making depends on the corporate culture & ethical base or intensity. Give reasons in support of your ANSWER.
16. Discuss the need for business ethics in changing economic environment.
17. Discuss the spiritual philosophy of Bhagvad Gita supporting modern organizational growth
18. The resolution of conflict should be amicably through nonviolence', do you agree or disagree with the statement?
19. Does Advaita Vedanta have some relevance in modern business organizations?
20. Differentiate the Kantian Deonticism & the Karma Yoga of the Gita.
21. What is an ethical dilemma? Analyze its basic causes.
22. Do business people have any social responsibility? Explain your view.
23. Explain the views of Adam Smith & Milton Friedman on social responsibility of business.
24. How do you propose to solve ethical dilemmas in business?
25. Why is business world full of unethical practices? Explain your views.
26. Discuss the basic similarities & differences between values & attitudes.
27. What values should a business organization is concerned with?
28. What do you understand by virtue ethics? Explain.
29. Why do ethical decisions sometimes differ?
30. Discuss the need for business ethics in changing economic environment.
31. Write a short note on ethical decision making.
32. Name the factors that affect the formation of values.
33. What is the relevance of ethics in business?
34. What is the relevance of values in business?
35. Enumerate some of the values that Indian managers have?

III LONG ANSWER TYPE QUESTIONS:

1. A business organization depends on certain cherished values, but there are many possibilities of value conflicts, Comment
2. Compare & contrast ideas of justice under capitalism and socialism.
3. Value-Based Management is an ethical framework for succeeding in business. Explain the statement.
4. How can organizational productivity be increased with value-driven Indian management?
5. Explain the distinctive characteristic or principles of Indian ethos and explain how they are important to professional manager?
6. "To be successful, a professional manager should have the pace of west and grace of east. Explain with comparative study of value system
7. Change in demographic & social environment requires management of issues related to stakeholders. Do you agree?
8. Unethical business practices in the use of technology have made it mandatory to observe business ethics now -a -days. Explain.
9. Gandhi advocated the control of desire for the meta needs & bringing down the scale of wants to the ethical minima. Discuss

10. Identify some problems associated with free market theory of corporate responsibility for consumers.
11. Where does the liability of a company end the responsibility of a consumer begin for a product? Explain.
12. “An ideal polity with spiritualization of politics is the gist Vaishnavism”. Comment
13. Do you believe the environment is in trouble from climate change and global warming or do you believe this is all a hype made up by the press and scientists? Explain.
14. What are advertisements and where do they appear. Do you find them unethical but legal at sometimes? Explain.
15. Identify a recent example of a corporation accused of false or deceitful advertising. How did it justify the claims made in its advertisement? Do you agree or disagree with the claims? Explain.
16. How are values formed? What are the different categories of values?
17. “CSR activities are supposed to be voluntary, after all the business of business is to generate profits.” Do you agree? Justify your ANSWER by referring to the social contract theory of business ethics.
18. “Corporate Social Responsibility is about giving back to society.” In view of the statement, explain the concept of CSR and current CSR practices of the firms in India.
19. What do ethical concerns mean for any kind of an organization?
20. What steps to organizations take to ensure meeting of ethical standards in modern day concepts?
21. Do you agree with the statement that “CSR activities are voluntary activities?” support your ANSWER with valid examples.
22. What steps can organizations take to implement business ethics?
23. Explain in detail the various theories of ethics.
24. Identify some problems associated with free market theory of corporate responsibility for consumers.
25. Explain ethos of Vedanta in management.
26. A business organization depends on certain cherished values, but there are many possibilities of value conflicts, Comment
27. How can organizational productivity be increased with value-driven Indian management?
28. Explain the distinctive characteristic or principles of Indian ethos and explain how they are important to professional manager?
29. Unethical business practices in the use of technology have made it mandatory to observe business ethics now -a -days. Explain.
30. The resolution of conflict should be amicably through nonviolence’, do you agree or disagree with the statement?
31. What are the various ethical issues faced by a firm in marketing department?
32. What are the various ethical issues faced by a firm in the HR department?
33. What are the various ethical issues faced by a firm in the production department?
34. Explain the ethos of Vedanta in Management.
35. Explain how ethics can be incorporated in the management process.

UNIT - II

I MULTIPLE CHOICE QUESTIONS:

1. Which of the following statements is true
 - A. In small quantities, stress is good
 - B. Too much stress is harmful
 - C. All stress is bad
 - D. Only 'A' & 'B' are rightANSWER: D

2. Stress management is about learning
 - A. How to avoid the pressures of life
 - B. How to develop skills that would enhance our body's adjustment when we are subjected to the pressures of life
 - C. Both 'A' & 'B' are true
 - D. None of the aboveANSWER: B

3. Which of the following statements is true about stress management
 - A. Stress management is learning about the connection between mind and body
 - B. Stress management helps us control our health in a positive sense
 - C. Stress management teaches us to avoid all kinds of stress
 - D. Only 'A' & 'B' are rightANSWER: D

4. Which of the following are the basic sources of stress
 - A. The Environment
 - B. Social Stressors
 - C. Physiological
 - D. Thoughts
 - E. All of the aboveANSWER: E

5. Examples of environmental stressors are
 - A. Weather
 - B. Traffic
 - C. Financial problems
 - D. Substandard housing
 - E. Only 'A', 'B' & 'D' are rightANSWER: E

6. Examples of social stressors are
- A. Financial problems
 - B. Divorce
 - C. Loss of a loved one
 - D. Job interviews
 - E. All of the above
- ANSWER: E
7. Examples of physiological stressors are
- A. Menopause
 - B. Giving birth
 - C. Sleep disturbances
 - D. 'A', 'B', & 'C' are true
- ANSWER: D
8. The following are the characteristics of Positive Stress
- A. It improves performance
 - B. It feels exciting
 - C. It motivates
 - D. All of the above
- ANSWER: D
9. The following are the characteristics of Negative Stress
- A. It causes anxiety
 - B. It feels unpleasant
 - C. It decreases performance
 - D. All of the above
- ANSWER: D
10. Which of the following statements is true
- A. Positive stress is short-term
 - B. Negative stress can be short or long-term
 - C. Negative stress can lead to mental as well as physical problems
 - D. Negative stress is perceived within our coping abilities
- ANSWER: D
11. The following are the examples of negative stressors
- A. Unemployment
 - B. Legal problems
 - C. Divorce
 - D. All of the above
- ANSWER: D

12. The following are the examples of positive stressors
- A. New job
 - B. Having a child
 - C. Buying a home
 - D. All of the above
- ANSWER: D
13. Which of the following statements is true
- A. Habitual behaviour patterns like over scheduling, procrastination, etc. Can cause negative stress
 - B. Thoughts like fear, worrying about future etc. can cause negative stress
 - C. Both 'A' & 'B' are true
 - D. None of the above
- ANSWER: C
14. Which of the following are the physical symptoms of anxiety
- A. Racing heart
 - B. Sweaty palms
 - C. Flushed cheeks
 - D. All of the above
- ANSWER: D
15. What are the behavioural reactions to anxiety
- A. Avoiding situation where there are chances of experiencing anxiety
 - B. Escaping situations when feelings of anxiety begin
 - C. Both 'A' and 'B' are true
 - D. None of the above
- ANSWER: C
16. Anxiety can cause the following moods
- A. Irritable
 - B. Nervous
 - C. Panicky
 - D. Anxious
 - E. All of the above
- ANSWER: E
17. What thoughts come to the mind when you're under negative stress
- A. You think that you can cope with the situation
 - B. You think that you cannot cope with the situation
 - C. You think that everything will get fine eventually
 - D. You think that you will get hep immediately
- ANSWER: B
18. The symptoms of stress can be divided in to the following categories
- A. Cognitive

- B. Emotional
- C. Physical
- D. All of the above

ANSWER: D

19. Which of the following statements is true
- A. Moodiness is a cognitive symptom of stress
 - B. Moodiness is an emotional symptom of stress
 - C. Poor judgement is an emotional symptom of stress
 - D. Agitation is cognitive symptom of stress

ANSWER: B

20. The following are true about the behavioural symptoms of stress
- A. The subject's starts eating more or less
 - B. The subject starts sleeping more or less
 - C. The subject isolates himself/herself from others
 - D. All of the above

ANSWER: D

21. Aches, shallow breathing and sweating, frequent colds are
- A. Physical symptoms of stress
 - B. Behavioural symptoms of stress
 - C. Emotional symptoms of stress
 - D. Cognitive symptoms of stress

ANSWER: A

22. The following are true about the effects of stress
- A. Hair loss and baldness
 - B. Spasmodic pains in the neck and shoulders
 - C. Hypertension
 - D. All of the above

ANSWER: D

23. What are the questions you need to ask yourself while you are assessing yourself for stress
- A. Where do you feel stress in your body
 - B. How do you know when you are stress
 - C. How do you react to stress
 - D. All of the above

ANSWER: D

24. Who was the first to describe the “fight or flight response”
A. Walter B. Cannon
B. Sigmund Freud
C. Atkinson Potter
D. Mrunal Sengupta
ANSWER: A
25. Which of the following are true in relation to Relaxation Response
A. It is a physical state of deep rest
B. Eliciting this reduces your metabolism
C. Eliciting this reduces your blood pressure
D. All of the above
ANSWER: D
26. Carroll's model of social responsibility includes the social responsibilities categories _____, _____, and _____ plus those at the discretion of the firm.
A. consumerism; discrimination; environment
B. ethical responsibilities; discrimination; legal responsibilities
C. ethical responsibilities; legal responsibilities; economic responsibilities
D. occupational safety; legal responsibilities; economic responsibilities
ANSWER:C
27. If you believe in making decisions for the good of most people, you can be described as following which school of thought?
A. Utilitarianism
B. Teleology
C. Deontology
D. Egoism
ANSWER: A
28. Malcolm Baldrige national quality award is for (MBNQA)
A. Total Quality Management
B. International Standard Organization
C. Total Productive Maintenance
D. Total Quality Control
ANSWER: A
29. Total Quality Management (TQM) focuses on
A. Employee
B. Customer
C. Both (a) and (b)
D. None of the above
ANSWER: C

30. TQM & ISO both focuses on
A. Customer
B. Employee
C. Supplier
D. All of the above
ANSWER: A
31. Karma yoga is-
A. concentrate fully and completely on each duty.
B. a preliminary to the use of Japan.
C. the way of knowledge.
D. the way of psychological experiment.
ANSWER: A
32. Jnana yoga
A. the personality of the gods are important.
B. the way of knowledge through scriptures.
C. what Christians mean by "soul."
D. concentrate fully and completely on each duty.
ANSWER: B
33. The total number of Vedas is _____.
A. One
B. Two
C. Three
D. Four
ANSWER: D
34. Philosophy is originally a _____ word.
A. English
B. Latin
C. Greek
D. Spanish
ANSWER: C
35. The portion of Vedas that deals with rituals is known as _____.
A. Mantras
B. Brahmanas
C. Aranyakas
D. Upanishads
ANSWER: A
36. Which one of the following is not recommended as a method for a company to protect itself against sexual harassment charges?
A. Develop a zero-tolerance policy on harassment and communicate it to employees.
B. Retaliate swiftly against employees who bring forth charges of harassment.

- C. Give swift and sure punishment to harassers.
- D. Train managers at all levels on sexual harassment issues.

ANSWER: B

37. Marvin has his own Website that carries ads for a dozen retailers. At night, Marvin spends hours clicking on these sites so he can collect commissions from the advertisers. Marvin is engaged in the scandal referred to as
- A. click fraud.
 - B. work-at-home scam.
 - C. cyber squatting
 - D. backdating Websites

ANSWER: A

38. The ethical dilemma of choosing between two rights refers to
- A. choosing between the lesser of two evils.
 - B. deciding which of two employee rights is the most important.
 - C. deciding to offer a bribe or lose out on an important opportunity.
 - D. choosing between the two types of sexual harassment.

ANSWER: A

39. A whistle blower is an employee who
- A. exposes organizational wrongdoing.
 - B. complains a lot to company management.
 - C. engages in unethical behavior.
 - D. refers disputes with other employees.

ANSWER: A

II SHORT ANSWER TYPE QUESTIONS:

1. Explain how organizational excellence can be achieved through human values?
2. What do you understand by 'White Collar Crimes'?
3. Deceptive pricing, unnecessary repairs & credit card fraud are different from 'crimes of the street', discuss.
4. Write short notes on:
 - a. Spiritual Values
 - b. Principles of Environmental Ethics
5. Is it possible to identify the stakeholders in an organization? How? Give examples.
6. What is the meaning of knowledge and wisdom?
7. What is the difference between Knowledge and Wisdom?
8. What is the Knowledge Worker versus Wisdom Worker?
9. What is knowledge management.
10. What is wisdom management?
11. What is stress management?
12. What is the meaning of wisdom-based management?
13. What are the sources of stress?

14. What are the consequences of stress?
15. What is detached involvement?
16. What is karma?
17. What are the kinds of karma yoga?
18. What is nishkama karma?
19. What is sakam karma?
20. What is total quality management?
21. What is quality of life?
22. What is quality of work life?
23. What how nishkama karma different from sakam karma?
24. What is the difference between stress management and wisdom management?
25. How can stress be managed?
26. Discuss the spiritual philosophy of Bhagvad Gita supporting modern organizational growth
27. The resolution of conflict should be amicably through nonviolence', do you agree or disagree with the statement?
28. Does Advaita Vedanta have some relevance in modern business organizations?
29. Differentiate the Kantian Deonticism & the Karma Yoga of the Gita.
30. Discuss the salient features of Gandhian theory of justice.
31. From where has the concept of nishkama karma been taken?
32. Give four means of managing stress in professional life.
33. How can quality of work life be enhanced at work place?
34. Enumerate the teachings of Gita that can be applied to management practices.
35. How can detached involvement act as one of the ways of managing stress?

III LONG ANSWER TYPE QUESTIONS:

1. Value-Based Management is an ethical framework for succeeding in business. Explain the statement.
2. Gandhi advocated the control of desire for the meta needs & bringing down the scale of wants to the ethical minima. Discuss
3. Explain the concept of values along with its types.
4. What is the relevance of ethics and values in business organizations?
5. What are the various ethical issues in an organization? Explain by throwing light on the current ethical issues being faced by some of the big organizations of India.
6. What is the meaning of knowledge and wisdom? What is the difference between Knowledge and Wisdom?
7. Explain in detail nishkama karma and sakam karma?
8. What is karma? Explain in detail the kinds of karma yoga.
9. Explain in detail Total Quality Management, quality of life and quality of work life.
10. Explain the Meaning of stress management, its Sources and Consequences. Support your answer by giving real life examples.
11. Who are knowledge workers and wisdom workers? Clearly explain the difference between the two.
12. What steps to organizations take to ensure meeting of ethical standards in modern day concepts?

13. Do you agree with the statement that “CSR activities are voluntary activities?” support your ANSWER with valid examples.
14. Do the current managers of India believe in the concept of nishkama karma and sakam karma.
15. What is the relevance of stress management in today’s time? Do modern managers believe in relieving their employees of the stress? Explain in detail
16. What is detached involvement? How it helps an employee in succeeding in his career?
17. From where did the idea of karma come? How relevant it is in today’s time? Explain by giving light to the concepts of nishkama and sakam karma.
18. Give real life examples of knowledge workers and wisdom workers. What is the difference in their approach of solving problems in the organization?
19. How knowledge is different form wisdom? Which one is appropriate for the manager? How modern-day managers approach knowledge and wisdom of employees?
20. Explain wisdom-based management. How modern-day CEO’s approach Wisdom of their employees.
21. Explain the deontological theories of ethics in detail.
22. Explain the utilitarian theories of ethics in detail.
23. What is the difference between deontological theories and utilitarian theories in ethics?
24. Explain the concept of stress management, wisdom management and knowledge management? How they are related to each other?
25. How knowledge and wisdom are inter-related to each other? How stress is managed by people who have knowledge and wisdom? Give modern day examples to support your answer.
26. “An ideal polity with spiritualization of politics is the gist Vaishnavism”. Comment
27. Do you believe the environment is in trouble from climate change and global warming or do you believe this is all a hype made up by the press and scientists? Explain.
28. Explain in detail the value oriented holistic management concept.
29. What is Total Quality Management? Explain its principles.
30. Does Advaita Vedanta have some relevance in modern business organizations?
31. Discuss the success story of business gurus by taking suitable examples from the corporate world.
32. How can the concept of wisdom management be applied to various business practices?
33. Explain the various aspects of Total Quality Management, Quality of life and Quality of work life.
34. How can a manager differentiate between a knowledge worker and a wisdom worker? Support your answer with suitable example.
35. How can the teachings from Gita, Mahabharata, Ramayana and Vedas be applied to business practices? Support your answer with suitable examples.

UNIT - III

I MULTIPLE CHOICE QUESTIONS

1. Which of these are key principles of the code of ethics?
 - A. Objectivity

- B. Familiarity
- C. Professional behavior
- D. A and C

ANSWER:D

2. If you face an ethical dilemma, what should your first step be in resolving the issue?
- A. Contact the regulators
 - B. Stay quiet
 - C. Check your facts
 - D. None of the above

ANSWER:C

3. In which of these areas might you face pressures?
- A. Working with colleagues from different functional areas within the organisation
 - B. Meeting reporting deadlines
 - C. Allocating bonuses
 - D. all of the above

ANSWER:D

4. Which of these are safeguards for upholding high ethical standards?
- A. Having written orders to do something
 - B. Companies' internal codes, policies and education
 - C. Corporate governance regulations
 - D. b and c

ANSWER:D

5. How does CIMA support its members and students?
- A. Setting standards and disciplinary process
 - B. Making decisions for them
 - C. Offering helplines globally
 - D. a and c

ANSWER:D

6. Which principles of 'adequate procedures' should be in place to prevent bribery according to the recent UK Bribery Act?
- A. Top level commitment
 - B. Communication
 - C. Write a document
 - D. a and b

ANSWER:D

- 7 The most influential theory of corporate responsibility of the past century is:
- A. The moral minimum model.
 - B. The classical model.
 - C. The social contract theory.
 - D. The stakeholder theory.
- ANSWER: B
- 8 The ethical roots of the classical model of corporate social responsibility are found in which statement:
- A. The idea that the interests of stakeholders are as important as the interests of a corporation's stockholders.
 - B. The free market theory which holds that managers are ethically obliged to ace as much money as possible for their stockholders because to do otherwise would undermine the very foundations of our free society.
 - C. The ethical imperative to cause no harm.
 - D. The ethical imperative to prevent harm.
- ANSWER: B
- 9 Which of the following reasons might a free market economic theorist use to justify the hostile takeover of a company?
- A. The takeover target company's stock is undervalued. That is evidence that the resources are being inefficiently used.
 - B. If current management is not maximizing profits, it is violating the utilitarian imperative to maximize the overall good.
 - C. The organization seeking to take over the target company will maximize profits for the stockholders and will be serving the public's interests because it is only by satisfying consumer (public) demand that a business can make profits.
 - D. If the takeover target's managers are using their stockholders' money to serve interests other than those of the stockholders, they are stealing from them.
 - E. All of the above.
 - F. None of the above.
- ANSWER: E
- 10 Which of the following statements does not represent a market failure, i.e., a situation in which the pursuit of profit will not result in a net increase in consumer satisfaction?
- A. The costs of pollution, groundwater contamination and depletion, soil erosion and nuclear waste disposal are borne by parties external to the economic exchange between buyer and seller.
 - B. Where there is no mechanism for pricing, for setting a value on, public goods, there is no guarantee that the markets result in the optimal satisfaction of the public interest in regard to public goods.
 - C. Situations in which externalities have been internalized result in an equilibrium in the exchange price between true costs and benefits.

D. The pursuit of individual self-interest results in a worse outcome than would have occurred had the behavior of the parties involved in the economic exchange been coordinated through cooperation or regulation rather than mere competition.

ANSWER:C

- 11 Which statement does not support the claim that an unconditioned ethical directive such as the one the classical model of corporate social responsibility demands of business management is inappropriate for utilitarian theory?
- (a) Markets can work to prevent harm only by first-hand experience with harms that have to occur before they can be remedied.
 - (b) It is claimed that once market failures are adequately addressed by the government, business just needs to obey the law that addressed them. Business, however, has the ability to inappropriately influence government policy and the law.
 - (c) Business has the ability to influence consumers' desires by helping shape those desires through advertising.
 - (d) A more precise formulation of a utilitarian- based principle would be to maximize profit whenever doing so produces the greatest good for the greatest number, with the proviso that managers must consider the impact a decision will have in many ways other than merely financial.

ANSWER:D

- 12 According to the private property defense of the classical model of corporate social responsibility, managers who use corporate funds for projects that are not directly devoted to maximizing profits are stealing from their owners. Which statement supports this view?
- A. Property rights are restricted when they conflict with the basic rules of society as embodied in law and custom.
 - B. The connection between ownership and control that exists for personal property does not legally exist for corporate property.
 - C. Investors buy their stocks with the hope of maximizing return on their investment.
 - D. Stockholders in publicly traded corporations are better understood as investors rather than owners.

ANSWER:C

- 13 Which statement is true of Bowie's Kantian approach to business ethics?
- A. People have a duty both to not cause harm and to prevent harm.
 - B. Both causing no harm and preventing harm override other ethical considerations.
 - C. While it is ethically good for managers to prevent harm or do some good, their duty to stockholders overrides these concerns.
 - D. A narrow interpretation of Bowie's "cause no harm" imperative makes the duties faced by management under the neo-classical model significantly different from the classical model.

ANSWER:C

14. Select the reasons, historically speaking, why the modern corporation was established as a legal entity:
- A. Social benefits flow from corporate institutions.
 - B. Corporations provide an efficient means for raising large amounts of capital needed to produce and distribute socially desired goods and services.
 - C. Corporations distribute risks widely over large populations, minimizing the risk to any one individual.
 - D. Corporations provide individuals with efficient means for the creation of wealth and for supplying jobs.
 - E. All of the above.
 - F. None of the above.
- ANSWER: E
15. Which statement does not challenge the notion of a hypothetical social contract between society and corporations?
- A. If the social contract presupposes an amoral beginning, it seems to offer few guarantees that certain fundamental ethical rights will be protected under the contract.
 - B. Micro-social contracts can be developed within particular local communities that establish the specific ethical rights and responsibilities within that community as long as they fit within the general limitations of the hyper norms governing any and all social contracts.
 - C. It is difficult to specify exactly what responsibilities will be drawn from this hypothetical contract.
 - D. If the theory already begins with certain fundamental rights and responsibilities, then the social contract may be irrelevant to providing an ethical justification for business' responsibilities.
- ANSWER: B
16. Which statement represents a challenge to Evan's and Freedman's defense of the stockholder theory against the classical model of corporate social responsibility?
- A. The law now recognizes a wide range of managerial obligations to such stakeholders as consumers, employees, competitors, the environment, the disabled.
 - B. Courts and legislatures have recognized that the rights and interests of various constituencies affected by corporate decisions limit managers' fiduciary responsibility.
 - C. Stakeholder theory cannot ANSWER the question as to how, exactly, a manager should go about balancing the diverse and competing claims of all parties.
 - D. There is no guarantee that when managers produce profits they will serve the interests of either stockholders or the public.
- ANSWER: C
17. Which statement correctly reflects the free market view of business social responsibility?
- A. In addition to making a profit, businesses are just as responsible for seeing to the well-being of their employees and the communities in which they operate

- B. No one other than the managers and owners of a business may claim to have any stake in the business decisions managers make.
- C. In the process of providing goods and services to customer who need and want them and maximizing profits for its shareowners, a business fulfills its social responsibility
- D. A business is responsible for maximizing profits for its shareowners, but, in special circumstances, may have to sacrifice profits in the interest of the community whose citizens depend on it for employment.

ANSWER:C

- 18 Which of the following statements is decisive in determining whether or not to study business ethics?
- (a) Business managers don't need to study ethics in order to know how to treat employees, shareowners, and customers.
 - (b) Business and ethics simply don't mix. In the final analysis, self-interest represented by profit overrides the interests of employees, customers, and communities. Opinion and sentiment get in the way of efficient business decision-making.
 - (c) Ethical concerns are as unavoidable in business as are concerns of marketing, accounting, finance, and human resources. Formal study of business ethics helps address these concerns so that decisions of right and wrong may be made deliberately. and conscientiously
 - (d) The ANSWERS to ethical questions are clear-cut enough; all business people already know right from wrong.

ANSWER:C

19. Which statement correctly describes the relationship between philosophical ethics and ethos?
- (a) Individuals who obey the conventions, mores, and rules of their cultures are already acting ethically. No further philosophical reflection is required.
 - (b) Philosophical ethics distinguishes what people do value from what they should value.
 - (c) What people do value and should value are, for all practical purposes, the same?
 - (d) Philosophical ethics is too abstract to be useful in everyday life situations. Following the mores and customs of one's culture is a more dependable way to make moral decisions.

ANSWER: B

20. Which statement does not reflect the idea of ethical relativism:
- A. All opinions are equal; no one can say what is ethically right or wrong.
 - B. One's culture, society, or personal feelings are the only criteria for deciding what is ethically right or wrong.
 - C. Determining what is ethically right or wrong is a process of arguing from an appeal to values and principles that justify and legitimize an opinion.
 - D. Philosophical ethics is simply a process of clarifying values, not a process of justifying them.

ANSWER:C

21. Which of the following intellectual disciplines provides absolute proof of its conclusions?
- A. The social, biological, meteorological, and medical sciences.
 - B. Ethical judgments based on well-reasoned arguments from sound moral principles.
 - C. The applied sides of engineering, chemistry, and physics.
 - D. All of the above.
 - E. None of the above.
- ANSWER: E
22. Which statement is a correct view of psychological egoism?
- A. While our own interests are important, they make sometimes have to give way to the interests of others.
 - B. Psychological egoism makes claims about how people should act.
 - C. If psychological egoism is true, we should abandon ethics.
 - D. Psychological egoism does not claim to provide an accurate descriptive account of human behavior.
- ANSWER:C
23. Identify the statement that is consistent with utilitarian ethical theory:
- A. Adhering to a set of principles may well forbid an act that would otherwise provide overall net good consequences.
 - B. No act is ever morally right or wrong in all cases, in every situation. It will all depend on the act's consequences.
 - C. Some actions like murder, theft, rape, and lying are wrong of their very nature, the kind of acts they are. No amount of net good consequences could ever justify them.
 - D. The end never justifies the means.
- ANSWER: B
24. Which statements are legitimate challenges to utilitarian ethical theory?
- A. The end may justify the means.
 - B. There is no consensus among utilitarians on how to measure and determine the overall good.
 - C. It is difficult to know how to consider the consequences for all the parties that will be affected by an act.
 - D. It is difficult for the utilitarian to find a balance between individual freedom and the overall good. The more utilitarians emphasize freedom the more likely they hold more relativistic accounts of the good.
 - E. All of the above.
 - F. None of the above.
- ANSWER: E
25. Which of the following reasons accounts for utilitarianism's dominance among policy makers and administrators?
- A. It seems obvious that policy questions should be judged by results and consequences.
 - B. Policy experts at all levels are focused on results and getting things done.
 - C. Efficiency is simply another word for maximizing happiness.

- D. Policy experts focus on the collective or aggregate good.
- E. All of the above.
- F. None of the above.

ANSWER: E

26. How can you describe the thinking and outlook of transformational leaders?

- A. Strategic
- B. Operational
- C. Functional
- D. Developmental

ANSWER:D

27. The biggest challenge in planning for change is:

- A. Who will be affected by the change
- B. Anticipating its unintended, unexpected outcomes
- C. Deciding who should implement the change
- D. Communicating why the change is needed

ANSWER: B

28. What does situational theory of leadership emphasize

- A. Personal Traits
- B. Events
- C. Environment
- D. Political Situation

ANSWER: B

29. What are the key characteristics of transactional leaders?

- A. Guiding, mentoring and motivating
- B. Guiding, commanding and motivating
- C. Guiding, demonstrating and motivating
- D. Guiding, mentoring and demonstrating

ANSWER:C

30. Strategic planning in service organizations is all about:

- A. Where the organization is heading
- B. Where the organization should be heading.
- C. How the organization needs to change in order to be more effective
- D. What the organization intends to accomplish for the community

ANSWER:C

31. The organization will never be able to make the necessary changes without

- A. Top management commitment
- B. Employees
- C. Workers
- D. None of the mentioned

ANSWER. A

32. Locus of control is
- A. A feeling
 - B. Attitude
 - C. Attribute
 - D. None of the above

ANSWER. C

33. Personal characteristics to be a successful entrepreneur include
- A. Understanding environment
 - B. Creating management options
 - C. Encourage open discussion
 - D. All of the above

ANSWER. D

34. A set of reasons for engaging in a particular behavior, especially human behavior is known as:
- A. Values
 - B. Vision
 - C. Entrepreneurship
 - D. Motivation

ANSWER. D

35. It all depends on the variables of a situation" best describes the
- A. Classical approach
 - B. Human relations approach
 - C. Systems approach
 - D. Contingency approach

ANSWER. D

36. We wish to be good citizens of every community in which we operate." This is
- A. Ethical Code
 - B. Political and Social Code
 - C. Legal Rule
 - D. Legal Act

ANSWER. A

37. If you believe in making decisions for the good of most people, you can be described as following which school of thought?
- A. Utilitarianism
 - B. Teleology
 - C. Deontology
 - D. Egoism

ANSWER. A

38. Which statement is/are true?
 A. Ethics is not synonymous to religious morality or moral theology
 B. Ethics is the principle that guide the human behaviour
 C. The terms 'ethics' and 'morality' are not synonymous terms
 D. All of the above
 ANSWER. D
39. Corporate social responsibility that extends beyond legal mandates can help meet societal expectations in the absence of
 A. Statutory devices
 B. Social tool
 C. Cost tool and Techniques
 D. Science tool
 ANSWER. A
40. Which statement is true?
 A. Skills are not enduring due to fatigue
 B. The final proof of sincerity and seriousness is uncompromising emphasis on integrity of character in a job
 C. The mental contents of the good person are called moral and ethical values
 D. All of the above
 ANSWER. D

II SHORT ANSWER TYPE QUESTIONS:

1. What do you think about the impact of globalization on corporate governance?
2. Distinguish between corporate management & corporate governance.
3. Explain basic mechanism of corporate governance.
4. Why is consumer also known as a stakeholder?
5. How can a manufacturer perform ethically without undermining the financial returns?
6. How can ethical consumerism change business?
7. Why is moral leadership important for entrepreneurs?
8. How legitimate is the concept of stakeholders in business management?
9. Why are branded goods high priced?
10. Discuss various ethical problems the companies suffer when launching a product.
11. What kind of packaging is harmful for humans?
12. Discuss ethical implications of product positioning.
13. Explain the ethical dimensions of pricing dynamics.
14. What are the main issues involved in environmental ethics?
15. Can businesses get any advantage if they adopt sustainability principle? Discuss.
16. How does multi-stakeholder ship work? Does it have any moral value?
17. How can environment be the responsibility of corporations? Discuss.
18. What do you mean by environmental management?
19. Explain the concept of 'Deep ecology'.
20. What do you understand by 'Eco –feminism'?
21. Comment upon the importance of leadership in a corporate ethical structure.

22. Explain the objectives & scope of social audit.
23. What is meant by Ethics hotlines & ethics committees? Explain.
24. Discuss the role of ethics officers in organizations.
25. How can employee wellbeing be enhanced through human values? Explain.
26. What is the process of transformation?
27. State the various challenges faced in the process of transformation.
28. What are the Prerequisites to Create Blue Print for Success?
29. What are the Principles for Competitive Success.
30. State the definitions of Success.
31. What is meant by Corporate Blog? Give some examples.
32. What do you understand by shareholder activism?
33. Discuss the major principles of UK stewardship Code.
34. Write short notes on Ethics in finance and ethics in marketing.
35. Describe the different ethical philosophies.

III LONG ANSWER TYPE QUESTIONS:

1. In corporate governance there is always a gap between the percept & the practice. Do you agree?
2. Elaborate the major OECD principles for corporate governance.
3. How can you ethically relate production & consumption and demand & supply in a consumerist society?
4. Why is the corporate governance important in a country? Discuss.
5. What is the role of business ethics in a free market system?
6. How would you implement brand management ethics in India? Discuss.
7. How can corporations meet the challenges of environmental degradation?
8. Would there be morality without human beings upon the earth? Explain.
9. Illustrate whether the environmental laws are consistent with moral laws?
10. The principle of survival is apt with natural justice, not only for human beings, but also for all living as well as nonliving earth systems. Comment.
11. Does Government play any role to observe sustainability principle? Explain.
12. What do you mean by power-bases? Explain how they are related to organizational leadership.
13. What do you think are ten most strong habits of an ethical leader? Elaborate.
14. What is value-based management? Explain its basic features & determinants.
15. Write an essay on whistle blowing explaining its purposes, importance & limitations.
16. What are the functioning styles of different types of leaders?
17. Explain the role of values in making of business ethics. How organizational excellence can be achieved through human values? Discuss.
18. Virtues that support business transactions include trust fairness, truthfulness, competitiveness & focus. Do you agree? Discuss.
19. Can Triple Bottom-line be achieved by businesses through spiritual leadership? Discuss.
20. What is the relevance of ethics and values in business? How ethical decision making is incorporated in organizations?
21. How Organizational excellence and employee wellbeing can be achieved by focusing on human values. Illustrate your ANSWER from real corporate examples.

22. What are the possible ethical dilemmas encountered by an employee at work place? Where should he look up for the ANSWER to such situations?
23. What are the issues and challenges of adhering to the principles of Environmental Ethics?
24. "It can be seen that ethical issues in marketing in the context of developing countries is highly sensitive to cultural, social and ethical issues." In the light of this statement discuss the ethical issues in marketing.
25. "It is not leadership but spiritual leadership which helps in complete business transformation". Comment on this statement with relevant examples.
26. Explain value based moral leadership while taking example of any famous business leader in India?
27. Describe the different ethical stances an organization may adopt based on different theories of ethics. What are some of the problems with using these principles? Give an example of a situation when an organization used utilitarianism to justify an ethically questionable action.
28. Discuss in detail worldwide efforts in sustaining Principles of Environmental Ethics.
29. Give an example of a Business Guru stating their Success story.
30. "Your character is what you really are; your reputation is what people think of you." In the light of this statement discuss the 12 ethical principles:
31. "CSR is limited to development of employees of the company as voluntary guidelines on CSR suggest." Comment.
32. Elucidate the role of leadership on ethics in an organisation.
33. What do you understand by the Japanese technique of Kyosei? Also discuss in detail the role of business in sustainable development.
34. Describe about the criteria of assessment under the Dow Jones Sustainability Index.
35. Discuss in detail the Kyoto protocol and Bali Roadmap.

UNIT - IV

I MULTIPLE CHOICE QUESTIONS:

1. The process of evaluating a firm's _____ is to determine its effect on a society.
 - A. operating procedures
 - B. code of conduct
 - C. Policies compliance
 - D. All of the above
 ANSWER: B

2. The _____ is an agency to eliminate false and misleading advertising
 - A. FTC
 - B. DOL
 - C. SEBI
 - D. Both (a) and (b)
 ANSWER: A

3. Corporate Governance originated from_____
- The Companies Act
 - SEBI Act, 1992
 - MCA
 - Clause 49 of SEBI act, 2000
- ANSWER: A
4. _____ can be defined as the rights given to people over the creations of their minds.
- IPR
 - Patents
 - Copyright
 - Mandatory Rights
- ANSWER: A
5. A _____ is a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance.
- Social Audit
 - Financial Audit
 - Responsibility Audit
 - Compulsory Audit
- ANSWER: A
6. The members of social audit can be from
- Zilla Panchayat
 - Block Panchayat
 - Gram Panchayat
 - All of the above
- ANSWER: D
7. The consumers have an implied _____ with the corporations
- Quasi Contract
 - Social Contract
 - Legal Contract
 - None of the above
- ANSWER:B
8. The right to _____ is the right to be protected against products, production processes and service hazardous to life
- Redress
 - Choose
 - Be informed
 - Safety
- ANSWER: D

9. The principle of “let the buyer be aware “ is based on the _____ theory
- A. Capitalist
 - B. Consumer
 - C. Free-market
 - D. None of the above
- ANSWER: C
10. _____ doctrine places the responsibility of product safety on corporations
- A. Buyer beware
 - B. Seller beware
 - C. Seller take care
 - D. Buyer and seller take care
- ANSWER: C
11. The _____ has a code of ethics that helps organizations monitor their ads
- A. AAA
 - B. FTC
 - C. FDA
 - D. All of the above
- ANSWER: A
12. The basic principles of advertising law to be followed while doing online advertising are:
- A. Advertising must be truthful and not misleading
 - B. Advertisements cannot be unfair
 - C. Advertisements must be substantiated
 - D. All of the above
- ANSWER: D
13. The phenomenon of KGOY (Kids getting older younger) refers to
- A. Teens (between childhood and teenage years)
 - B. Only the teenagers
 - C. Kids below 13 years of age
 - D. Kids below 18 yrs of age
- ANSWER: A
14. _____ standards seek to encourage voluntary commitment to social responsibility.
- A. ISO 26000
 - B. AA1000
 - C. CSR
 - D. OECD
- ANSWER: A

15. Object of the central council is
- A. The right to be protected against the marketing of goods which are hazardous to life and property
 - B. The right to informed about the quality, quantity, potency, purity, standard and price of goods so as to protect the consumer against unfair trade practices
 - C. The right to be assured, wherever possible access to a variety of goods at competitive prices
 - D. The right to heard and to be assured that consumer interests will receive due consideration appropriate fora
 - E. All the above
- ANSWER: E

16. Illegal intrusion of a computer system without authorization of the owner or user is _____
- A. Hacking
 - B. Spam
 - C. Phishing
 - D. Spoofing
- ANSWER: A

17. A kind of impersonation in order to get access to other computers is _____
- A. Hacking
 - B. Spam
 - C. Phishing
 - D. Spoofing
- ANSWER: D

18. The flooding of the victim's computer with _____ affects the bandwidth of the system and the user is unable to access and work on the computer.
- A. Hacking
 - B. Spam
 - C. Phishing
 - D. Spoofing
- ANSWER: B

19. The information Technology Act was amended in _____
- A. 2006
 - B. 2005
 - C. 2000
 - D. 2001
- ANSWER: A

20. Prevention of disclosure of information to unauthorized persons is _____
A. Confidentiality
B. Integrity
C. Availability
D. None of the above
ANSWER: A
21. _____ - is a prefix to everything that transports us instantly into the virtual world.
A. Cyber
B. Internet
C. Tech
D. None of the above
ANSWER: A
22. Information Technology is operation through applied technologies of computer science through and medium of electronic communications like
A. TV
B. Telephone
C. Internet
D. All of the above
ANSWER: D
23. _____ in the matter of information security plays a big role in areas such as capital market.
A. Due Care
B. Due Diligence
C. Prudence
D. Awareness
ANSWER: B
24. _____ is when the criminal disseminates the information to defame you and take revenge on you, or cause loss.
A. Cyber attack
B. Cyber defamation
C. Spoofing
D. Phishing
ANSWER: B
25. _____ is a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance.
A. Financial audit
B. Social audit
C. Ethical audit
D. Corporate governance
ANSWER: B

26. The Consumer protection act 1986 enacted in
A. 24 Oct 1986
B. 24 Oct 1987
C. 24 Aug 1986
D. 15 June 1986
ANSWER:A
27. The Consumer protection act 1986 extends to
A. The whole India
B. The whole India except Jammu and Kashmir
C. The whole India except Nagaland tribal area
D. Both (b) & (c)
ANSWER: B
28. As per section 2(1)(b) of Consumer Protection Act 1986, "complainant" means
A. a consumer
B. any consumer association registered under the Companies Act, 1956
C. the Central Government or any State Government,
D. All the above
ANSWER: D
29. In case of death of a consumer who can prefer compliant under Section 2(1)(b) of Consumer Protection Act 1986
A. his legal heir or representative
B. State Government
C. consumer association registered under the Companies Act, 1956
D. No one can prefer complaint
ANSWER: A
30. As per section 2(1)(j) of Consumer Protection Act 1986, 'manufacturer' means a person who
(i) makes or manufactures any goods or part thereof
(ii) does not make or manufacture any goods but assembles parts thereof made or manufactured by others
(iii) puts or causes to be put his own mark on any goods made or manufactured by any other manufacturer;
Codes:
A. (i) & (ii)
B. (i) & (iii)
C. (ii) & (ii)
D. (i), (ii) & (iii)
ANSWER: D
31. Which of the following does the term Corporate Social Responsibility relate to?
A. Environmental practice
B. Ethical conduct

- C. Human rights and employee relations
 - D. Community investment
 - E. All of the above
 - F. None of the above
- ANSWER: E

32. Who are organisational stakeholders?
- A. Providers of finance
 - B. Customers
 - C. Employees
 - D. Community
 - E. Government
 - F. All of the above
- ANSWER: F

33. What is Ethics to do with?
- A. Nothing
 - B. The wider community
 - C. Business
 - D. Right and wrong
 - E. None of the above
- ANSWER: D

34. Which of the following is an example of an area where business ethics apply?
- A. Conduct of international operations
 - B. Nowhere
 - C. In the personal life of staff
 - D. None of the above
- ANSWER: A

35. Which legislation relates to the concept of business ethics?
- A. Freedom of Information Act
 - B. Building regulations
 - C. Food Act
 - D. All of these
- ANSWER: A

36. The goal of corporate governance and business ethics education is to:
- A. Teach students their professional accountability and to uphold their personal
 - B. Integrity to society.
 - C. Change the way in which ethics is taught to students.
 - D. Create more ethics standards by which corporate professionals must operate.
 - E. Increase the workload for accounting students
- ANSWER: C

- 37 The corporate governance structure of a company reflects the individual companies':
A. Cultural and economic system.
B. Legal and business system.
C. Social and regulatory system.
D. All of the above.
ANSWER: D
- 38 Under the _____, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and
A. shareholder value.
B. Shareholder theory.
C. Agency theory.
D. Stakeholder theory.
E. Corporate governance theory
ANSWER: A
- 39 An organization's appropriate tone at the top promoting ethical conduct is an example of:
A. Ethics sensitivity.
B. Ethics incentives.
C. Ethical behavior.
D. Consequentialist.
ANSWER: C
- 40 An independent director is one who:
A. Did not attend a school supported by the company.
B. Does not have outside relationships with other directors.
C. Does not have any other relationships with the company other than his or her
D. directorship.
E. All of the above
ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. Elaborate on the main features of corporate governance in India.
2. Why do ethical codes fail?
3. Explain the basic theories of corporate governance.
4. In corporate governance, there is always a gap between the precept and the practice. Explain your point of view.
5. In short explain your opinion of whether the advertising industry requires regulation.
6. What are surrogate advertisements?
7. Are consumers being justly and fairly treated?
8. Are the public welfare and the common good taken into consideration for the effects as well as the intention of advertisements?
9. Why is Cyber technology a moral issue?
10. What relevance does data privacy have?
11. What are the core subjects and issues of Consumer Protection Act?

12. Write short note on:
 - a. Enron and failure of Corporate Governance
 - b. Internet Crime
13. Write short notes on:
 - a. Consumer Protection Act, 1986
 - b. Internet Crime and Punishment
14. What ethical principles of advertising apply to consumers in all cultures and countries? Explain
15. What are the various reasons for the failure of Corporate Governance in Companies
16. In short, explain whether the advertising industry requires regulation?
17. What do you think are the major defects in corporate governance in India?
18. Elaborate the main features of corporate governance in India.
19. Enumerate the important reasons for rapid growth international trade and business in recent years.
20. What ethical dilemmas a businessman faces in conducting international business? Suggest some ways and means to take ethical decisions in the context of these dilemmas.
21. Describe the redressal mechanism under the Consumer Protection Act.
22. How can one file a complaint under the Consumer Protection Act?
23. How are the consumer grievances redressed by the three- tier machinery under CPA, 1986? Explain.
24. Who can file a complaint on behalf on a deceased consumer?
25. When can a consumer get more than one relief for a complaint?
26. What are the emerging trends in Corporate governance?
27. How can one file a complaint under the Consumer Protection Act?
28. What are the objectives of Corporate Governance?
29. Why do ethical code of conduct fail?
30. Explain the concept of 'Caveat Emptor' and its relevance in Consumer Protection Act.
31. What do you understand by the term 'corporate governance'? Why is it important?
32. Elucidate the need for corporate governance in India .
33. Discuss the contemporary issues in Corporate Governance in India.
34. How is maintaining a social audit help corporate?
35. What are Intellectual Property Rights?

III LONG ANSWER TYPE QUESTIONS:

1. Explain the history and evolution of corporate governance in India.
2. What are the defects of Corporate Governance System in India?
3. Discuss the contemporary issues in Corporate Governance in India.
4. How is maintaining a social audit help corporate?
5. In corporate governance, there is always a gap between the precept and the practice. Explain you point of view.
6. Explain in detail the ethical issues in Advertising and Marketing.
7. Explain how the corporate governance requirements to be followed in India by Registered Company.
8. Discuss emerging trends in corporate governance.
9. Explain the basic theories of corporate governance.

10. Distinguish between corporate governance and corporate management.
11. What does Birla Committee Report emphasize on the various aspects of corporate governance?
12. Discuss about Combating Computer and Internet Fraud and what are the punishments for such crimes?
13. Why should companies execute social responsibility? What are the different types of programmes that an organization can implement for promoting CSR activities?
14. What are the objectives of Corporate Governance? How SEBI does monitors and regulates corporate governance of listed companies in India?
15. Leo Burnett, the famous advertising professional said, "Let's gear our advertising to sell goods, but let's recognize also that advertising has a broad social responsibility." What are the unethical dimensions in the advertisements that we see? Discuss.
16. Why Social Audit is important? Explain your ANSWER with reference to public sector and government organisations?
17. How are the consumer grievances redressed by the three- tier machinery under CPA, 1986? Explain.
18. How can one file a complaint under the Consumer Protection Act?
19. Explain consumer awareness as a way and means of consumer protection.
20. Identify a recent example of a corporation accused of false or deceitful advertising? How did it justify claims made in the ad? Do you agree or disagree with the claim? Explain
21. What are the steps involved in Corporate Governance? Why do you think the Corporate Governance fails?
22. Why is corporate governance important in a country like India?
23. Discuss the guidelines laid down by SEBI to enhance the issues relating to corporate governance.
24. Explain the concept of 'Caveat Emptor' and its relevance in Consumer Protection Act.
25. Explain in detail the objectives of Corporate Governance.
26. "Corporate Social Responsibility is about giving back to society." In view of the statement, explain the concept of CSR and current CSR practices of the firms in India.
27. Describe the various stages in the evolution of Corporate Governance in India.
28. Compare and contrast corporate governance failure in case of Enron and Satyam.
29. What do you think is the impact of globalization on corporate governance?
30. Discuss the constraints that restrain competition in developing countries.
31. Why is it considered that the Cadbury Committee's Report is the landmark in the evolution of corporate governance both as a concept and practice.
32. Explain in detail the OECD Principles of Corporate Governance.
33. What roles, values and ethics play in ensuring corporate governance?
34. Discuss various efforts initiated in India to ensure corporate governance in India.
35. Discuss the extent to which efforts to ensure corporate governance has been effective in India.
36. Write notes on:
 - a) Unethical decision making
 - b) Corruption and Administration

QUESTION BANK

MANAGEMENT ACCOUNTING

BBA - 207

QUESTION BANK
MANAGEMENT ACCOUNTING - BBA - 207
BBA -III

UNIT –I

I MULTIPLE CHOICE QUESTIONS:

1. Balance sheet indicates the financial status of the business _____.
A. For a day
B. For a month
C. For a year
D. At given period
ANSWER: D

2. _____ do not give the returns during the same period during which they are paid for
A. Intangible assets
B. Fixed assets
C. Both (A) and (B)
D. None of the above
ANSWER: B

3. Following is (are) called the element(s) of Cost
A. Material
B. Labour
C. Expenses
D. All of the above
ANSWER: D

4. _____ Accounting becomes a source of information for Management Accounting.
A. Financial
B. Cost
C. Both (A) and (B)
D. None of the above
ANSWER: A

5. Profit and Loss Account debit side includes
A. Salary
B. Discount allowed
C. Postage & telegram
D. All of the above
ANSWER: D

6. The following is (are) the indirect labour cost(s)
A. Wages paid to storekeeper
B. Salary of works manager

- C. Wages paid to gatekeeper
- D. All of the above

ANSWER: D

7. The term management accounting was first coined in
- A. 1960
 - B. 1950
 - C. 1945
 - D. 1955

ANSWER: B

8. Management accounting is
- (i) Subjective
 - (ii) Objective
- A. Only (i)
 - B. Only (ii)
 - C. Both (i) and (ii)
 - D. None of the above

ANSWER: A

9. The use of management accounting is
- A. Optional
 - B. Compulsory
 - C. Legally obligatory
 - D. Compulsory to some and optional to others

ANSWER: A

10. The management accounting can be stated an extension of
- (i) Cost Accounting
 - (ii) Financial Accounting
 - (iii) Responsibility Accounting
- A. Both (i) and (ii)
 - B. Both (i) and (iii)
 - C. Both (ii) and (iii)
 - D. (i), (ii), (iii)

ANSWER: D

11. Which of the following is true about management accounting?
- (i) Management accounting is associated with presentation of accounting data.
 - (ii) Management accounting is extremely sensitive to investors needs.
- A. Only (i)
 - B. Only (ii)
 - C. Both (i) and (ii)
 - D. None of the above

ANSWER: A

12. Management accounting assists the management
- A. Only in control
 - B. Only in direction
 - C. Only in planning
 - D. In planning, direction and control
- ANSWER: D
13. Which of the following are tools of management accounting?
- (i) Decision accounting
 - (ii) Standard costing
 - (iii) Budgetary control
 - (iv) Human Resources Accounting
- A. (i), (ii) and (iii)
 - B. (i), (iii) and (iv)
 - C. (i),(ii) and (iii)
 - D. (i), (ii), (iii), (iv)
- ANSWER: C
14. Management accounting is related with
- (i) The problem of choice making
 - (ii) Recording of transactions
 - (iii) Cause and effect relationships
- A. (i) and (ii)
 - B. (ii) and (iii)
 - C. (i) and (iii)
 - D. All are false
- ANSWER: C
15. Management accountancy is a structure for
- A. Costing
 - B. Accounting
 - C. Decision making
 - D. Management
- ANSWER: C
16. Who coined the concept of management accounting?
- A. R.N Anthony
 - B. James H. Bliss
 - C. J. Batty
 - D. American Accounting Association
- ANSWER: B
17. Which of the following statements are false about management accounting?
- (i) Management accounting is concerned with historical events.
 - (ii) Management accounting is related only with such instances which can be expressed in monetary terms.

- (iii) Management accounting is a part of Financial Management
- (iv) Management accounting information can be disclosed to outsiders.

- A. (i), (ii) and (iii)
- B. (i), (iii) and (iv)
- C. (i),(ii) and (iii)
- D. (i), (ii), (iii), (iv)

ANSWER: C

18. Management accounting deals with

- A. Quantitative information
- B. Qualitative information
- C. Both a and b
- D. None of the above

ANSWER: C

19. The definition ‘Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and the day-to-day operation of an undertaking.’

- A. Anglo-American Council on Productivity
- B. AICPA
- C. Robert N. Anthony
- D. All of the above

ANSWER: A

20. The prime function of accounting is to:

- A. record economic data
- B. provide the informational basis for action
- C. classify and record business transactions
- D. attain non-economic goals.

ANSWER: B

21. The basic function of management accounting is to:

- A. record all business transactions
- B. interpret the financial data
- C. assist the management in performing its functions effectively
- D. None of the above

ANSWER: C

22. Management accounting involves

- A. Preparation of financial statements
- B. Analysis and interpretation of data
- C. Recording of transactions
- D. None of the above

ANSWER: B

23. Management accounting provides invaluable services to management in performing:
A. All management functions
B. Coordination functions
C. Controlling functions
D. Directing function
ANSWER: A
24. Cost accounting mainly helps the management in:
A. Earning extra profits
B. Providing information to the management for decision-making.
C. Fixing process of the products.
D. Selling products
ANSWER: B
25. Variable cost per unit:
A. Remains fixed
B. Fluctuates with the volume of production
C. Varies in sympathy with 'the volume of sales.'
D. None of the above
ANSWER: B
26. Fixed cost per unit increases when:
A. Production volume decreases
B. Production volume increases
C. Variable cost per unit decreases
D. None of the above
ANSWER: A
27. Opportunity cost helps in:
A. Ascertainment of cost
B. Controlling cost
C. Making managerial decisions
D. Fixing selling price
ANSWER: C
28. Conversion cost is the sum total of:
A. Direct material cost and direct wages cost
B. Direct wages, direct expenses and factory overheads
C. Indirect wages and factory overheads
D. Indirect wages, direct wages & factory overheads
ANSWER: C
29. If the activity level increases 10%, total variable costs will
A. remain the same
B. increase by more than 10%
C. decrease by less than 10%

D. increase by 10%

ANSWER: D

30. Cost behaviour analysis is a study of how a firm's costs
- A. relate to competitors' costs
 - B. relate to general price level changes
 - C. respond to changes in activity levels within the company
 - D. respond to changes in the gross national product

ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. Define Management Accounting.
2. Discuss the scope and functions of Management Accounting.
3. What are different advantages of Management Accounting.
4. Distinguish between Management Accounting and Cost Accounting.
5. What is meant by Management Accounting? Discuss its objectives.
6. Distinguish between Financial Accounting and Management Accounting.
7. "Management Accounting provides immense help in management decision-making." Discuss.
8. Define Management Accounting and state its advantages.
9. Explain the limitations of Financial Accounting.
10. What are the tools of Management Accounting?
11. Define and explain responsibility accounting.
12. Explain the distinction between cost accounting and management accounting.
13. "The Controller is both a line and a staff executive." Do you agree? Why?
14. "The methods of Financial Accounting" and Management Accounting differ." Explain.
15. Management Accounting is an extension of Financial Accounting: Discuss.
16. Management Accounting assists in Corporate Planning process. Explain and illustrate.
17. State objectives and limitations of Management Accounting.
18. What are the duties and responsibilities of a Management Accountant?
19. How does Management Accounting differ from Financial Accounting?
20. "Management Accounting is an extension of Financial Accounting. "Discuss?"
21. Explain are the duties and responsibilities of a Management Accountant?
22. Explain the functions of Accounting?
23. Distinguish between Management Accounting and Cost Accounting.
24. Explain the nature and scope of management accounting
25. "Management Accounting begins where Financial Accounting ends."
26. Discuss importance of Management Accounting?
27. What are limitations of Management Accounting?
28. State how Management Accounting can be used as an instrument of higher control.?
29. Define Cost Accounting?
30. What are the tools of Management Accounting?

III LONG ANSWER TYPE QUESTIONS

1. Define Management Accounting. Discuss the scope and functions of Management Accounting.
2. Distinguish between Management Accounting and Cost Accounting.
3. Distinguish between Financial Accounting and Management Accounting.
4. “Management Accounting provides immense help in management decision making.” Discuss.
5. Define Management Accounting and state its advantages.
6. (a) What is Management Accounting?
(b) Explain the limitations of financial accounting
(c) What are the tools of Management Accounting? Explain each of them and mention their uses.
7. (a) “The controller is both a line and a staff executive.” Do you agree? Why ?
(b) The modern concept of controllership maintains that the controller does control in a special sense. Explain.
(c) “The methods of financial Accounting and Management Accounting differ. “Explain.
8. Explain the concept of Corporate Controllership. Briefly discuss controllership Discuss.
9. (a) “Management Accounting is an extension of Financial Accounting. “Discuss.
(b) Management Accounting assists in corporate planning process. Explain and illustrate.
10. Management Accounting is the presentation of accounting information in such a way as to assist the management in the creation of policy and in the suitable illustrations.
11. Explain are the duties and responsibilities of a Management Accountant?
12. What are the duties and responsibilities of a management Accountant?
13. “There are no externally imposed generally accepted accounting principles for management accounting.” In the light of the above statement, discuss giving illustrations the nature and scope of management accounting.
14. Explain the nature and scope of management accounting. In that way do the roles and responsibilities of management accountants differ from those of financial accountants?
15. What do you mean by the term Management Accounting? Explain how it is useful in different management functions?
16. Explain the role of management Accountant in setting long-range and short-range objectives of a business organization and also in ensuring that such objectives are achieved?
17. Discuss the use of Management Accounting as a tool in decision-making and exercising control.
18. (a) Discuss the role of Management Accountant with regard to evolving the financial policy of an industrial enterprise.
(b) What are the tools and techniques used in Management Accounting ?
19. “The term Financial Accounting and Management Accounting are not precise description of the activities they comprise. Despite their close interrelationship, there are some fundamental differences.” Discuss.
20. “Management accountancy is the general term employed to describe the financial policy, philosophy and strategy and the appropriate application of suitable financial planning and control accounting system.” Elucidate.

21. Define Management Accounting. What are its objectives and limitations?
22. Define Management Accounting. What are its limitations?
23. (a) What do you mean by Management Accounting. State its objectives.
(b) How does Management Accounting differ from Financial Accounting?
24. (a) Explain the functions of Accounting.
(b) Distinguish between Financial Accounting and Management Accounting. Point out the limitations of management Accounting and Financial Accounting.
25. "Management Accounting begins where Financial Accounting ends." With reference to above statement, explain the functions of Management Accounting and Financial Accounting.
26. Describe how Management Accounting satisfies the various needs of management for arriving at appropriate business decisions.
27. Explain the meaning of the term 'Management Accounting' and state how it can be used as an instrument of higher control.
28. Any form of accounting which enables business to be conducted more efficiently can be regarded as 'Management Accounting'. Elucidate.
29. Discuss the role and importance of Management Accounting in the efficient working of an industrial concern.
30. (a) Discuss the role of controller in changing business and industrial organization of India.
(b) How far the cost & management accounting profession has responded to new change in the time.

UNIT-II

I MULTIPLE CHOICE QUESTIONS

1. Cash Flow Statement is also known as
 - A. Statement of Changes in Financial Position on Cash basis
 - B. Statement accounting for variation in cash
 - C. Both a and b
 - D. None of the above
 ANSWER: C

2. The objectives of Cash Flow Statement are
 - (i) Analysis of cash position
 - (ii) Short-term cash planning
 - (iii) Evaluation of liquidity
 - (iv) Comparison of operating Performance
 - A. Both (i) and (ii)
 - B. Both (i) and (iii)
 - C. Both (ii) and (iv)
 - D. (i), (ii), (iii), (iv)
 ANSWER: D

3. Cash Flow Statement is based upon

- A. Cash basis of accounting
- B. Accrual basis of accounting
- C. Credit basis of accounting
- D. None of the above

ANSWER: A

4. As per Accounting Standard-3, Cash Flow is classified into

- A. Operating activities and investing activities
- B. Investing activities and financing activities
- C. Operating activities and financing activities
- D. Operating activities, financing activities and investing activities

ANSWER: D

5. Which of the following is not a cash outflow?

- A. Increase in Prepaid expenses
- B. Increase in debtors
- C. Increase in stock
- D. Increase in creditors

ANSWER: D

6. Which of the following is not a cash inflow?

- A. Decrease in debtors
- B. Issue of shares
- C. Decrease in creditors
- D. Sale of fixed assets

ANSWER: C

7. When a fixed asset is bought as hire purchase, interest element is classified under _____ and loan element is classified under_____.

- A. Operating activities, financing activities
- B. Financing activities, investing activities
- C. Investing activities, operating activities
- D. None of the above

ANSWER: B

8. In the case of financial enterprises, the cash flow resulting from interest and dividend received and interest paid should be classified as cash flow from

- A. Operating activities
- B. Financing activities
- C. Investing activities
- D. None of the above

ANSWER: A

9. As per AS-3, Cash Flow Statement is mandatory for
- (i) All enterprises
 - (ii) Companies listed on a stock exchange
 - (iii) Companies with a turnover of more than Rs 50 crores
- A. Both (i) and (ii)
B. Both (i) and (iii)
C. Both (iii) and (ii)
D. None of the above
ANSWER: C
10. Cash outflow on purchases is calculated by
- A. Purchases + Opening Creditors + Opening B/P – Closing Creditors - Closing B/P
 - B. Purchases + Opening Creditors - Closing Creditors + Closing B/P
 - C. Purchases - Opening Creditors - Opening B/P + Closing Creditors + Closing B/P
 - D. None of the above
- ANSWER: A
11. While preparing Cash Flow Statement, non-cash items and non-operating items are not required to be adjusted under_____
- A. Indirect method
 - B. Direct method
 - C. Both a and b
 - D. None of the above
- ANSWER: B
12. Cash Flow Statement is prepared from
- A. Profit and loss account
 - B. Balance Sheet
 - C. Additional Information
 - D. All of the above
- ANSWER: D
13. When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as
- A. Accounting ratio
 - B. Financial ratio
 - C. Costing ratio
 - D. None of the above
- ANSWER: A

14. Liquidity ratios are expressed in
A. Pure ratio form
B. Percentage
C. Rate or time
D. None of the above
ANSWER: A
15. Profit for the objective of calculating a ratio may be taken as
A. Profit before tax but after interest
B. Profit before interest and tax
C. Profit after interest and tax
D. All of the above
ANSWER: D
16. Which of the following falls under Profitability ratios?
(i) General Profitability ratios
(ii) Overall Profitability ratios
(iii) Comprehensive Profitability ratios

A. (i) and (ii)
B. (i) and (iii)
C. (ii) and (iii)
D. None of the above
ANSWER: A
17. Gross Profit ratio is also termed as
A. Gross Profit Margin
B. Gross Margin to net sales
C. Both a and b
D. All of the above
ANSWER: C
18. Gross profit ratio is calculated by
A. $(\text{Gross Profit}/\text{Gross sales}) \times 100$
B. $(\text{Gross Profit}/\text{Net sales}) \times 100$
C. $(\text{Net Profit}/\text{Gross sales}) \times 100$
D. None of the above
ANSWER: B
19. Operating ratio is calculated by
A. $(\text{Operating Cost}/\text{Gross sales}) \times 100$
B. $(\text{Operating Cost}/\text{Gross sales}) \times 100$
C. $(\text{Operating cost}/\text{Net sales}) \times 100$
D. None of the above
ANSWER: C

20. Which of the following is expenses ratio?
- (a) Administrative expenses ratio
 - (b) Selling and Distribution expenses ratio
 - (c) Factory expenses ratio
 - (d) Finance Expenses ratio

- A. A, B and D
- B. A, C and D
- C. A, B and C
- D. A, B , C, D

ANSWER: D

21. Return on equity capital is calculated on basis of:
- A. Funds of equity shareholders
 - B. Equity capital only
 - C. Either a or b
 - D. None of the above

ANSWER: C

22. Turnover ratios are also known as
- A. Activity ratios
 - B. Performance ratios
 - C. Both a and b
 - D. None of the above

ANSWER: C

23. Debtors Turnover ratio is also known as
- (i) Receivables turnover ratio
 - (ii) Debtors velocity
 - (iii) Stock velocity
 - (iv) Payable turnover ratio

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iii)
- D. (iii) and (iv)

ANSWER: A

24. Liquid assets is determined by
- A. Current assets-stock-Prepaid expenses
 - B. Current assets +stock+ prepaid expenses
 - C. Current assets +Prepaid expenses
 - D. None of the above

ANSWER: A

25. Comparison of financial statements highlights the trend of the _____ of the business.
- A. Financial position
 - B. Performance
 - C. Profitability
 - D. All of the above
- ANSWER: D
26. Analysis of any financial Statement comprises
- A. Balance sheet
 - B. P&L Account
 - C. Trading account
 - D. All of the above
- ANSWER: D
27. Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?
- A. Ratio Analysis
 - B. Average Analysis
 - C. Trend Analysis
 - D. All of the above
- ANSWER: D
28. Interpretation of accounts is the
- A. Art and science of translating the figures
 - B. To know financial strengths and weaknesses of a business
 - C. To know the causes for the prevailing performance of business
 - D. All of the above
- ANSWER: D
29. The form of balance sheet is
- A. Vertical
 - B. Horizontal
 - C. Horizontal and vertical
 - D. Horizontal or vertical
- ANSWER: D
30. The term current asset doesn't cover
- A. Car
 - B. Debtors
 - C. Stock
 - D. Prepaid expenses
- ANSWER: A

II SHORT ANSWER TYPE QUESTIONS

1. What are the factors affecting the efficacy of ratios?
2. What are the Ratios which assess the company's Debt Capacity?
3. Briefly explain Profitability Ratios?
4. Explain the significance of various measures of return on investment.
5. Discuss the significance of Return on Investment as a measure of profitability analysis.
6. How would you analyze the financial position of a company from the point of view of (a) an investor, and (b) a creditor?
7. What is trading on equity? What are its advantages?
8. What is dividend pay-out ratio?
9. Explain the role of Ratio Analysis in the interpretation of financial statements. Examine the limitations of ratio analysis, if any.
10. What do you understand by Working Capital Leverage?
11. What are the factors affecting the efficacy of ratio?
(Hint: Factors are (i) Type of Business(ii) Quality of assets,(iii) Adequacy of data,(iv) Seasonal character, (v) Adjustment as to current conditions,(vi) Interpretation of ratios, and (vii) Consideration of non-monetary factors.)
12. Give the meaning and explain the utility of operating ratio and quick ratio.
13. Explain the role of ratio analysis in the interpretation of financial statements
14. Briefly explain the following ratios.
(i) Gross Profit Ratio; (ii) Operating Ratio.
15. Briefly explain the Working Capital Leverage.
16. Briefly explain Du Pont Analysis with the help of Du Pont Chart.
17. What is a 'Funds Flow Statement'? Examine its managerial uses.
18. Describe the significance of a Funds Flow Statement.
19. "A Funds Flow Statement is a better substitute for an Income Statement." Discuss.
20. Differentiate between Comparative financial statements & Common-size financial statements.
21. Discuss the significance of Return on investment?
22. Explain Investing Activities which result in Cash inflow & outflow?
23. Explain Operating Activities which result in Cash inflow & outflow?
24. Explain the salient features of the various methods of Financial Analysis?
25. Discuss the significance of Earning per share?
26. What are the causes of an unbalanced capital structure?
27. Why is Cash Flows Prepared?
28. Elaborate the meaning of Cash & Cash Equivalents?
29. Why does the flow of cash take place?
30. List three activities which result into cash outflow?

III LONG ANSWER TYPE QUESTIONS:

1. What is Percentage Analysis? In what manner does it help in understanding a Balance Sheet?
2. Discuss briefly the different techniques of analysis and interpretation of financial statements.

3. What are the different methods used for analysis of financial statements?
4. What are the various types of financial statements?
5. Explain the following with examples:
 - (a) Comparative financial statements.
 - (b) Common-size financial statements.
6. What are the common forms of financial statements usually submitted in India by the industrial users and what are the limitations?
7. Explain the salient features of the various methods of Financial Analysis.
8. What are the causes of an unbalanced capital structure?
9. What are the techniques of financial statement analysis? What precautions should be taken in the interpretation of financial statements of two companies for similar period?
10. How far the financial statements are useful for the shareholders and creditors of the company?
11. What tools are used to analyse the financial statements? Discuss the utility and effectiveness of these tools.
12. Briefly describe the external and internal factors influencing corporate financial decisions.
13. Discuss the application of ratio analysis in the interpretation of financial statement in financial analysis. What are its limitations?
14. It has been argued that the important relationship in the measurement of efficiency is not that of margin of profit to sales turnover, but rather that of the profit margin to the volume of resources utilized. Comment on this statement and suggest possible measurement for the second relationship mentioned bearing in mind the different ways of expressing profit margin and resources.
15. Discuss the significance of the following measures of profitability analysis:
 - (i) Return on investment.
 - (ii) Earnings per share.
16. "Return on Investment is a single comprehensive measure that contains everything happens within the organization." Explain the statement and illustrate its computations with imaginary figures.
17. "Accounting Ratios are mere guides and complete reliance on them in decision-making is suicidal." Elucidate.
18. How would you analyse the financial position of a company from the point of view of :
 - (a) an investor; (b) a creditor; and (c) a financial executive of the company?
19. "Ratios like statistics have a set of principles and finality about them which at times may be misleading." Discuss with illustrations.
20. (a) "Funds Flow analysis represents a stock to flow linkage," Justify.
 (b) "The true funds flow from depreciation is the opportunity saving of cash outflow through taxation." Illustrate with a numerical example.
 [Hint : (a) it is true since funds in a business move as a result of the change in the various stocks of the business. Flows of funds are indicative of changes in the physical stocks and their movements as a result of the physical operations of the enterprise.]

PRACTICAL PROBLEMS

21. Convert the following Income Statement into Comparative Income Statement:

Particulars	1997 Rs.	1998 Rs.
Sales	1,50,000	1,80,000
Cost of Sales	<u>91,000</u>	<u>1,01,250</u>
Gross Profit	<u>59,000</u>	<u>78,750</u>
Operating Expenses:		
Sales Expenses	30,000	33,000
Administration Expenses	<u>15,000</u>	<u>17,000</u>
	<u>45,000</u>	<u>50,000</u>
Income from Operations	14,000	28,850
Other Expenses	<u>2,000</u>	<u>3,000</u>
	<u>12,000</u>	<u>25,850</u>

22. Compute the Trend Percentage from the following data taking 1992 as the base year.

Year	Sales Rs.	Stock Rs.
1992	20,000	2,000
1993	26,000	2,500
1994	32,000	3,000
1995	31,000	2,800
1996	32,000	2,700
1997	30,000	2,900
1998	24,000	2,600

[Ans : Trend Percentages]

1992	1993	1994	1995	1996	1997	1998		
Sales		100	130	125	155	160	150	120
Stock		100	125	150	140	135	145	130

23. Following is the Profit and loss Account and Balance sheet of ABC Ltd. You are required to redraft them for the purpose of financial analysis:

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 31ST MARCH, 1998

Particulars	Rs.	Particulars	Rs.	Rs.
Opening Stock	5,00,000	Sales:		
Purchases	11,00,000	Cash	3,00,000	
Wages	3,00,000	Credit	17,00,000	20,00,000
Factory overheads	2,00,000	Closing Stock		<u>6,00,000</u>
Gross profit	<u>5,00,000</u>			<u>26,00,000</u>

	<u>26,00,000</u>			
Administration expenses	75,000	Gross Profit		5,00,000
Selling and distribution Expenses		Dividend on investment		10,000
	50,000	Profit on sale of furniture		20,000
Interest on Bank Overdraft	20,000			
Depreciation: Office Equipment's	60,000			
Loss on sale of motor car	5,000			
Net profit	<u>3,20,000</u>			
	<u>5,30,000</u>			<u>5,30,000</u>
Preference dividend (Net) interim	15,000	Balance b/d		2,71,000
Provision for taxation	1,76,000	Net profit		3,20,000
Balance c/d	<u>4,00,000</u>			
	<u>5,91,000</u>			<u>5,91,000</u>

**BALANCE SHEET
AS AT 31ST MARCH, 1998**

Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Goodwill (at cost)	5,00,000
6% Preference share capital	5,00,000	Plant and machinery	6,00,000
General reserve	1,00,000	Land & building	7,00,000
Profit and loss account	4,00,000	Furniture and fixture	1,00,000
Provision for taxation	1,76,000	Stock in trade	6,00,000
Bills payable	1,24,000	Bills receivable	30,000
Bank overdraft	1,20,000	Debtors	1,50,000
Creditors	<u>4,80,000</u>	Bank	<u>2,20,000</u>
	<u>29,00,000</u>		<u>29,00,000</u>

[Ans: Cost of Sales Rs. 15,00,000, Other operating expenses Rs. 2,05,000, Net operating profit Rs. 2,95,000, Current assets Rs. 10,00,000, Current liabilities and provisions Rs. 9,00,000, Fixed assets Rs. 19,00,000, Shareholders' net worth Rs. 20,00,000.]

24. Calculate the following ratios from the balance sheet given below:
- Debt-Equity Ratio, (ii) Liquidity Ratio, (iii) Fixed Assets to Current Assets, and (iv) Fixed Assets/Turnover.

BALANCE SHEET

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs.10 each	1,00,000	Good Will	60,000
Reserves	20,000	Stock	1,40,000
Profit & Loss A/C	30,000	Sundry Debtors	30,000
Secured Loan	80,000	Advances	30,000
Sundry Creditors	50,000	Cash Balance	10,000
Provision for Taxation	<u>20,000</u>		<u>30,000</u>
	<u>3,00,000</u>		<u>3,00,000</u>

The sales for the year were Rs. 5,60,000.

[Ans: (i) Long-term debt/Shareholders' funds = 53; (ii) Liquid assets/Current Liabilities = 1;(iii) Fixed assets/Current assets =1.4; (iv) Sales/Fixed assets=4.]

25. The Balance Sheet of X & Co., as on 31.12.2008 shows as follows:

Liabilities	Rs.	Assets	Rs.
Equity capital	1,00,000	Fixed Assets	1,80,000
9 % Preference Shares	50,000	Stores	25,000
8% Debentures	50,000	Debtors	55,000
Retained Earnings	20,000	B/R	3,000
Creditors	<u>45,000</u>	Bank	<u>2,000</u>
	<u>2,65,000</u>		<u>2,65,000</u>

Comment on the Financial Position of the Company.

[Ans: Debt equity ratio $1,70,000/2,20,000 = .77$
 Fixed assets ration $1,80,000/2,20,000 = .82$
 Current ratio $85,000/45,000 = 1.9$
 Liquidity ratio $60,000/45,000 =1.33$

The financial position of the company may be considered as satisfactory].

26. From the following statements of X ltd. For the year ending 31stMarch, 2008, you are required to rearrange the items for purposes of financial analysis and calculate the following ratios:

(i) Current ratio, (ii) Quick ratio,(iii) Operating ratio, (iv) Stock Turnover Ratio, (v) Fixed Assets Turnover Ratio,(vi) Debtors' Turnover Ratio, (vii) Net profit to Capital employed.

BALANCE SHEET
As on 31st March,1997

Liabilities	Rs.	Assets	Rs.
Share Capital: Issued and Fully		Land and Building	5,00,000
Paid-up 50,000 Equity shares		Plant and Machinery	2,00,000
of Rs. 10 each	5,000	Stock	1,50,000
General Reserve	4,00,000	Sundry Debtors	2,50,000

Profit & Loss Account	1,50,000	Cash and Bank Balance	1,50,000
Sundry Creditors	<u>2,00,000</u>		
	<u>12,50,000</u>		<u>12,50,000</u>

PROFIT AND LOSS ACCOUNT
For the year ending 31st March 1997

Particulars	Rs.	Particulars	Rs.
To opening Stock	2,50,000	By Sales	18,00,000
To Purchases	10,50,000	By Closing Stock	1,50,000
To Gross Profit b/d	<u>6,50,000</u>		
	<u>19,50,000</u>		<u>19,50,000</u>
To selling and distribution Expenses	1,00,000	By Gross Profit b/ By Profit on Sale of fixed assets	6,50,000
To administration Expenses	2,30,000		
To Finance Expenses	20,000		
To Net Profit	<u>3,50,000</u>		<u>50,000</u>
	<u>7,00,000</u>		<u>7,00,000</u>

[Ans: (i) 2.75, (ii) 2, (iii) .82 (iv) 5.75,(v) $18/7 = 2.6$ or $11.5/7$, (vi) 7.2, i.e., 51 days, (vii) 30%.]

27. The following Position Statement has been prepared by a new recruit. You are required to rearrange the same in the right form:

MADURAI & CO.
CONDENSED BALANCE SHEET as at March 31, 1998
(Rs. In Lakhs)

Current Assets:		
Cash	13.8	
Short-term Investments	17.4	
Accounts Receivable(Gross)	159.3	
Prepaid Expenses	118.4	
Total Current Assets	<u>15.6</u>	
Add:		324.5
Fixed Assets(Gross)	1,109.5	
Investments in affiliated Companies	28.0	
Other Long-term Investments	<u>6.7</u>	
		<u>1,144.2</u>
Total of Tangible Assets		1468.7
Less : Long-term Liabilities		
Mortgage Debt	266.6	
Debenture Debt	67.0	

Reserve for Provident fund	<u>16.6</u>	
		350.2
Net Working Capital		1,118.5
Less: Current Liabilities:		
Long term Debt(Current)	5.3	
Notes Payable	7.7	
Dividend Payable	7.0	
Accounts Payable	82.5	
Accrued Taxes	8.5	
		<u>111.0</u>
		1,007.5
Add: Preliminary expenses		<u>9.4</u>
Excess of 'Assets over liabilities		<u>1,016.9</u>
Represented by:		
Retained Income	433.4	
Reserve for Bad Debs	2.2	
Depreciation	445.0	
Equity Share Capital	116.3	
Preference Share Capital	20.0	
		<u>1,016.9</u>

From the re-arranged position Statement calculate the following:

- (i) Debt to equity Ratio, (ii) Equity to Net Fixed Assets Ratio; (iii) Acid Test Ratio; (iv) Tangible Net Worth.
- (ii) [Ans : Liquid assets Rs. 147.4, Current liabilities and provisions Rs. 127.6, fixed assets Rs.692.5, Worth Rs. 560.40, Equity shareholders' funds Rs.540.3, Ratios (i) 333.6/560.3,(ii) 540.3/692.5, (iii) 147.4/127.6 (iv) 560.30.]

28. The following are the summarized Profit and Loss account of Triplex industries Limited for the year ended 31st December,2008, and a balance sheet of the company as on that date:

Dr.	PROFIT & LOSS ACCOUNT		Cr.
Liabilities	Rs.	Assets	Rs.
To opening stock	9,950	By Sales	85,000
To Purchases	54,525	By Closing Stock	14,900
To carriage inwards	1,425		
To Gross profit c/d	34,000		
	<u>99,900</u>		<u>99,900</u>
To Office Expenses	15,000	By Gross Profit	34,000
To Selling Expenses	3,000	By Gross on Sale of Shares	660
To Financial Expenses	1,500	By Interest on Investments	300
To Loss on Sale of an Asset	4,00		
To Net Profit	15,000		
	<u>34,900</u>		<u>34,900</u>

BALANCE SHEET

Liabilities	Rs.	Assets	Rs.
Share Capital 2,000		Land and Building	15,000
Equity shares of		Plant	8,000
Rs. 10 each	20,000	Stock	14,000
Reserves	9,000	Debtors	7,000
Profit and Loss Account	6,000	Bills Receivable	1,000
Bank Overdraft	3,000	Cash and Bank Balance	3,000
Sundry Creditors	8,000		
Outstanding Expenses	2,000		
	<u>48,000</u>		<u>48,000</u>

Calculate the following ratios:

- (i) Gross Profit Ratio. (ii) Debt Equity Ratio.
- (ii) Liquidity Ratios. (iv) Fixed Assets Turnover. [Ans : (i) 40%,(ii) 37%,(iii) .85%, (iv) 3.7.]

29. The following are the extracts from the financial statement of Blue and Red Ltd., As on 31st March, 1997 and 1998 respectively:

	31 st march 1997	31 st march 1998
	Rs.	Rs.
Stock	10,000	25,000
Debt	20,000	20,000
Bills recievable	10,000	5,000
Advances (recoverable in cash or kind)	2,000	-----
Cash in hand	18,000	15,000
Bills Payable	15,000	20,000
Bank overdraft	-----	2,000
9% Debentures,2,000	5,00,000	5,00,000
Sales for the year	3,50,000	3,00,000
Gross Profit	70,000	50,000

You are required to compute for the both these years:

- (i) Current Ratio, (ii) Liquidity ratio, (iii) Stock turnover ratio, (iv) Number of days outstanding of debtors, and (v) Stock working Capital ratio.

[Ans:	1997	1998
(i) Current ratio	1.5	1.25
(ii) Liquidity ratio	1.25	0.8
(iii) Stock turnover ratio (cost of sales/ Closing stock	28	10
(iv) Number of days outstanding of debtors days	31 days	30
(v) Stock working capital ratio	.5	1.92]

30. The following is the Trading and Profit and loss Account of Maheshwari Bros. Private Ltd., for the year ended June 30,1998:

Particulars	Rs.	Particulars	Rs.
To stock in hand	76250	By sales	500000
To purchases	315250	Bu stock in hand	95500
To carriage and freight	2000		
To wages	5000		
To Gross Profit	<u>200000</u>		
	<u>598500</u>		598500
To administration expenses	101000	By Gross Profit	200000
To finance expenses		By non-operating incomes:	
Interest		Interest on securities	
1200		1500	
Discount		Dividend on shares	
2400		3750	
Bad debts	7000	Profit on sale on shares	6000
3400		<u>750</u>	
To selling and distribution expenses	12000		
To non-operating expenses:			
Loss on sale of securities			
350			
Provision for legal suit	2000		
<u>1650</u>			
To Net Profit	<u>84000</u>		
	<u>206000</u>		<u>206000</u>

You are required to calculate: (a) expenses ratios,(b) Gross Profit ratio, (c) Net Profit ratio, (d) Operating profit ratio, (e) Operating ratio, and (f) stock turnover

[Ans: (a) Expenses Ratios:

(i) Administration expenses to sales	20.2%
(ii) Finance expenses to sales	1.40%
(iii) Selling and distribution expenses to sales	2.40%
(iv) Non-operating expenses to sales	0.4%
(c) Gross Profit Ratio	40%
(d) Net Profit Ratio	16.8%
(e) Operating ratio (Including Finance expenses)	84%
(f) Stock Turnover Ratio	3.43%

Computation of items of financial Statements

31. From the following information, prepare a Balance Sheet with as many details as possible:

Gross Profit	Rs. 80,000	Current assets	Rs. 1,50,000
Gross Profit to cost of goods sold			

Ratio	1/3	Accounts payable velocity	90 days
Stock velocity	Six times	Bills receivable	Rs. 20,000
Opening stock	Rs. 36,000	Bills payable	Rs. 5,000
Account receivable velocity		Fixed assets turnover	
(Year 360 days)	72 days	Ratio	Eight times

[Ans : Debtors Rs. 44,000; Closing stock Rs. 44,000; Other current assets Rs. 42,000; creditors Rs. 57,000; Capital (bal.fig)Rs. 1,18,000; Total of balance sheet Rs. 1,80,000]

32. You are given the following fig. worked out from the profit and loss account and balance sheet of Blue Ltd. Relating to the year 1998, Prepare the Balance sheet.

Fixed assets (net after writing off 30%)	Rs. 10,50,000
Fixed assets turnover ratio (on cost of sales)	2
Finished goods turnover ratio (on cost of sales)	6
Rate of Gross Profit to Sales	25%
Net profit (before interest) to sales	8%
Fixed charges cover (Debenture Interest 7%)	8%
Debt collection period	1 & ½ months
Material consumed to sales	30%
Stock of raw material (in terms of number of months' consumption)	3
Current Ratio	2.4
Quick Ratio	1.0
Reserves to capital	0.23

[Ans

Stock of raw materials	Rs. 2,10,000	Capital	10,00,000
Stock of finished goods	3,50,000	Reserves	2,10,000
Books debts	3,50,000	Debentures	4,00,000
Cash	50,000	Current liabilities	4,00,000
Total of Balance sheet	20,10,000		20,10,000

33. From the following particulars, prepare the balance sheet of X Ltd., which has only one class of share capital:

(i)	Sales for the year	:	Rs. 20,00,000,
(ii)	Gross for the year	:	25%
(iii)	Current assets ratio	:	1.50
(iv)	Quick assets (cash and debtors)ratio	:	1.25
(v)	Stock turnover ratio	:	15
(vi)	Debts collection period	:	1 & ½ months
(vii)	Turnover to fixed assets	:	1.5
(viii)	Ratio of reserves to share capital	:	0.33(i.e.,1/3)
(ix)	Fixed assets to net worth	:	0.83 (i.e.,5/6)

(The term "turnover" refers to cost of sales and the term "stock" to closing stock.)

[Ans: Fixed Assets Rs. 10 lakhs, Debtors Rs. 2.50 lakhs, Cash Rs. 2.50 lakhs, Stock Rs. 1 lakh, equity capital Rs. 9 lakhs, Reserves and surplus Rs. 3 lakhs, Creditors Rs. 4 lakhs.]

Cash from operations

34. Compute cash from operations from the following figures:

- (i) profit for the year 1998 is a sum of Rs. 10,000 after providing for depreciation of Rs. 2,000.
- (ii) The current assets of the business for the year ending 31st December, 1997 and 1998

Are as follows:

	31 st Dec 1997	31 st Dec 1998
	Rs.	Rs.
Sundry debtors	10,000	12,000
Provision for Doubtful Debts	1,000	1,200
Bills Receivable	4,000	3,000
Bills Payable	5,000	6,000
Sundry Creditors	8,000	9,000
Inventories	5,000	8,000
Short-term Investments	10,000	12,000
Outstanding Expenses	1,000	1,500
Prepaid Expenses	2,000	1,000
Accrued Income	3,000	4,000
Income Received in Advance	2,000	1,000

[Ans: Cash from Operations Rs. 7,700]

35. From the following profit and loss account, you are required to compute cash from operations:

PROFIT & LOSS ACCOUNT
For the year ending 31st December 1998

	Rs.		Rs.
To Salaries	5,000	By Gross Profit	25,000
To Rent	1,000	By Profit on sale of Land	5,000
To depreciation	2,000	By Income Tax Refund	3,000
To loss on sale of plant	1,000		
To goodwill written off	4,000		
To proposed Dividends	5,000		
To provision for Taxation	5,000		
To net profit	<u>10,000</u>		
	33,000		<u>33,000</u>

[Ans: Cash from Operations Rs. 19,000]

Simple Cash flow statement

36. The following are the summarized Balance sheets of M/s Rahul Brothers Private Ltd. As on March 31, 2007 and 2008:

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.

12% Redeemable Preferences shares	-----	1,000	Fixed assets Less depreciation	4,100 1,100	4,000 1,500
Equity shares	4,000	4,000		3000	2,500
	4,000	5,000	Debtors	2,000	2,400
General Reserve	200	200	Stock	3,000	3,500
Profit and Loss A/C	100	120	Prepaid Expenses	30	50
Debentures	600	700	Cash	120	350
Creditors	1200	1100			
Provision for					
Taxation	300	420			
Proposed Dividend	500	580			
Bank overdraft	1250	680		8150	8800

You are required to prepare a Statement of cash flow.

[Ans: Cash Flow from: Operating Activities (After Tax) Rs.100, financing Activities, Rs.600, Investing Activities Rs.100]

37. From the following balance sheet as on 31st December,2007 and 31st December 2008, you are required to prepare a cash flow Statement:

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share Capital	1,00,000	1,50,000	Fixed assets	1,00,000	1,50,000
Profit & Loss Account	50,000	80,000	Goodwill	50,000	40,000
General Reserve	30,000	40,000	Inventories	50,000	80,000
12% Bonds	50,000	60,000	Debtors	50,000	80,000
Sundry Creditors	30,000	40,000	Bills receivable	10,000	20,000
Outstanding Expenses	10,000	15,000	Banks	10,000	15,000
	2,70,000	3,85,000		2,70,000	3,85,000

[Ans: Cash flow on Account of (i) operating activities (Rs. 5,000), financing Activities Rs. 60,000, Investment Activities (Rs.50,000)]

Comprehensive Cash Flow Statements

38. Wearwell ltd. Supplies you the following Balance sheet on 31st December:

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share capital	70,000	74,000	Bank balance	9000	7800
Bonds	12,000	6,000	Receivable	14900	17700
Accounts payable	10,360	11,840	Inventories	49200	42700
Provision for			Land	20000	30000
Doubtful debts	700	800	Goodwill	10000	5000
Reserve & Surplus	10,040	10,560			

	<u>1,03,100</u>	<u>1,03,200</u>		<u>103100</u>	<u>103200</u>
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Following additional information has been supplied to you:

- (i) Dividends amounting to Rs. 3,500 were paid during the year 2007.
- (ii) Land was purchased for Rs. 10,000.
- (iii) Rs. 5,000 were written off on Goodwill during the year.
- (iv) Bonds of Rs. 6,000 were paid during the course of the year.

You are required to prepare a cash flow Statement.

[Ans: Cash Flow from : Operating Activities Rs. 14,300, investment Activities (Rs. 10,000), Financing Activities (Rs.5,500).

39. Tiny Tot limited furnish you the following Balance sheet for the years ending on 31stDecember, 2007 and 2008. You are required to prepare a Cash Flow statement for the year ended 31st December,2008

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Equity Share Capital	10,000	10,000	Goodwill	1200	1200
General Reserve	1,400	1,800	Land	4000	3600
Profit and Loss A/c	1,600	1,300	Building	3700	3600
Sundry Creditors	800	540	Investments	1000	1100
Outstanding Expenses	120	80	Inventories	3000	2340
Provision for Taxation	1,600	1,800	Receivables	2000	2220
Provision for Bad debts	40	60	Bank Balance	660	1520
	<u>15,560</u>				

Following additional information has also been supplied to you:

- (i) A piece of land has also been sold for Rs. 400.
- (ii) Depreciation amounting to Rs. 700 has been charged on Building.
- (iii) Provision for taxation has been made for Rs. 1900 during the year

[Ans: cash flow from: Net operating activities (after tax) Rs. 1,160, Investing Activities (Rs. 300), financing activities (RS. Nil).

40. From the following information you are required to prepare a Cash flow Statement of C.P. Stores Ltd. For the year ended 31st December 2008.

41.

BALANCE SHEET

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share Capital	70,000	70,000	Plant & Machinery	50,000	91,000
Secured Loans			Inventory	15,000	50,000
(Repayable in 2010)	-----	40,000	Debtors	5,000	20,000
			Cash	20,000	7,000
Creditors	1,000	3,000	Prepaid General		

Tax Payable	1,000	3,000	Expenses	2,000	4,000
Tax Payable P&L A/c	7,000	10,000			
	<u>92,000</u>	1,62,000		92,000	1,62,000

PROFIT & LOSS ACCOUNT
For the year ended 31st December, 2008

Particulars	Rs.	Particulars	Rs.
To opening Inventory	15,000	By Closing Inventory	40,000
To Purchases	98,000	By Sales	1,00,000
To Gross Profit c/d	<u>27,000</u>		
	<u>1,40,000</u>		<u>1,40,000</u>
To general Expenses	11,000	By Gross Profit b/d	27,000
To Depreciation	8,000		
To Taxes	4,000		
To Net Profit c/d	<u>4,000</u>		
	<u>27,000</u>		
To Dividend	1,000	By Balance b/d	7,000
To Balance c/d	<u>10,000</u>	By Net Profit b/d	4,000
	<u>11,000</u>		<u>11,000</u>

[Ans: Cash flow From: Operating activities (Rs. 3,000), Investment Activities (Rs. 49,000), Financing Activities Rs. 39,000]

42. The Balance Sheet of T Ltd. As at 31stDecember, 2005 and 31stDecember, 2006 are as following

Liabilities	2005 Rs.	2006 Rs.	Assets	2005 Rs.	2006 Rs.
Share Capital	300.00		Freehold Property		
Reserves	225.00	240.00	(at cost)		
12% Debentures	75.00	75.00	Plant and Machinery	225.00	240.00
(Unsecured)			(at cost less	135.00	165.00
Mortgage on			depreciation)		
Freehold property	27.00	14.25	Investment in share		
Creditors	45.00	45.00	Of companies under		
Proposed Div.			The same	150.00	150.00
(Subject to dividend of tax)	22.50	23.25	Management		
Provision for Taxation	21.00	37.50	(Unquoted)	112.50	112.50
Secured Overdraft (by a floating charge on assets)	15.00	82.50	(Market Value		
			2006:120 lakhs,		
			2008: 150 lakhs)		
			Stock	52.50	<u>75.00</u>
			Debtors	45.00	<u>75.00</u>
			Bank	10.50	-----
				730.50	<u>817.50</u>

The following additional information for the year 2006 is relevant:

(i) Credit sales	Rs. 675 lakhs
(ii) Credit Purchases	520 lakhs
(iii) Overheads	83.75 lakhs
(iv) Depreciation on plant and machinery	17.50 lakhs
(v) Dividend for 2005 was paid in full	
(vi) Amount paid towards taxation for the year 2005	

In view of credit squeeze, the company has been asked by the bank to reduce the overdraft substantially within six months, if possible by 50 per cent.

You are required to prepare a Cash flow Statement and briefly comment on the financial position of the company and suggest remedial measure to overcome the financial crisis.

[Ans. Cash flow from: operating Activities Net (After Tax) Rs. 19.75 lakhs, Investment Activities (Rs. 62.50 lakhs), Financing Activities (Rs. 35.25 lakhs)

43. A Company finds on 1st January,2008 that is short of funds with which to implement its program of expansion. On 1st January,2007, it had a credit balance of Rs. 1,80,000. From the following information, Prepare a statement for board of directors, to show how the overdraft of Rs. 68,750 as at 31st December, 2007 has arisen:

44.

Figure as per balance sheets as at 31 st December of each year are as follows :		
	2007	2008
	Rs.	Rs.
Fixed assets	7,50,000	1,120,000
Stocks and stores	1,90,000	3,30,000
Debtors	3,80,000	3,35,000
Bank Balance	(Cr.) 1,80,000	(O.D) 68,750
Trade Creditors	2,70,000	3,50,000
Shares Capital (in shares of RS. 10 each)	2,50,000	3,00,000
Bills receivable	87,500	95,000

The Profit for the year ended 31st December,2008, before charging depreciation and taxation amounted to Rs. 2,40,000. The 5,000 shares were issued on 1stJanuary, 2007, at a premium of Rs.5 per share. Rs. 1,37,500 were paid in March 2008, by way of income-tax. Dividend was paid as follows :

2007 (final) – on the capital on 31-12-2007 at 10 per cent less tax at 25 per cent.

2008 (interim)- 5 per cent free of tax.

[Ans. Cash flows from: Operating Activities (after tax) Rs. 80,000, investment Activities (Rs. 3,70,000), financing activities Rs. 41,250]

45. The directors of Maheshwari Brothers Private Ltd., are alarmed at the deterioration of the financial position of their company. They find that the overdraft is at the limit allowed by the bank and that they have no sufficient funds to pay their creditors on the due dates. They

are at a loss to understand why, when their accounts show satisfactory profits, they should be short of funds.

You are given the balance sheets of the company as at 31st March, 2005 and 2006.

You are required to prepare a statement which will show what has happened to the money which has come into the business during the year.

BALANCE SHEETS
31st March

	2005 Rs.	2006 Rs.
Share capital :		
Shares of Rs. 10 each fully paid	5,00,000	5,00,000
Reserve and Surplus	30,000	40,000
Bank overdraft	80,000	3,00,000
Sundry Creditors	1,00,000	3,00,000
	<u>7,10,000</u>	<u>11,40,000</u>
Land & Buildings	1,50,000	2,50,000
Plant and Machinery	2,50,000	3,00,000
Less : Depreciation	<u>60,000</u> 1,90,000	<u>90,000</u> 2,10,000
Motor Vehicles	58,000	62,000
Less: Depreciation	<u>28,000</u> 30,000	<u>42,000</u> 20,000
Stock	1,10,000	3,60,000
Sundry Creditors	2,30,000	<u>3,00,000</u>
	<u>7,10,000</u>	11,40,000

During the year a dividend of 10% was distributed to the shareholders

On 1st April, 2008 a motor van whose original cost was Rs. 10,000 and depreciated to a book value of Rs. 6,000 was sold for Rs. 8,000.

[Ans : Cash flow from : Operating Activities (Rs. 14,000), Investment activities (Rs. 1,56,000), Financing Activities (Rs. 50,000)]

UNIT -III

I MULTIPLE CHOICE QUESTIONS:

1. A budgeting process which demands each manager to justify his entire budget in detail from beginning is
 - A. Functional budget
 - B. Master budget
 - C. Zero base budgeting
 - D. None of the above

ANSWER: C

2. The scarce factors is also known as

- A. Key factor
- B. Abnormal factor
- C. Linking factor
- D. None of the above

ANSWER: A

3. R&D budget and Capital expenditure budget are examples of

- A. Short-term budget
- B. Current budget
- C. Long-term budget
- D. None of the above

ANSWER: C

4 .Match the columns

- (a) Activity Ratio ----- i) $(\text{Actual hours worked} / \text{Budgeted hours}) * 100$
- (b) Capacity Ratio ----- ii) $(\text{Standard hours of actual production} / \text{Actual hours worked}) * 100$
- (c) Efficiency Ratio ----- iii) $(\text{Standard hours for actual output} / \text{Budgeted hours}) * 100$

- A. A-ii, B-iii, C-i
- B. A-i, B-ii, C-iii
- C. A-iii, B-i, C-ii
- D. None of the above

ANSWER:C

5. While preparing sales budget, which of the following factors are considered?

- A. Non-operational factors
- B. Environmental factors
- C. Both a and b
- D. None of the above

ANSWER: B

6. _____ provides an estimate of the capital amount that may be required for buying fixed assets needed for meeting production requirements.

- A. Production budget
- B. Cash budget
- C. Capital expenditure budget
- D. None of the above

ANSWER: B

7. Plant utilization budget and Manufacturing overhead budgets are types of

- A. Production budget
- B. Sales budget
- C. Cost budget

D. None of the above
ANSWER: C

8. _____ is designed after assessment of the volume of output to be produced during budget period.

- A. Cost budget
- B. Sales budget
- C. Production budget
- D. None of the above

ANSWER: A

9. _____ is the first step of budgetary system and all other budgets depends on it.

- A. Cost budget
- B. Sales budget
- C. Production budget
- D. None of the above

ANSWER: B

10. _____ also known as subsidiary budgets.

- A. Master budget
- B. Functional budget
- C. Cost budget
- D. None of the above

ANSWER: B

11. _____ is stated as a budget which is made to change as per the levels of activity attained.

- A. Fixed budget
- B. Flexible budget
- C. Both a and b
- D. None of the above

ANSWER: B

12. _____ is prepared for single level of activity and single set of business conditions.

- A. Fixed budget
- B. Flexible budget
- C. Both a and b
- D. None of the above

ANSWER: A

13. The process of budgeting helps in the control of

- A. Cost of production
- B. Liquidity
- C. Capital Expenditure
- D. All of the above

ANSWER: D

14. Which of the following statements are not true about budget, budgeting & budgetary control?
- A. Budgetary control works on the basis of best option
 - B. Budget is one of the important mediums of communication
 - C. Budgeting develops the quality of objectivity in planning
 - D. None of the above

ANSWER: D

15. Which of the following statements are true about responsibility accounting?
- A. Responsibility accounting results in inter-departmental conflicts
 - B. In responsibility center more focus is paid on products, processes or jobs
 - C. No focus is paid on controlling costs
 - D. None of the above

ANSWER: A

16. In profit center revenue represents a monetary measure of output emanating from a profit center in a given period irrespective whether
- A. The revenue is realized or not
 - B. The output is sold or not
 - C. Both a and b
 - D. None of the above

ANSWER:C

17. Contribution margin center is also known as
- A. Expense center
 - B. Profit center
 - C. Investment center
 - D. All of the above

ANSWER:B

18. Which of the following is responsibility center?
- A. Expense center
 - B. Profit center
 - C. Investment center
 - D. All of the above

ANSWER:D

19. The responsibility centers, for control purposes, may be classified into _____ types.
- A. Five
 - B. Three
 - C. Four
 - D. None of the above

ANSWER:B

20. The area of focus on responsibility center is

- A. Quantum of sales
 - B. Quantum of production
 - C. Optimum utilization of resources
 - D. All of the above
- ANSWER:C

21. In responsibility cost accounting the costs in focus are
- A. Controllable costs
 - B. Uncontrollable costs
 - C. Both a and b
 - D. None of the above
- ANSWER:A

22. The term standard cost refers to the:
- A. average unit cost of product produced in the previous period
 - B. budgeted unit cost of product produced in a particular period
 - C. average unit cost of product produced by other companies
 - D. average unit cost of product produced in the current period
- ANSWER:B

23. The sub-variance of material usage variance, known as Material mix variance is measured as
- A. Total standard cost - Total actual cost
 - B. Standard cost of revised standard mix - Standard cost of actual mix
 - C. $(\text{Standard unit price} - \text{Actual unit price}) * \text{Actual quantity used}$
 - D. $(\text{Standard quantity} - \text{Actual quantity}) * \text{Unit standard price}$
- ANSWER:B

24. Volume variance arises when
- A. There is rise in overhead rate per hour
 - B. There is decline in overhead rate per hour
 - C. There is decrease or increase in actual output compared to the budgeted output
 - D. None of the above
- ANSWER:C

25. The corrective actions after the analysis of variances has to be taken by
- A. Cost accountant
 - B. Management
 - C. Both a and b
 - D. None of the above
- ANSWER:B

26. Sales margin variance due to sales quantities is measured as
- A. Standard profit - Revised standard profit
 - B. Revised standard profit - Budgeted profit
 - C. Standard profit + Revised standard profit
 - D. Revised standard profit + Budgeted profit

ANSWER:B

27. Which of the following statements are true about labour idle time?
- A. Labour idle time variance is not caused by non-availability of raw material
 - B. Labour idle time variance is measured as : Abnormal idle hours * Actual hourly rate
 - C. Labour idle time variance is always unfavorable or adverse
 - D. All of the above

ANSWER:C

28. The formula used for calculation of labour rate variance is
- A. Total standard labour cost of actual output - Total actual cost of actual output
 - B. (Standard rate per hour - Actual rate per hour) * Actual Hours
 - C. (Standard time - Actual time) * Standard rate per hour
 - D. Abnormal idle hours * Standard hourly rate

ANSWER:B

29. Idle time variance arises when
- A. Only one grade of labour is used
 - B. Time is lost due to abnormal reasons
 - C. Both a and b
 - D. None of the above

ANSWER:C

30. Material price, mix, usage and revised quantity variances are measured on _____ basis, whereas material yield variance is measured on _____ basis.
- A. Output, Input
 - B. Output, Output
 - C. Input, Output
 - D. None of the above

ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. Define 'budget' and 'budgetary control'. State the advantages of budgetary control in an organisation.
2. What are the main steps in budgetary control? State the main objectives of budgetary control.
3. Discuss the various preliminaries required for adoption as system of budgetary control.
4. Give an organisation chart for budgetary control and discuss its importance.
5. What is budget centre? Is it desirable to prepare a budget for each budget centre?
6. Discuss the nature and functions of a budget committee.
7. What is budget manual? Mention the contents and advantages of such a manual.
8. What is meant by the term 'Flexible Budget'? How is it prepared?
9. Define Master Budget and enumerate the advantages of it?

10. What are budget manuals?
11. What is cash budget? What are objectives?
12. What is the difference between Performance Budget and Programme Budget? What are the special areas of application of Programme Budgeting?
13. What is Sales Budget? How it is prepared?
14. State the importance of 'Budget Key Factor'.
15. State the limitations of budgetary control system.
16. What is standard time? Explain how standard time is defined?
17. List four major use of standard Costs.
18. Which accounting plan of standard costing helps to convert standards into actuals by using the ratios.
19. "Standards Costs being Future Costs or Relevant Costs". Do you agree? Explain fully.
20. Point out the difference between Historical Costing and Standard Costing.
21. Explain overhead variances (Two-way)
22. Distinguish between 'Estimated Cost' and Standard Cost'.
23. Explain 'Flexible Budget'?
24. What do you understand by Responsible Accounting?
25. Explain Fixed Budget?
26. Differentiate between Flexible Budget' & Fixed Budget ?
27. What are significance of Responsible Accounting?
28. explain the advantages and limitations of standard costing.
29. Explain the types of responsibility centres?
30. Explain the limitations of Budgetary control?

III LONG ANSWER TYPE QUESTIONS

1. What do you understand by "Budgeting"? Mention the types of budget that management of a big industrial concern would normally prepare.
2. What are the main objectives of a system of budgetary control? Do you think budgetary control is subject to certain limitations?
3. What is budget? What is sought to be achieved by Budgetary Control?
4. Briefly explain the essentials of an effective budgetary control system.
5. Has "Budgetary Control" any significance with management accounting?
6. Outline a plan for Sales Budget and Purchase Budget. What considerations are necessary in the preparation of such budgets?
7. Explain 'Flexible Budget' and Fixed Budget.
8. "Flexible Budgets are more realistic and useful than fixed budgets." Do you agree? Explain.
9. Mr. Managing Director is surprised that his profit every year is quite different from what he wants or expects to achieve. Someone advised him to install a formal system of budgeting. He employs a fresh accountant to do this. For two years, the accountant faithfully makes all budgets on previous year's accounts. The problems remain unsolved. Mr. Managing Director and the Accountant on what steps they should take. Make assumption about what is lacking.

10. Explain the main steps in Budgetary Control with reference to manufacturing-cum-selling enterprise.
11. What do you mean by Budgetary Control? Explain the objectives of Budgetary Control with special reference to a large manufacturing concern.
12. What do you understand by Budget and Budgetary Control? Give examples of five budgets that may be prepared and employed by a manufacturing concern.
13. Explain the distinction between cost control and cost reduction. Enumerate some of the important tools/techniques of cost reduction and cost control.
14. Are you in agreement with the view that Budgeting should better be called Profit Planning and Control.
15. "Why do responsible people in an organisation agree to accept budgetary control in theory but resists in practice"? Explain.
16. "If the Sales forecast is subject to error then there is no basis of budgeting." Do you agree? Also explain how flexible budget can be used to help control cost.
17. What do you understand by Responsible Accounting?
18. Discuss Responsible Accounting in brief. What are significance of Responsible Accounting?
19. Explain the procedure you would follow to prepare a projected Profit and Loss Account and Projected Balance Sheet. Explain also use of these statements.
20. "Budgetary control improves planning, aids in co-ordination and helps in having comprehensive control." Elucidate this statement.
21. Explain briefly the advantages and limitations of Standard costing. In what ways does it differ from budgetary control?
22. What factors should be considered in setting (a) Material Price Standard (b) Material Usage Standard (c) Labour Rate Standard (d) Labour Time Standard.
23. "A firm can avoid standard costing but, of course, at its own peril". Elucidate it and explain the advantages and limitations of standard costing.

Functional budgets

24. Prepare a Material Budget of Ab C. Ltd., based on the following information. The production order of the product show the following consumption:
 - (i) Consumption for the batch of 1,000 units of

Material No.	Rate per kg	Products A	Products B
	Rs.	Kg.	Kg.
11	60	50	80
13	60	10	5
16	10		30
17	50	6	30
18	5	<u>4</u>	<u>4</u>
	Total	<u>70</u>	<u>129</u>

- (ii) Production (units)

Product A	1,000 units
Product B	11,000 units

[Ans: Material No: 11 13 16 17 18

Qty. (Kg)	1,480	175	330	18	92
Amt. (Rs)	88,800	10,500	3,300	9,100	300]

25. Draw a Material procurement Budget (Quantative) From the following information:
Estimated sales of a product 40,000 units. Each unit of the product requires 3 units of material A and 5 units of material B.

Estimated opening balances at the commencement of the next year:

Finished products	5000 units
Material A	120000 units
Material B	200000 units

Materials on order:

Material A	7000 units
Material B	11,000 units

The desirable closing balance at the end of next year

Finished products	7,000 units
Material A	150000 units
Material B	250000

Material on order:

Material A	8000 units
Material B	10,000 units

26. Production cost of a factory for a year is as follows:

Direct wages	Rs. 80,000
Direct materials	1,20,000
Production Overheads, Fixed	40,000
Production Overheads, variables	60,000

During the forthcoming year it is anticipated:

- That average rate for direct labour remuneration will fall from Rs. 3 per hour to Rs. 50 per hour;
- Production efficiency will remain unchanged;
- Direct labour hours will increase by 331/3%.

The purchase price per unit of direct material and of the other materials and services which comprise overheads will remain unchanged.

Draw a budget and computer a factory overhead rate, the overhead being absorbed on a direct wage basis.

[Ans: cost of production Rs.308889, production overheads rate of 113.5%.]

27. A company is a manufacturing two products X and Y. A forecast labour the number of units to be sold in the first seven months is given below:

Month	Product X	Product T
January	10000	280000
February	12000	28000
March	16000	24000
April	20000	20000
may	24000	16000
June	24000	16000
July	20000	18000

Its is anticipated that

- (i) There will be on work-in-progress at the end of any month;
- (ii) Finished units equal to half the sales for the next month will be in stock at the end of each month (including December, of the previous year)

Budget production some production costs for the year ending 31st December are as follows”

	Product x	Product y
Production (Units)	2,20,000	2,40,000
Direct material per unit	Rs. 12.5	19
Direct wages per unit	4.5	7
Total factory overheads for each type of products (Variable)	6,60,000	9,60,000

Prepare for 6 months ending 30th June a production budget and summarized cost of production budget and summarized cost of production budget.

[Ans:	Jan	Feb	March	April	May	June
x	11000	14000	18000	22000	24000	22000 units
y	28000	26000	22000	18000	16000	17000 units

(b) 50 per cent of credit sales is realized in the month following the sale and the remaining 50 per cent in the second month following. Creditors are paid in the month following the month of purchase.

(c) Cash at bank on 1st April (estimated). Rs. 25000.

[Ans: Closing balance (Overdraft) April May June
Rs. 56000 (47000) (167000)

28. Texas manufacturing Company Ltd. Is to start production on 1st January, 1998. The prime cost of a unit is expected to be Rs. 40 out of which Rs. 16 is for materials and Rs. 24 for labour. In Addition variable expenses per unit are expected to be Rs. 8, and fixed expenses per month Rs. 30,000. Payment for material is to be made in the month following the purchase. One-third of sales will be for cash and the rest on credit for

settlement in the following month. Expenses are payable in the month in which they are incurred.

The selling price is fixed at Rs. 80 per unit. The number of units manufactured and sold are expected to be as under:

January	900	MAY	2100
February	1200	May	2100
March	1800	June	2400

Draw up a statement showing requirements of working capital from month to month, ignoring the question of stocks.

[Ans: Cumulative	Jan	Feb	March	April	May	June
Surplus	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(Cash required)	(34800)	(37600)	(32400)	(6400)	(30800)	(66400)
[Hint: Prepare a Cash Budget.]						

29. ABC Ltd., a newly started company, wishes to prepare wash budget from January. Prepare a cash budget for the first six months from the following estimated revenue and expenses.

Months	Total sales	Materials	Wages	Overheads	
				Production	Selling & Distribution
	Rs.	Rs.	Rs.	Rs.	Rs.
January	20000	20000	4000	3200	800
February	22000	14000	4400	3300	900
March	28000	14000	4600	3400	900
April	36000	22000	4600	3400	900
May	30000	20000	4000	3200	900
June	40000	25000	5000	3600	1200

Cash balance on 1st January was Rs. 10000. A new machinery is to be installed at Rs. 20000 on credit, to be paid by two equal instalments in March and April.

Sales commission @5% on total sales is to be paid within a month following actual sales. Rs. 10000 being the amount on 2nd call may be received in March. Share premium amounting to Rs. 2,000 is also obtainable with the 2nd call.

Period of credit allowed by supplier	:	2 months
Period of credit allowed to customers	:	1 Month
Delay in payment of overheads	:	1 month
Delay in payment of wages	:	½ month

[Ans: Closing cash balance January Rs. 18,000; Feb. Rs. 29,800; March Rs. 27,000; April Rs. 24,700, may Rs. 33,100 and juneRs.36,000]

30. Prepare a cash budget for M/S Alpha Manufacturing Company on the basis of the following information for the first six months of 1991.

(1) Costs and Price remain unchanged.

(2) Cash sales are 25% and credit sales are 75% of total sales.

(3) 60% of credit sales are collected in the month after sales, 30% in the second month and 10% in the third, no bad debts are anticipated.

(4) Sales forecasts are as follows:

		Rs.			Rs.
October,	1990	1200000	March,	1991	800000
November,	1990	1400000	April,	1991	1200000
December,	1990	1600000	May,	1991	1000000
January,	1991	600000	June,	1991	800000
February,	1991	800000	July,	1991	1200000

(5) Gross profit margin 20%.

(6) Anticipated Purchases:

January,	1991	640000	April,	1991	800000
February,	1991	640000	May,	1991	640000
March	191	960000	June,	1991	960000

(7) Wages and salaries to be paid for 1991:

January,		120000	April,		200000
February,		160000	May,		160000
March		200000	June,		140000

(8) Interest on Rs. 2000000 @ 6 % on debentures is due by end of March and June.

(9) Excise deposit due in April Rs. 2,00,000.

(10) Capital Expenditure on plant and machinery planned for June Rs. 120000.

(11) Company has a cash balance of Rs. 400000 at 31.12.1990.

(12) Company can borrow on monthly basis.

(13) Rent is Rs. 8,000 per month.

[Ans: Cash balance at the close of month: Jan Rs. 907000, feb.Rs. 1034000, March Rs. 651000, April Rs. 400000, May Rs. 550000, June Rs. 400000.]

Flexible Budgets

31. Draw up a flexible budget for overheads expenses on the basis of the following data and determine the overhead rate at 70 %, 80% and 90% plan capacity.

	Capacity Levels		
	70%	80%	90%
Variable overheads:	Rs.	Rs.	Rs.
Indirect Labour	-----	12000	-----

Stores including spares	-----	4000	-----
Semi-variable Overheads:			
Power (30% fixed, 70% variable)	-----	20000	-----
Repairs and maintenance (60% fixed,40% variable)	-----	2000	-----
Fixed overheads:			
Depreciation	-----	11000	-----
Insurance	-----	3000	-----
Salaries	-----	10000	-----
Total overheads	-----	62000	-----
Estimated direct labour hours	-----	124000 Hrs.	-----

[Ans : Total overheads at 70% capacity Rs. 58150; at 80% capacity Rs. 62000 at 90% capacity Rs, 65850; Direct labour hour rate Re. 0.536; Re. 0.500 and Re. 0.472 respectively.]

32. For production of 10,000 electrical automatic irons the following are the budgeted expenses:

	Per unit
Direct material	Rs. 60
Direct labour	30
Variable overheads	25
Fixed overheads (Rs. 150000)	15
Variable expenses	5
Administration expenses (Rs. 50000 rigid for all levels of production)	5
Distribution expenses(20% fixed)	5
Total cost of sale per unit	<u>160</u>

Prepare a budget for production of 6000,7000 and 8000 irons showing distinctly marginal Cost Rs. 825000; Rs. 962500 and Rs. 1100000 respectively. Total cost Rs. 1050000, Rs. 1187500 and Rs. 1325000 respectively.]

[Hint: Marginal cost means variable cost.]

33. ABC Limited have prepared the budget for the production of a lakh units of the only commodity manufactured by them for a costing period as under:

Raw materials	Rs. 2.52 per unit
Direct wages	0.75 per unit
Direct expenses	0.10 per unit
Works Overheads (60 % fixed)	2.50 per unit
Administration overheads (80% fixed)	0.40 per unit
Selling overheads (50% fixed)	0.20 per unit

The actual production during the period was only 60000 units. Calculate the revised budgeted cost per unit.

[Ans: Cost of Sales: Original Rs. 647000; Revised Rs.465000.]

34. The following data are available in a manufacturing company for a half-yearly period;

Fixed expenses:	(Rs. In lakhs)	(Rs. In lakhs)
-----------------	----------------	----------------

Wages and Salaries	8.4	
Rent, Rates and Taxes	5.6	
Depreciation	7.0	
Sundry Administration Expenses	8.9	29.9
Semi-variable Expenses:		
(At 50% of capacity)		
Maintenance and Repairs	2.5	
Indirect labour	9.9	
Sales department salaries etc:	2.9	
Sundry administration expenses	2.6	17.9
Variable Expenses		
(at 50% of capacity)		
Material	24.0	
Labour	25.0	
Other Expenses	3.8	53.4

Assume that the fixed expenses remain constant for all levels of production, semi-variable expenses remain constant between 45% and 65 % capacity, increasing by 10% between 65% & 80 capacity, and by 20% between 80% and 100% capacity.

Sales at the various levels are:	(Rs. In lakhs)
60% Capacity	100.00
75% Capacity	120.00
90% Capacity	150.00
100% Capacity	170.00

Prepare a flexible budget for the half-year and forecast the profit at 60%,75%,90% and 100% capacity levels, respectively.]

Direct Material Variances

35. A Manufacturing concern which has adopted standard costing furnishes the following information:

Standard:	
Material for 70kg of furnished products	100kg
Price of material	Re. 1 per kg.
Actual:	
Output	210000 kg.

Material used	280000 kg.
Cost of material	252000
Calculate:	

(a) Material usage variance (b) material price variance, and (c) material cost variance.

[Ans(a) Rs. 20000(F);(b)Rs. 28000(F);(c)48000(F)]

36. Given that the cost standard for material consumption are 40kg. @ Rs. 10 per kg., compute the variance when actuals are :

(a) 48 kg at Rs. 10 per kg.

(b) 40kg at Rs. 12 per kg.

(c) 48kg at Rs. 12 per kg.

(d) 36kg for a total cost of Rs. 360

[Ans(a) (i) DMPV Nil,(ii) DMUV Rs.80(A); (b)(i)DMPV Rs.80(A),(ii) DMUV Nil,(c)(i)DMPV Rs. 96(A),(ii)DMUV Rs.80(A);(d) (i)DMPV Nil, (ii) DMUV Rs. 40 (F)]

37. The standard material cost for 100 kg. of Chemical D is made up of:

Chemical A—30kg. @ Rs. 4.00

Chemical B—40kg. @ Rs.5.00 per kg., and

Chemical C—80kg. @ Rs.6.00 per kg.

In a batch, 500kg.of Chemical D were produced from a mix of

Chemical A--- 140kg at a cost of Rs. 588

Chemical B---220kg at a cost of Rs.1056, and

Chemical C---440 kg at a cost Rs. 2860.

How do the yield, mix and price factors contribute to the variance in actual cost per 100 kg of chemical D over the standard cost?

[Ans:DMCV Rs. 40.80 (A), DMMV Rs. 16.67(A),DMYVRs. 53.33(A)]

38. Mixer Ltd. Is engaged in producing a 'standard mix' using 60kg of chemical X and 40 kg of chemical Y. the standard loss of production is 30%. The standard price of X is Rs. 5 per kg and Y is Rs. 10 per kg.

The actual mixture and yield were as follows:

X 80Kg. @ Rs. 4.50 per kg.

Y 70kg. @ Rs. 8.00 per kg.

Actual yield 115 kg.

Calculate material Variance (price,usage,yield,mix)

[Ans: Price Variance Rs. 180(F), Usage Variance Rs. 50(A)yield variance Rs. 100 (F), Mix Variance Rs. 50 (A)]

39. From the following information, Calculate the variances.

	Standard			Actual		
Material	Quantity Kg.	Rate Per kg.	Total Rs	Quantity Kg.	Rate Per kg.	total
X	60	3	180	50	3	150
Y	40	6	240	35	6	210

	<u>100</u>			<u>85</u>		
Less: Normal				Loss 7		
Loss	<u>10</u>					
	90		420	78		360

[Ans: DMCV Rs.4 (F),DMPV Nil, DMMV Rs. 3 (F), DMYV Rs. 7 (F)]

40. Following are the particulars in respect of a product where two types of materials A and B are to be used.

Material Input	Standard		Actual	
	Tonnes Rs.	Rate	Tonnes Rs.	Rate
A	120	10.00	140	9.50
B	80	7.50	60	9.00
	<u>200</u>		<u>200</u>	
Less	<u>20</u>		<u>18</u>	
Net production	180		182	

You are required to calculate:

- (a) Material price Variance,
(b) Material Mix Variance and
(c) Material Yield Variance.

[Ans: (a)Rs. 20(A),(b) Rs. 50(A),(c) Rs. 20(F)]

41. The details regarding the composition and the weekly wage rate of labour forces engaged on a job scheduled to be completed in 30 weeks are as under:

Category of workers	Standard		Actual	
	No. of labourers	Weekly wage rate per labourer(Rs.)	No. of labourer	Weekly wage rate per labourer (Rs.)
Skilled	75	60	70	70
Semi-skilled	45	40	30	50
Unskilled	60	30	80	20

The work is actually completed in 32 weeks. Calculate the various labour variances.

[Ans: labour cost variance Rs. 13,000 (A); Labour Rate variance Rs. 6400(A); Labour Efficiency Variance Rs. 6,600 (A); Labour Mix Variance Rs. 9,600 (F); Revised Labour Efficiency Variance Rs. 16,200(A)].

- 42.

	Kg.		Total Rs.	Kg.		Total Rs.
Input	500	Material @Rs. 39 per kg.	19500	500	Material @42 per kg. per kg.	21,000
		Labour 4,000	6,000		Labour 4,000 hrs@1.50	6,000

		hrs. @Rs. 1.50 per hour			per hour	
Normal Loss	20		_____	<u>40</u>		_____
Output	<u>480</u>		25500	460	Actual Loss	27,000

Calculate:

- (i) Material Cost Variance
- (ii) Material Price Variance
- (iii) Material Yield Variance
- (iv) Labour Cost Variance
- (v) Labour Price Variance
- (vi) Labour Yield Variance

[Ans: (i)Rs. 2312.50 (A), (ii)Rs.1500(A), (iii)Rs.812.50(A), (iv)Rs.250(A), (v)Rs. Nil, (vi)Rs.250(A)].

43. For one unit of product A, the standard data are given below:

Material :	Rs.
5 kg. @ Rs. 40 per kg.	200
Labour:	
40 hrs. @Rs. 1.00 per hour	<u>40</u>
	<u>240</u>
Actual data:	
Actual Production : 100 units	
Material 490kgs. @ Rs. 42 each	20,580
Labour 3,960 hours @RS. 1.10 per hour	<u>4,356</u>
Calculate Variances	<u>24,936</u>

[Ans: (a) Material: (i) Cost Rs.580(A),(ii)Price Rs. 980(A), (iii) Usage Rs. 400(F);(b) labour;(i)Cost Rs.356(A), (ii) Rate Rs. 396(A), (iii) Efficiently Rs. 40 (F)].

Overhead Variances

44. From the following data, calculate fixed overheads expenditure and volume variance:

Fixed overheads Budget for November	Rs. 10,000
Budgeted production for the month	50,000 units
Actual production for the month	54,000 units
Actual fixed overhead incurred	Rs. 1,20,000

[Ans: Volume Variance Rs. 8,000 (F); Expenditure Variances Rs. 20,000 (A)]

45. Find out variable overheads variance from the following:

Budgeted variable overhead for January	Rs. 8,000.
Budgeted production for the month	500 units.
Standard variable for one unit of production	10 hours.
Actual variable overheads	Rs. 6,600.
Actual production for the month	400 units.

[Ans: Cost Rs. 200 (A) Expenditures. 520(A), Efficiency Rs. 320 (F)].

UNIT-IV

I MULTIPLE CHOICE QUESTION

1. Marginal cost is computed as
 - A. Prime cost + All Variable overheads
 - B. Direct material + Direct labour + Direct Expenses + All variable overheads
 - C. Total costs – All fixed overheads
 - D. All of the aboveANSWER: A

2. Marginal costing is also known as
 - A. Direct costing
 - B. Variable costing
 - C. Both a and b
 - D. None of the aboveANSWER: C

3. Which of the following statements are true?
 - (a) Marginal costing is not an independent system of costing.
 - (b) In marginal costing all elements of cost are divided into fixed and variable components.
 - (c) In marginal costing fixed costs are treated as product cost.
 - (d) Marginal costing is not a technique of cost analysis.
 - A. A and B
 - B. B and C
 - C. A and D
 - D. B and DANSWER: A

4. While computation of profit in marginal costing
 - A. Total marginal cost is deducted from total sales revenues
 - B. Total marginal cost is added to total sales revenues
 - C. Fixed cost is added to contribution
 - D. None of the aboveANSWER: A

5. Under High and Low Point method, the output at two different levels is compared with the amount of _____ incurred at these two points.
 - A. Total fixed costs
 - B. Total costs
 - C. Total fixed costs
 - D. None of the aboveANSWER: B

6. Which of the following statements related to Contribution Analysis are true?
A. If contribution is zero, there is loss equal to fixed costs
B. If contribution is negative, loss is less than fixed costs
C. If contribution is positive and more than fixed cost there will be profit.
D. All of the above
ANSWER: A
7. When contribution is negative but less than fixed cost,
A. There is loss equal to fixed costs
B. There is loss more than fixed costs
C. There will be loss less than fixed costs
D. All of above are false
ANSWER: C
8. When contribution is positive but equal to fixed cost,
A. There is loss equal to fixed costs
B. There is loss more than fixed costs
C. There will be loss less than fixed costs
D. There will be neither profit nor loss
ANSWER: D
9. Absorption costing is also known as
A. Historical costing
B. Total costing
C. Both a and b
D. None of the above
ANSWER: C
10. In context of net operating profit, which of the following statements are true?
A. If all costs are variable, the amount of profit obtained in marginal costing and absorption costing will be same.
B. If the volume of sales and output is equal in a period, profit will be same in absorption costing and marginal costing.
C. Both a and b
D. None of the above
ANSWER: C
11. Under absorption costing, managerial decisions are based on
A. Profit
B. Contribution
C. Profit volume ratio
D. None of the above
ANSWER: A
12. Managers utilize marginal costing for
A. Make or buy decision

- B. Utilization of additional capacity
- C. Determination of dumping price
- D. All of the above

ANSWER: D

13. _____ is not suitable where selling price is determined on the basis of cost-plus method.

- A. Absorption costing
- B. Marginal costing
- C. Both a and b
- D. None of the above

ANSWER: B

14. Which of the following are characteristics of B.E.P?

- A. There is no loss and no profit to the firm.
- B. Total revenue is equal to total cost.
- C. Contribution is equal to fixed cost.
- D. All of the above.

ANSWER: D

15. Which of the following are limitations of break-even analysis?

- A. Static concept
- B. Capital employed is taken into account.
- C. Limitation of non-linear behaviour of costs
- D. Limitation of presence of perfect competition

ANSWER: A

16. Using equation method, Break-even point is calculated as

- A. $\text{Sales} = \text{Variable expenses} + \text{Fixed expenses} + \text{Profit}$
- B. $\text{Sales} = \text{Variable expenses} + \text{Fixed expenses} - \text{Profit}$
- C. $\text{Sales} = \text{Variable expenses} - \text{Fixed expenses} + \text{Profit}$
- D. None of the above

ANSWER: A

17. Given selling price is Rs 10 per unit, variable cost is Rs 6 per unit and fixed cost is Rs 5,000. What is break-even point?

- A. 500 units
- B. 1,000 units
- C. 1,250 units
- D. None of the above

ANSWER: C

18. Contribution is also known as
A. Contribution margin
B. Net Margin
C. Both a and b
D. None of the above
ANSWER: A
19. Determine Contribution if Sales is Rs 1,50,000 and P/V ratio is 40%.
A. Rs 60,000
B. Rs 70,000
C. Rs 30,000
D. None of the above
ANSWER: A
20. Which of the following statements are true?
A. Contribution doesn't include fixed cost whereas profit includes fixed cost.
B. Contribution is not based on the concept of marginal cost.
C. Contribution above breakeven point becomes profit.
D. All of the above
ANSWER: C
21. Profit-Volume ratio is also known as
A. Contribution ratio
B. Contribution/Sales ratio
C. Marginal Income percentage
D. All of the above
ANSWER: D
22. Which of the following statements are true?
A. P/V Ratio can never be used to measure break-even point
B. Higher the P/V ratio less will be the profit and vice versa
C. Concept of P/V ratio is also used to determine profit at a given volume of sales
D. All of the above
ANSWER: C
23. The P/V ratio can be improved by
A. Decreasing the selling price per unit
B. Increasing variable cost
C. Changing the sales mix
D. None of the above
ANSWER: C
24. P/V ratio can be calculated on the basis of variable cost ratio as
A. $1 - \text{Variable Cost Ratio}$
B. $1 + \text{Variable Cost Ratio}$
C. $1/\text{Variable Cost Ratio}$
D. None of the above

ANSWER: A

25. Sales for desired profit is measured as
- A. $(\text{Fixed cost} + \text{profit}) / (\text{P/V Ratio})$
 - B. $(\text{Fixed cost} + \text{profit}) * (\text{P/V Ratio})$
 - C. $(\text{Fixed cost} - \text{profit}) / (\text{P/V Ratio})$
 - D. None of the above

ANSWER: A

26. Margin of safety is equal to
- A. Actual sales – Sales at Breakeven point
 - B. Actual sales + Sales at Breakeven point
 - C. Actual sales x Sales at Breakeven point
 - D. Actual sales / Sales at Breakeven point

ANSWER: A

27. Angle of incidence is the angle at which
- A. Total revenue line intersects the total cost line
 - B. Total cost line intersects the variable cost line
 - C. Variable cost line intersects fixed cost line
 - D. Fixed cost line intersects total revenue line

ANSWER: A

28. Direct material cost + direct labor cost + other variable costs is equal to...
- A. Contribution
 - B. Total cost
 - C. Marginal cost
 - D. Sales

ANSWER: A

29. The factor which limits the volume of output of different products of an understanding at a particular point of time is known as...
- A. Key factor
 - B. BEP
 - C. Contribution
 - D. None

ANSWER: A

30. The breakeven chart helps the management in...
- A. Forecasting costs and profits
 - B. Cost control
 - C. Long term planning and growth
 - D. All of the above

ANSWER: D

II SHORT ANSWER TYPE QUESTIONS:

1. How does marginal cost differ from total cost? In what circumstances, if any, may it be to the advantage of manufacturer to sell some of its products at price:
 - (a) Below Total Cost
 - (b) Below Marginal Cost
2. What is “Cost and profit”? Bring out its importance.
3. ‘Profit-Volume analysis’ is a technique of analyzing the cost and profits at various levels of volumes’. Explain how such analysis helps management.
4. What is Break-even Analysis? Discuss its assumptions and uses.
5. State four different methods of finding out the break-even point variable costs.
6. Explain how semi-variables costs could be split into fixed and variable costs.
7. What is meant by break-even analysis? Explain the important assumptions and practical significance of break-even analysis.
8. What are the use of break-even analysis & Direct Costing?
9. Explain how marginal costing techniques is useful in day-to-day decision making.
10. Write briefly about ‘Cost-Volume-Profit Analysis’.
11. Examine the concept of ‘Margin of safety’ and gives its uses for decision making.
12. What are the limitations of marginal costing? Explain.
13. Explain the meaning of ‘relevant cost’. What are the characteristics of such costs?
14. Explain the steps that are to be taken for rational decision-making.
15. What factors would you take into consideration in closing or suspending the business activity?
16. What are relevant costs? Identify two common pitfalls in relevant cost analysis?
17. Define the following terms:
 - (i) Relevant Cost
 - (ii) Differential Cost
18. Define the following terms
 - (i) Opportunity Cost
 - (ii) Sunk Cost
19. Explain the concept of CVP. Explain as to how they useful for the managers for their decision making?
20. Discuss the basic difference between differential costing and marginal costing?
21. It is said that the sales at a price less than the total cost sometime fetch benefit to a business house. State the circumstance in which this Is justified.
22. What is meant by “Angle of Incidence” in a break-even chart?
23. Write a note on “Application of Marginal Costing “
24. What are the limitations of Marginal Costing?
25. The role of managerial accountant in deciding among alternative courses of action in crucial”. Examine this statement with special reference to special order acceptance?
26. “Marginal Costing rewards sales whereas absorption costing rewards production”?
27. Define (i) differential cost(ii) Marginal cost.
28. Briefly explain the relevance consideration involved in respect of:
 - (a) Make or buy
 - (b) Temporary closure of a business or part of a business
 - (c) Choosing a channel of distribution for a product

29. Enumerate the factors which can change the breakeven point.
30. What do you mean by “Make or Buy decision”? State the quantitative & qualitative considerations influencing a ‘make or buy ‘decision?

III LONG ANSWER TYPE QUESTIONS:

1. your boss is looking over a Break-even Chart which you have constructed to portray the cost volume profit relationship of proposed plan of operations. He comments “The Chart only tells me more profits we make”. What is your reply?
2. Explain the techniques of marginal costing and state its importance in decision making.
3. (a) State distinction between marginal costing and absorption costing as regards valuation of finished goods inventories.
(b) What are the limitations of a breakeven chart.
3. What benefits are gained from marginal costing? Are there any pitfalls in the application of marginal costing? Discuss these matters critically.
4. State the implications of selling the product of a multiple firm at a price less than the marginal cost. When would you advocate selling below the marginal cost?
5. “cost-volume-profit” relationship provides the management with a simplified framework for an organisation which is thinking on a number of its problem. Discuss.
6. “The proper treatment of fixed cost presents a problem in full cost pricing”. Explain this statement.
7. “Explain with suitable illustrations the following differential”
(a) In the very long run all cost are differential
(b) In the long run profit calculated under absorption costing will be the same as that under variable costing.
8. Mention the type of problems which a management accountant can expect to solve with Break-even analysis.
9. “marginal costing is the administrative tool for the management to achieve higher profits and efficient operations”. Discuss.
10. Explain under what circumstances marginal costing plays important role in price fixation?
11. What are the chief advantages of break-even analysis? Outline the assumptions behind this analysis.
12. Explain the concept of BEP and CVP. Explain as to how they useful for the managers for their decision making?
13. Distinguish between marginal costing and total costing techniques of cost analysis. how are the profit statement under the two techniques present?
14. Mention any four important factors to be considered in Marginal costing decisions.
15. Discuss the relationship between Angle of Incidence, Break-even level and Margin of safety.
16. Cost benefits analysis is needed for resolving many managerial problems. List the various items of cost and benefit that will quantify in respect of managerial decisions concerning (a) change versus status quo(b) retain or replace(c) shut down or continue.

PRACTICAL PROBLEMS:

17. Kaku Ltd. Produces one standard type of article. The result of the last 4 months of the year 1998 are as follows:

	Output (Units)
September 1998	200
October	300
November 1998	400
December	600

Prime cost in Rs. 10 per unit. Variable expenses are Rs.2 per unit. Fixed expenses are Rs. 36,000 per annum. Find out cost per unit of each month.

[Ans: September Rs. 27, October Rs. 22, November Rs. 19.5, December Rs. 17.00]

18. Production costs of oriental enterprises Limited are as follows:

	Level of Activity		
	60%	70%	80%
Output (in units)	1200	1400	1600
Cost (in Rs.)			
Direct Material	24000	28000	32,000
Direct Labour	7200	8400	9,600
Factory Overheads	<u>12800</u>	<u>13600</u>	<u>14,400</u>
Works Cost	<u>44,000</u>	<u>50000</u>	<u>56,000</u>

A proposal to increase production to 90% level of activity is under consideration of management. The proposal is not expected to involve any increase in fixed factory overheads.

Prepare a statement showing the prime cost, total marginal cost and total factory cost at 90% level of activity.

[Ans: Prime Cost Rs. 46,800, Marginal Cost Rs. 54,000, Works Cost Rs. 62,000]

[Hint: fixed overheads Rs. 8,000].

19. A firm has two factories, the product being the same in both cases. The following is the relevant information about the two factories.

	I	II
Capacity P.a	10,000 units	15,000 units
Variable cost per unit	Rs. 70	Rs. 55
Fixed Cost P.a	Rs. 4,00,000	Rs. 9,00,000

The demand is only 20,000 units. State how the capacity in two factories should be utilized.

[Ans: Both factories have to be operated for meeting demand in full. However, Factory II has a lower variable cost per unit. Hence, Factory II should produce 15,000 units and Factory I should produce 5,000 units.]

20. Sales of a product amount to 200 units per month at Rs. 10 per unit. Fixed overheads is Rs. 400 per month and variable cost Rs. 6 per unit. There is a proposal to reduce price by 10%. Calculate the present and future P/V ratios and find by applying P/V ratios, how many units must be sold to maintain total profit.

[Ans: Present P/V Ratio 40%; Future P/V Ratio 33 1/3%; units to be sold 267].

21. Merry Manufacturers Ltd., has supplied you the following information in respect of one of its products:

	Rs.
Total Fixed Costs	18,000
Total Variable Costs	30,000
Total Sales	60,000
Units sold	20,000

Find out (a) contribution per unit, (b) break-even point, (c) margin of safety, (d) profit and (e) volume of sales to earn a profit of Rs. 24,000.

[Ans: (a) Rs. 1.50, (b) 12,000 units, (c) 8,000 units, or Rs. 24,000, (d) Rs. 12,000, (e) 28,000 units].

22. (a) A company has fixed expenses of Rs. 99,000 with sales at Rs. 3,00,000 and a profit of Rs. 60,000. Calculate the profit/Volume ratio. If in the next period, the company suffered a loss of Rs. 30,000. Calculate the sales volume.
 (b) What is the margin of safety for a profit of Rs. 60,000 in (a) above?
 [Ans: (a) 50%, Rs. 1,20,000; (b) Rs. 1,80,000]

23. An analysis of Sultan Manufacturing Co. Ltd. led to the following information:

Cost element	Variable cost	Fixed cost
	(% of sales)	Rs.
Direct Material	32.8	
Direct Labour	28.4	
Factory Overheads	12.6	1,89,900
Distribution Overheads	4.1	58,400
General Administration Overheads	1.1	66,700

Budgeted Sales are Rs. 18,50,000, you are required to determine :

- (i) the break even sales volume;
 (ii) the profit at the budgeted sales volumes; and
 (iii) the profit if actual sales;
 (a) drop by 10% and
 (b) increase by 5% from budgeted sale.

[Ans. (i) Rs. 15,00,000, (ii) Rs. 73,500, (iii) (a) Rs. 34,650, (b) Rs. 92,925]

24. Company A and company B, both under the same management, make and sell the same type Profit and Loss Account for January-June 1986 are as under:

Company A		Company B		
	Rs.	Rs.	Rs.	Rs.
Sales		300000		300000
Less: Variable Cost	2,40,000		2,00,000	
Fixed Cost	<u>30,000</u>	<u>2,70,000</u>	<u>70,000</u>	<u>2,70,000</u>
		30,000		<u><u>30,000</u></u>

You are required to:

- Calculate the Break-even point for each company.
- Calculate the sales volume at which each of the two companies will profit by Rs. 10,000.
- Assess how the profitability will change with decrease or increase in volume:

[Ans: Company A		Company B	
(i)	Rs. 1,50,000	(i)	Rs. 2,10,000
(ii)	Rs. 2,00,000	(ii)	Rs. 2,40,000
(iii)	P/V Ratio 20%	(iii)	33.1/3%

25. The reliable Battery Co. furnishes you the following information:

	Year 1996	
	First half	Second half
Sales	Rs. 8,10,000	Rs. 10,26,000
Profit earned	21,600	64,800

From the above you are required to compute the following assuming that the fixed cost remains the same in both the periods:

- Profit/Volume Ratio.
- Fixed cost.
- The amount of profit or loss where sales are Rs. 6,48,000.
- The amount of sales required to earn a profit of Rs. 1,08,000.

[Ans: (i) 20%; (ii) Rs. 1,40,000; (iii) Loss Rs. 10,800; (iv) Rs. 12,42,000].

26. Draw a break-even chart on the basis of following data:

Plant capacity: 1,60,000 units per year

Fixed cost: Rs. 4,00,000

Variable Cost: Rs. 5 per unit

Selling price: Rs. 10 per unit

[Ans: BEP 80,000 units].

27. From the following data, which product would you recommend to be manufactured in a factory, time being the key factor?

	Per unit of product 'A'	Per unit of product 'B'
Direct material	Rs. 24	Rs. 14
Direct labor at Re. 1 per hour	2	3
Variable overhead at Rs. 2 per hour	4	6
Selling price	100	110
Standard Time to produce	2 hours	3 hours

[Ans: product A recommended]

28. From the following data, recommend the most profitable product mix, presuming that direct labour hours available are only 700:

	Product	
	A	B
Contribution per unit	Rs. 30	Rs. 20
Direct Labour per unit	10 hrs.	5 hrs.

The maximum production possible for each of the products A and B 100 units.
The fixed overheads are Rs. 1,000.

[Ans: Product A 20 units; Product B 100 units. Net profit Rs. 1600]

Application CVP Analysis

29. Polestar Electronics decides to effect a 10 % reduction in the price of its product because it is felt that such a step may lead to a greater volume of sales.

It is anticipated that there are no prospects of a change in total fixed costs and variable cost per unit. The directors wish to maintain the new profit at the present level.
The following information has been obtained from its books:

Sales 10,000 units	Rs. 2,00,000
Variable Costs	Rs. 15 per unit
Fixed costs	Rs. 40,000

How would management proceed to implement this decision?

[Ans: Profit Rs. 10,000; Units to be sold 16,667. Management should reduce selling price only when it is sure of increasing sales by 6,667 units]

30. With a view to increase the volumes of sales. Ambitious enterprises has in mind a proposal to reduce the price of its products by 20%. No change in total fixed costs or variable costs per unit is estimated. The Directors, however, desire the present level of profit to be maintained.

The following information has been provided:

	Sales 50,000 units	Rs. 5,00,000
	Variable Costs	Rs. 5 per unit
	Fixed Costs	Rs. 50,000

Advise management on the basis of the various calculations made from the data given above.

[Ans: Present P/V Ratio 50%, Future P/V Ratio 37.5%. Sales required to maintain present profit Rs. 16,667].

31. A company is proposing to add a new machine costing Rs. 1,00,000. The machine has a life of five years and no salvage value. Other fixed costs associated with the machine are Rs. 5,000 per year. If the variable costs per unit of the product are 75% of selling price, how much minimum additional sales will be necessary so that the present profits are maintained even after the new machine is installed?

[Ans: additional cost per annum Rs. 25,000; P/V Ratio 25%; Additional sales required to maintain the present profit Rs. 1,00,000.]

32. Present the following information to show to the management (a) the marginal product cost and the contribution per unit;(b) the contribution and profit resulting from each of the following sales mixture:

33.

	Product	Per unit
Direct Material	A	Rs. 10.00
	B	9.00
Direct Wages	A	3.00
	B	

Fixed expenses are allocated to products as 100% of direct wages)

Sales Price

A

B

Sales Mix:

(i) 1,000 units of product A and 2,000 units of B.

(ii) 1,500 units of product A and 1,500 units of B.

(iii) 2,500 units of product A and 1,000 units of B.

Recommend which of the sales mix should be adopted.

[Ans: Profit:(i) Rs.7200;(ii)8,200;(iii)9,200;(iv) is recommended]

Exploring new markets

34. Due to industrial depression, a plant is running, at present, at 50% of its capacity. The following details are available.

Cost of production per unit

Direct materials	Rs. 2
Direct labor	Re. 1

Variable Overhead	Rs. 3
Fixed Overhead	Rs. 2
	<u>8</u>
Production per month	20,000 units
Total cost of production	Rs. 1,60,000
Sales Price	Rs. <u>1,40,000</u>
Loss	Rs. <u>20,000</u>

An exporter offer to buy 5,000 units per month at the rate of Rs. 6.50 per unit and the company hesitate to accept the offer for fear of increasing its already large operating losses.

Advise whether the company should accept or decline this offer.

[Ans: the company should accept the offer since the amount of loss will stand reduced from Rs.20,000 to Rs. 17,500]

Discontinuance of a Product Line

35. A company which sells four products, some of them unprofitable, proposes discontinuing the sale of one of them. The following information is available regarding income, cost and activity for the year ended 31st March,1999:

	Products			
	A	B	C	D
Sales	Rs. 3,00,000	5,00,000	2,50,000	4,50,000
Cost of sales at				
Purchase price	Rs. 2,00,000	4,50,000	2,10,000	2,25,000
Area of Storage (sq. ft.)	50,000	40,000	80,000	30,000
Number of parcels sent	1,00,000	1,50,000	75,000	1,75,000
Number of invoices sent	80,000	1,40,000	60,000	1,20,000

Its overhead cost and basis of allocations are :

		Basis of allocation to products
Fixed costs:		
Rent and insurance	Rs. 30,000	Sq. ft. Occupied
Depreciation	10,000	Parcels sent
Salesmen's Salaries and Expenses	60,000	Sales Volumes
Administration Wages and Salaries	50,000	No. of Invoices
Variable Costs:		
Packing wages and Materials		20 paise per parcel
Commission		4% of sales
Stationary		10 paise per invoice

You are required to:

- (a) Prepare Profit and Loss Statement, showing the percentage of Profit or loss to sales for each product.
- (b) Compare the profit if the company discontinues sale of product 'B' with the profit if it discontinues product 'C'.

[Ans: (a): Profit 9.5%; B: Loss 12.1%; C; Loss 8.8%;D: Profit 26.4%;(b) Total Profit if 'B' is discontinued Rs. 79,000, Total Profit is 'C' is discontinued Rs. 56,000]

36. A radio manufacturing company finds that while it costs Rs. 6.25 each to make component X 273 Q, the same is available in the market at Rs. 5.75 each, with an assurance of continued supply. The breakdown of costs is :

Materials	Rs. 2.75 each
Labour	Rs. 1.75 each
Other variable costs	Rs. 0.50 each
Depreciation and Other fixed cost	<u>Rs. 1.25 each</u>
	<u>Rs. 6.25 each</u>

- (a) What you make or buy?
- (b) What would be your decision if the supplier offered the component at Rs. 4.85 each?

[Ans: (a) variable cost Rs. 5, hence not profitable to buy.

(b) There is a saving of 15 p. per component, the offer may be accepted.]

37. Auto parts Ltd. Has an annual production of 90,000 units for a motor component. The component's cost structure is as given below:

	Rs. Per unit
Materials	270
Labour (25% fixed)	180
Expenses:	
Variable	90
Fixed	<u>135</u>
Total	<u>675</u>

- (a) The purchase Manager has an offer from a supplier who is willing to supply the component at Rs. 540. Should the component be purchased and production stopped?
- (b) Assume the resources now used for this component's manufacture are to be used to produce another new product for which the selling price is Rs. 485.

In the latter case material price will be Rs. 200 per unit. 90,000 units of this product can be produced, at the same cost basis as above for labour and expenses. Discuss whether it would be advisable to divert the resources to manufacturer that new product, on the footing that the component presently being produced would, instead of being produced, be purchased from the market.

[Ans: (a) variable cost per unit: Rs. 495, Purchases Price: Rs. 540. It is beneficial to continue the production of the company.

(b) Contribution per unit of the new product: Rs. 60 .Additional cost of purchasing component per unit: Rs. 45. There is a net saving of Rs. 15. It is beneficial to buy the component.]

Change versus Status Quo

38. A company is producing two products 'X' and 'Y' from joint manufacturing process. The joint costs are Rs. 2,00,000 and it has given a production of 1 lakh kilogram of 'X' having a selling price of Rs. 1 per kilogram and 2 lakh kilogram of 'Y' having a selling price of Rs. 1.50 per kilogram.

The company is considering a proposal to process product 'X' into a new product 'Z' which sells at Rs. 3 per kilogram. The processing cost would amount to be Rs. 1,75,000 for converting one lakh kilograms of products 'X' to product 'Z'.

You are required to advise the company about the acceptance or rejection of the above proposal.

[Ans: Transformation will result in an additional profit of Rs. 25000. The proposed may therefore be accepted.]

39. (a) a company is manufacturing three products details of which for the year are given below:

Product	Price Rs.	Variable cost Rs.	Percent of total sale value
A	20	10	40
B	25	15	35
C	20	12	25

Total fixed Costs per year
Total Sales

You are required to work out the break-even point in rupee sales for each product assuming that the sales mix is to be retained.

- (a) The management has approved a proposal to substitute product C by product D in the coming year. The latter product has a selling price of Rs. 25 with a variable cost of Rs. 12.50 per unit. The new sales mix of A, B and D is expected to be 50:30:20. Next year fixed costs are expected to increase by Rs. 31,000. Total sales are expected to remain at Rs. 5,00,000.

You are required to work out the new break-even point in rupee sales and units for each product.

- (b) What is your comment on the decision of the management regarding changing product mix.

[Ans: (a) total contribution Rs. 2,20,000; Profit Rs.1,10,000; Composite BEP Rs. 2,60,000

(c) Total contribution Rs. 2,35,000; Profit Rs. 94,000; Composite BEP Rs. 3,00,000.

(d) The decrease in net profit in second year is due to fixed costs and not because of change in product mix. The overall contribution has increased by Rs. 15,000. Hence, the management may change the product mix, as proposed.]

40. R Ltd. Has a factory which manufactures a product whose sale have declined to Rs. 40,000 per annum. Special purpose machinery is employed to make the product and there is no hope of this used for any other purpose. Nor is there any hope of stimulating demand of the existing product.

The estimated life of the factory plant is 5 years and sales should continue at the same level for the whole period. Total variable costs per annum for the expected sales are Rs. 20,000. Fixed costs per annum total Rs. 15,000 including Rs. 7,000 as depreciation. All sales and expenses accrue at the end of the year.

If the factory is sold “lock, stock and barrel” immediately. 30,000 may be obtained. On the other hand, if it is operated for 5 years, Rs. 4,000 is the estimate residual value.

Presuming 10% as the cost of capital, you are required to advise whether it will be appropriate to operate the factory or close it down immediately. The present value of an annuity of Re. 1 at 10% discount for 5 years at 10% discount is Re. 0.62.

[Ans: If plant is operates, for five years total cash inflow would amount to Rs. 47,976. If it is sold only Rs. 30,000 would be realized. It is, therefore, advisable to continue the business to operate.]

[Hint: if factory operates, the annual cash inflow is Rs. 12,000. Moreover. 4,000 will be realized as scrap. The present value of cash inflows therefore amount to Rs. 47,976. (i.e., $12,000 \times 3.791 + 4,000 \times 0.621$.)]

41. Paint manufacturing company manufacturer 2,00,000 per annum medium sized tins of “Spray Lac Paints” when working at normal capacity. It occurs the following costs of manufacturing per unit:

	Rs.
Direct Material	7.80
Direct labour	2.10
Variable Overheads	2.50
Fixed Overheads	<u>4.00</u>
Product Cost (Per unit)	<u>16.40</u>

Each unit(tin) of the product is sold for Rs. 21 with variable selling and administration expenses of 60 paise pertain.

During the next quarter only 10,000 units can be produced and sold. Management plans to shut down the plant estimating that the fixed manufacturing cost can be reduced to Rs. 74,000 for the quarter.

When the plant is operating, the overheads are incurred at a uniform rate throughout the year. Additional costs of plant shut-down for the quarter are estimated at Rs. 14,000.

You are required:

- (a) To express your opinion, along with the calculations, as to whether the plan should be shut down during the quarter, and
- (b) To calculate the shutdown point for quarter in units of products (i.e., in terms of number of tins).

[Ans: (a) Loss when plant is operated Rs. 1,20,000, Loss when plant is shut down Rs. 88,000. The management should shut down the plant.

(b) Shut down point at output of 14,000 units (i.e., Rs. 1,12,000/8).

QUESTION BANK

INDIAN ECONOMY

BBA-209

QUESTION BANK
INDIAN ECONOMY– BBA 209
BBA - III

UNIT - I

I MULTIPLE CHOICE QUESTIONS:

1. The best indicator of economic development of any country is:
- A. Agriculture
 - B. Transport
 - C. Gross Production
 - D. Per Capita Income

ANSWER: D

2. Which of the following explains economic growth:
- A. Increase in per capita production
 - B. Increase in per capita real income
 - C. structural change in the economy
 - D. all the above are right

ANSWER: D

3. Economic development is characterized by
- A. Structural change in the economy
 - B. Change in the occupational structure
 - C. Both a and b
 - D. None of the above

ANSWER: C

4. An underdeveloped economy is characterized by
- A. High per capita real income
 - B. Large proportion of labor force in the tertiary sector
 - C. State of deprivation of large proportion of population
 - D. All the above

ANSWER: C

5. Scarcity of capital, technological backwardness and unemployment are generally found in:
- A. Developed countries
 - B. None of the above
 - C. Underdeveloped countries
 - D. Both

ANSWER: C

6. Which of the following denotes an underdeveloped economy?
- A. High level of inequality
 - B. Low level of capital productivity
 - C. A relatively closed economy
 - D. All the above
- ANSWER: D
7. Which of the following estimates National Income in India:
- A. Central Statistical Organisation
 - B. National Income Committee
 - C. Planning Commission
 - D. Reserve bank of India
- ANSWER: A
8. Economic Planning is an essential feature of:
- A. Capitalist economy
 - B. Socialist Economy
 - C. Mixed Economy
 - D. Dual Economy
- ANSWER: B
9. National Income is the:
- A. Net National Product at market price
 - B. Net National Product at factor cost
 - C. Net Domestic Product at market price
 - D. Net Domestic Product at factor cost
- ANSWER: C
10. Development means economic growth with:
- A. Price Stability
 - B. Social Change
 - C. Inflation
 - D. Deflation
- ANSWER: B
11. To get the Net National Product, we deduct what from the Gross National Product:
- A. Direct Taxes
 - B. Imports
 - C. Interim payments
 - D. Loss
- ANSWER: D
12. What is Gross National Product:
- A. The total output of goods and services produced by the country's economy
 - B. The total domestic and foreign output claimed by residents of the country
 - C. The sum of gross domestic product and investment

D. National Income minus National Expenditure
ANSWER: B

13. National Income ignores:
- A. Sales of a firm
 - B. Salary of Employees
 - C. Exports of the IT Sector
 - D. Sale of land
- ANSWER: D

14. The most simple and popular method of measuring economic development is to calculate the trend of Gross National Product (GNP) at:
- A. Current Prices
 - B. Constant Prices
 - C. Both of the above
 - D. None of the above
- ANSWER: B

15. Which among the following is a characteristic of underdevelopment?
- A. Vicious Circle of poverty
 - B. Rising mass
 - C. Growth of industries
 - D. High rate of Urbanisation
- ANSWER: A

16. When National Income is calculated with reference to a base year, it is called:
- A. Nominal National Income
 - B. Net National Income
 - C. Real National Income
 - D. Gross National Income
- ANSWER: C

17. Rate of growth of an economy is measured in term of:
- A. National Income
 - B. Per Capita Income
 - C. Number of people who have been lifted above the poverty line
 - D. Industrial Development
- ANSWER: A

18. Nominal GDP is
- A. The total value of goods and services net of exports
 - B. The total value of goods and services produced during periods of low unemployment
 - C. The total value of goods and services measured at current prices
 - D. The total value of goods and services produced at full employment.
- ANSWER: C

- 19 National income is
A. NDP at market prices
B. NDP at factor cost
C. GNP at market prices.
ANSWER: C
- 20 National income is the Of all the goods and services produced by a country during a period of year
A. Physical quantity
B. Money value
C. Value
D. All the three
ANSWER: B
- 21 GDP is the money value of final goods and serviced produced in the.....of a country during an accounting year
A. Domestic territory
B. Political territory
C. Specific area
D. FTZ area
ANSWER: A
- 22 In agricultural sector net value added is estimated by
A. Income method
B. Expenditure method
C. Production method
D. All the three
ANSWER: C
- 23 Which of these are not included in territory sector?
A. Banking
B. Insurance
C. Agriculture
D. Transport
ANSWER: C
- 24 Which of these is primary sector
A. Communication
B. Banking
C. Construction
D. Poultry farming
ANSWER: D

- 25 Which of these is a secondary sector
- A. Manufacturing sector
 - B. Transport
 - C. Forestry
 - D. Animal husbandry
- ANSWER: A
- 26 Which of the following Price Indices of India is considered for measuring 'Headline Inflation'?
- A. A GDP Deflator
 - B. B CPI-AL/RL
 - C. C CPI-IW
 - D. D WPI
- ANSWER: D
- 27 Consider the following Statements: Indicative Planning is a feature of 'Mixed Economy'. Perspective Planning is used by socialist countries where each and every aspect of planning is controlled by the State. Which of the above Statement(s) is/are correct?
- A. A Only 1
 - B. B Only 2
 - C. C Both 1 and 2
 - D. D Neither 1 nor 2
- ANSWER: A
- 28 Devaluation of currency can correct a Balance of Payments deficit because____
- A. It lowers price of exports in foreign currency and rises price of imports in home currency
 - B. It raises price of exports in foreign currency and lowers price of imports in home currency
 - C. It raises price of exports and imports in foreign currency
 - D. It lowers price of exports and imports in home currency
- ANSWER: A
- 29 What is the share of Government of India in NABARD?
- A. 50%
 - B. 51%
 - C. 75%
 - D. 99%
- ANSWER: D
- 30 Which among the following data are released in India on monthly basis?
- 1. CPI
 - 2. WPI
 - 3. IIP

Choose the correct option:

- A. Only 1 & 3
- B. Only 2 & 3
- C. Only 1
- D. 1,2 & 3

ANSWER: D

31 Which of the following explains the term economic growth?

- A. Increase in per capita production
- B. Increase in per capita real income
- C. Structural change in the economy
- D. All the above are right

ANSWER: D

32 Economic development is characterized by

- A. Structural change in the economy
- B. Change in the occupational structure
- C. Both a and b
- D. None of the above

ANSWER: C

33 Which of the following explains the term economic development?

- A. Improvement in the technology involved
- B. Improvement in production
- C. Improvement in distribution system
- D. All the above

ANSWER: D

34 An underdeveloped economy is characterized by

- A. High per capita real income
- B. Large proportion of labor force in the tertiary sector
- C. State of deprivation of large proportion of population
- D. All the above

ANSWER: C

35 Scarcity of capital, technological backwardness and unemployment are generally found in

- A. Developed countries
- B. Underdeveloped countries
- C. Both
- D. None of the above

ANSWER: B

36 Which of the following denotes an underdeveloped economy?

- A. High level of inequalities
- B. Low level of capital productivity

- C. A relatively closed economy
- D. All the above

ANSWER: D

- 37 Capital formation in underdeveloped countries is a major bottleneck. The reason can be
- A. Small size of market with no incentive for investment
 - B. Low level of income
 - C. Demonstration effect
 - D. All the above

ANSWER: D

- 38 Consider the following statements and identify the right ones.
- i. Higher level of capital-output ratio indicates efficient use of capital.
 - ii. It reflects the productivity of capital in the economy

- A. I only
- B. ii only
- C. both
- D. none

ANSWER: B

- 39 Consider the following statements and identify the right ones.
- A. COR is relatively low in labour intensive sectors.
 - B. COR will be high in capital intensive sectors
 - C. Both
 - D. None

ANSWER: C

- 40 Which of the following about strategy of balanced growth is right?
- A. Simultaneous investment in all sectors
 - B. All sectors are independent.
 - C. Both
 - D. None

ANSWER: A

II SHORT ANSWER TYPE QUESTIONS:

1. Explain the statement “Economic Growth is different from economic development.”
2. Distinguish between economic growth and economic development.
3. Outline the basic characteristics of Indian Economy.
4. What is the difference between favourable and unfavourable occupational structure?
5. Explain briefly occupational structure of India.
6. What is Parallel Economy?
7. Briefly discuss the reasons for unsatisfactory progress in occupational structure of India even after five decades of planned economic development.
8. Explain FEMA (Foreign Exchange Management Act).

9. Elaborate TRIMS.
10. What is unemployment?
11. What are different types of unemployment?
12. Explain the concept of Below Poverty Line.
13. Discuss features of TRIPS.
14. Give the meaning of National Income.
15. Explain FERA (Foreign Exchange Regulation Act).
16. What are different trends of national Income in India?
17. Explain the significance of secondary sector in economy of India.
18. What are the changes in occupational structure of Indian economy?
19. Briefly discuss the changes in sectoral shares in GDP of India.
20. Are economic growth and economic development independent of each other?
21. Give the significance of agriculture sector in an economy.
22. What are the Characteristics of an economy like India?
23. Explain the relationship of primary sector and GDP.
24. What do you mean by economic development?
25. Examine the role of primary sector in Indian economy.
26. What are different types of foreign capital?
27. Differentiate between TRIPS and TRIMS.
28. What are the different indicators of economic development.
29. Give contributions of different sectors in Indian Economy.
30. List down the characteristics of Developed Economy.
31. What are different types of Occupational Structure?
32. What is the relationship between occupational structure and economic development?
33. Explain the features of an underdeveloped economy.
34. Distinguish between economic development and economic growth.
35. Is an increase in real per capita income a good measure of economic development?

III LONG ANSWER TYPE QUESTIONS:

1. What is the difference between favourable and unfavourable occupational structure? Briefly discuss the reasons for unsatisfactory progress in occupational structure of India even after five decades of planned economic development.
2. Distinguish between economic growth and economic development. Has India developed? Give reasons for your answers.
3. Discuss the characteristics of Indian Economy. What changes have taken in the structure of Indian Economy leading to the growth of GDP of our country, India? Discuss them.
4. Examine the major changes that have taken place in the occupational structure of India in the post-Independence era.
5. Explain the relationship between economic development and occupational structure of a country.
6. Analyse the major factors that influence the development of an economy. How far the Indian Economy has succeeded in meeting the developmental challenges?
7. Discuss the changes in sectoral shares in GDP and sectoral contribution to employment in post-independence era.

8. What are different types of Occupational Structure? What is the relationship between occupational structure and economic development?
9. Explain the features of an underdeveloped economy. How far are these features present in Indian economy?
10. Distinguish between economic development and economic growth. Is an increase in real per capita income a good measure of economic development?
11. Discuss the major features of Indian Economy in present times.
12. Examine the occupational structure in Indian economy.
13. Compare the role of primary and secondary sector in Indian economy.
14. Explain the trends in National Income of Post Reform India.
15. Explain the trends in National Income of Pre Reform India.
16. "Self-Reliance in an objective of Indian economy." Explain.
17. What is economic development? What are different determinants of economic development?
18. Explain the relationship between Tertiary Sector and GDP.
19. Distinguish between Disguised and Structural Unemployment with the help of suitable examples.
20. Discuss the salient features of Indian economy. What is the importance of agriculture in one economy?
21. Explain the changes in the structure of Primary, Secondary and Tertiary Sectors of Indian Economy. How these changes have been helpful in strengthening the Indian economy? Give examples to support your answers.
22. Explain the concept of work force participation in context of India.
23. What are the basic characteristics of Indian economy. Also elaborate the changes in structure of India.
24. How different sectors of an economy contribute in GDP?
25. Elaborate changes in the occupational structure in India and its benefits.
26. What is National Income? What are trends in National Income in India.
27. What is Balanced Regional Development? Illustrate.
28. What are different types of sectors in Indian Economy. Explain Changes in occupational structure in India & its benefits.
29. What is the difference between Economic Growth and Development. What is Balanced regional development. Explain with example.
30. Discuss the changes in sectoral shares in GDP. Also explain in context of India, how far it has grown in sectoral shares contribution.
31. What is Economic Planning? What are its objectives?
32. Explain the five year plan targets and focus areas for economic development of the country.
33. Explain the changes in the structure of Primary, Secondary and Tertiary sectors of Indian Economy. How these changes have been helpful in strengthening the Indian economy? Give examples to support your answers.
34. Give the objectives of Industrial Policy, 1991. To what extent Industrial Policy of 1991 has helped in bringing Industrialization in the country?
35. Give highlights of Industrial Policy of 1991 and how they are different from previous policies

UNIT - II

I MULTIPLE CHOICE QUESTIONS:

1. The best indicator of economic development of any country is:
 - A. Agriculture
 - B. Transport
 - C. Gross Production
 - D. Per Capita IncomeANSWER: D

2. If the available workers are unaware of the jobs being offered and the employers are not aware of the available workers, such type of unemployment is called:
 - A. Frictional unemployment
 - B. Structural unemployment
 - C. Disguised unemployment
 - D. Demand pull unemployment.ANSWER: A

3. Unemployment that arises when there is a general downturn in business activity is known as:
 - A. Frictional unemployment
 - B. Structural unemployment
 - C. Cyclical unemployment
 - D. Disguised unemploymentANSWER: C

4. Full employment is the level at which there is
 - A. Zero unemployment
 - B. Normal rate of unemployment
 - C. Less supply of labor
 - D. Demand for goods is less than supply.ANSWER: C

5. Natural rate of unemployment increases due to
 - A. General downturn in business activity
 - B. Changes in labor market
 - C. Structural changes in economy
 - D. Frequent changes of jobs by laborANSWER: D

6. If the actual rate of unemployment exceeds to natural rate of unemployment then:
A. Actual output of the economy will fall below its potential
B. Production will increase more than potential
C. Consumption of goods decreases
D. Both (a) and (c) above.
ANSWER: D
7. Unemployment that arises due to regional occupational pattern of job vacancies, which does not match the pattern of workers availability and suitability, is known as:
A. Frictional unemployment
B. Structural unemployment
C. Cyclical unemployment
D. Demand pull unemployment
ANSWER: B
8. Disguised unemployment means:
A. Unemployment in agriculture
B. Unemployment due to recession
C. Unemployment due to downturn in business activity
D. Marginal Productivity of Labor (MPL) is zero.
ANSWER: C
9. In which sector of Indian economy will we find a high rate of disguised unemployment?
A. Service sector
B. Agriculture sector
C. Manufacture sector
D. Mining sector
ANSWER: B
10. Unemployment that is caused by a mismatch between the composition of the labor force (in terms of skills, occupation, industries, or geographic location) and the make-up of the demand for labor is called:
A. Real wage unemployment
B. Deficient-demand unemployment
C. Frictional unemployment
D. Structural Unemployment
ANSWER: D
11. During the recessionary phase of a business cycle:
A. The natural rate of unemployment will increase dramatically
B. Potential national income will exceed actual national income
C. Actual national income will exceed potential national income
D. The real rate of interest will exceed the nominal rate of interest.
ANSWER: A

12. Every _____ poor person in World is an Indian:
A. Second
B. Third
C. Tenth
D. Fourth
ANSWER: B
13. India is passing through the phase of population:
A. Explosion
B. Control
C. Stability
D. None of the above
ANSWER: A
14. If an economy is under developed, it means:
A. Agriculture is the main occupation
B. Standard of living of people is low
C. Production Techniques are backward and obsolete
D. All of the above
ANSWER: D
15. Inequality of Income is measured by:
A. Human development index
B. Gini Coefficient
C. Per Capita Income
D. Physical Quality of Life Index
ANSWER: B
16. When and by whom was HDI introduced?
A. In 1990 by UNDP
B. In 1989 by World Bank
C. In 1990 by UNO
D. In 1989 by IMF
ANSWER: A
17. Indicator of HDI is:
A. Longevity
B. Educational Attainment
C. Standard of Living
D. All of the above
ANSWER: D

- 18 What makes India a developing economy?
A. Rise in National Income
B. Rise in Per Capita Income
C. Growing Capital Income
D. All of the above
ANSWER: A
- 19 What makes India an underdeveloped economy?
A. Low Human Development
B. High Poverty level
C. Dominant Agriculture sector
D. All of the above
ANSWER: D
- 20 The concept of Economic Planning in India is derived from?
A. USA
B. UK
C. Australia
D. Russia
ANSWER: D
- 21 First five year plan in India was from
A. 1947 - 1952
B. 1949 - 1954
C. 1950 - 1955
D. 1951 - 1956
ANSWER: D
- 22 Which five year plan focused on “Growth with social justice and equity”.
A. Ninth Five Year Plan
B. Eight Five Year Plan
C. Seventh Five Year Plan
D. Sixth Five Year Plan
ANSWER: A
- 23 Planning Commission was constituted on?
A. 15th March, 1948
B. 15th March, 1949
C. 15th March, 1950
D. 15th March, 1951
ANSWER: C

- 24 Who fixes the poverty line?
A. Government
B. Lok Sabha
C. Rajya Sabha
D. Planning Commission
ANSWER: D
- 25 Who is known as father of economics?
A. Adam Smith
B. Max Muller
C. Joy Chaterjee
D. Amritya Sen
ANSWER: A
- 26 Economic growth is normally coupled with?
A. Inflation
B. Hyper Inflation
C. Deflation
D. Stagflation
ANSWER: A
- 27 During the recessionary phase of a business cycle:
A. The natural rate of unemployment will increase dramatically
B. Potential national income will exceed actual national income
C. Actual national income will exceed potential national income
D. The real rate of interest will exceed the nominal rate of interest.
ANSWER: B
- 28 Every _____ poor person in World is an Indian:
A. Second
B. Third
C. Tenth
D. Fourth
ANSWER: C
- 29 India is passing through the phase of population:
A. Explosion
B. Control
C. Stability
D. None of the above
ANSWER: A

- 30 If an economy is under developed, it means:
A. Agriculture is the main occupation
B. Standard of living of people is low
C. Production Techniques are backward and obsolete
D. All of the above
ANSWER: B
- 31 The Planning commission of India is?
A. A constitutional body
B. An independent and autonomous body
C. A statutory body
D. A non-statutory body
E. None of these
ANSWER: D
- 32 Mahalanobis Model has been associated with five-year plan?
A. First Five-Year Plan
B. Second Five Year Plan
C. Third Five Year Plan
D. Fourth Five Year Plan
E. None of these
ANSWER: B
- 33 Which plan gave emphasis on removal of poverty for the first time?
A. Fourth
B. Fifth
C. Sixth
D. Seventh
E. None of these
ANSWER: B
- 34 The Planning Commission of India was constituted in the year?
A. 1942
B. 1947
C. 1950
D. 1955
E. None of these
ANSWER: C
- 35 A rolling plan refer to a plan which?
A. does not change it target every year
B. changes its allocation every year
C. changes its allocations and target every year
D. changes only its target every year
E. None of these
ANSWER: C

- 36 In India the concept of ‘minimum needs’ and ‘directed anti poverty programmes’ were the innovation of?
A. Fourth five year plan
B. Fifth five year plan
C. Sixth five year plan
D. Seventh five year plan
E. None of these
ANSWER: B

- 37 When was the planning commission established?
A. 10th March 1950
B. 15th March 1950
C. 20th March 1950
D. 16th March 1951
E. None of these
ANSWER: B

- 38 Economic planning is in?
A. Union list
B. State list
C. Concurrent list
D. Not any specified list
E. None of these
ANSWER: C

- 39 National Development Council was constituted in?
A. August 16, 1950
B. August 6, 1952
C. August 1, 1951
D. August 16, 1952
E. None of these
ANSWER: B

- 40 "Twenty Point Programme" was launched in the year?
A. 1969
B. 1975
C. 1977
D. 1980
E. None of these
ANSWER: D

II SHORT ANSWER TYPE QUESTIONS:

1. Explain the validity of the statement, “Planning has failed in India.”
2. What are the salient features of New Industrial Policy, 1991?

3. What are the objectives of economic planning in India?
4. What do you mean by “Parallel Economy”?
5. Describe the main features of poverty problem of India.
6. What progress has been achieved in the field of regional balanced development of Indian Economy?
7. Explain the nature of Unemployment in India.
8. What are the measures to reduce poverty in India.
9. Examine the primary objectives of economic planning in India. How far have these been achieved?
10. Discuss the nature, magnitude and causes of unemployment problem in India.
11. What measures will you suggest to generate employment opportunities in rural areas?
12. Explain 11th Five year plan of India.
13. What are the objectives of Industrial Policy, 1991.
14. Critically evaluate the impact and achievements of India’s economic reform process initiated in 1991.
15. What is the significance of Five Year Plans?
16. What is economic planning?
17. What are the objectives of economic planning?
18. What are the significant changes that took place in Industrial Policy?
19. Explain Industrial sickness.
20. What are the causes of industrial sickness?
21. Explain the key areas of tenth five year plan.
22. What are the remedies to improve industrial sickness?
23. In which economic plan the poverty was key focus area?
24. What were the impacts of Industrial Policy, 1991 on Indian economy?
25. How the problem of poverty is related to the problem of unemployment.
26. What is absolute poverty?
27. What do you mean by disinvestment?
28. What is Relative Poverty?
29. Compare Unemployment problems faced by urban and rural India.
30. Explain the eleventh five year plan.
31. What are different types of unemployment?
32. Define Poverty Line.
33. Explain 12th Five year Plan.
34. What are challenges in Indian Economy?
35. How Poverty impacts growth of a nation?

III LONG ANSWER TYPE QUESTIONS:

1. Explain disinvestment of public enterprises. Explain its consequences in context of Indian firm’s.
2. What is Industrial Sickness? What are the causes and remedies of Industrial Sickness?
3. Explain the concept of Five year plans. What are the characteristics of Tenth Five year plan.
4. Discuss briefly the nature and causes of rural unemployment in India.

5. What is Unemployment? What remedies would you suggest for solving the problem of unemployment?
6. Discuss the main features of New Industrial Policy, 1991. How far the objectives of this policy have been achieved?
7. Examine the nature of Industrial Sickness in India. Do you think disinvestment of public sector units is the only solution?
8. What are the objectives of economic planning in India? Critically examine the statement –“Economic Planning in India has failed.”
9. State the dimensions of New Industrial Policy (1991). Analyse its impact on industrial growth and development in Indian economy.
10. Explain 11th Five year plan of India.
11. Discuss unemployment problem in Rural India.
12. Discuss the concept of ‘Inclusive Growth’ in the light of 12th five year plan.
13. Suggest remedies for Industrial Sickness in Indian context.
14. Briefly discuss Below Poverty Line (BPL) Family.
15. Explain Star Trading House.
16. Discuss the concept of ‘Inclusive Growth’ in the light of 12th Five Year Plan.
17. Suggest remedies for Industrial Sickness in Indian Context.
18. Critically evaluate the achievements of the 11th Five Year Plan.
19. What are the different types of planning? Explain the merits of functional planning.
20. Compare Absolute and Relative Poverty.
21. Critically evaluate the achievements of various five year plans implemented by government of India.
22. What is economic planning? What are its objectives? Explain the current five year plan targets and focus areas for economic development of the country.
23. Give the objectives of Industrial Policy, 1991. To what extent Industrial Policy of 1991 has helped in bringing Industrialization in the country?
24. Give highlights of Industrial Policy of 1991 and how they are different from previous policies.
25. What is Unemployment? What are different types of unemployment prevailing in Indian economy?
26. What are different types of problems faced by Indian economy?
27. Critically evaluate the achievements of various five-year plans implemented by government of India.
28. Explain in detail the twelfth five year plan.
29. What is economic planning? What are its objectives and how much is been achieved?
30. Explain the current five year plan targets & focus areas for economic development of the country.
31. Explain Changes in the occupational structure in India and its benefits.
32. Elaborate Balanced Regional Development with the help of an example.
33. Critically compare the five year plans of India.
34. Explain the success and failure reasons of Five Year Planning.
35. How Unemployment problem and Poverty can be eradicated from a developing nation like India. What are the limitations of not achieving the planning targets in a nation?

UNIT - III

I MULTIPLE CHOICE QUESTIONS:

1. The best indicator of economic development of any country is:
 - A. Agriculture
 - B. Transport
 - C. Gross Production
 - D. Per Capita IncomeANSWER: D

2. A country's Current Account:
 - A. Balance equals the change in its net foreign wealth.
 - B. Balance equals the change in its foreign wealth.
 - C. Surplus equals the change in its foreign wealth.
 - D. Deficit equals the change in its foreign wealth.
 - E. None of the above.ANSWER: A

3. The Exchange-rate System that best characterizes the present international monetary arrangement used by industrialized countries is:
 - A. Freely Fluctuating Exchange Rates
 - B. Adjustable Pegged Exchange Rates
 - C. Managed Floating Exchange Rates
 - D. Pegged or Fixed Exchange RatesANSWER: C

4. Which exchange-rate mechanism is intended to insulate the balance of payments from short-term capital movements while providing exchange rate stability for commercial transactions?
 - A. Dual Exchange Rates
 - B. Managed Floating Exchange Rates
 - C. Adjustable Pegged Exchange Rates
 - D. Crawling Pegged Exchange RatesANSWER: A

5. Which exchange-rate mechanism calls for frequent redefining of the par value by small amounts to remove a payments disequilibrium?
 - A. Dual Exchange rates
 - B. Adjustable Pegged Exchange Rates
 - C. Managed Floating Exchange Rates
 - D. Crawling Pegged Exchange RatesANSWER: D

6. Under managed floating exchange rates, if the rate of inflation in the United States is less than the rate of inflation of its trading partners, the dollar will likely:
- A. Appreciate against foreign currencies
 - B. Depreciate against foreign currencies
 - C. Be officially revalued by the government
 - D. Be officially devalued by the government

ANSWER: A

7. Under adjustable pegged exchange rates, if the rate of inflation in the United States exceeds the rate of inflation of its trading partners:
- A. U.S. exports tend to rise and imports tend to fall
 - B. U.S. imports tend to rise and exports tend to fall
 - C. U.S. foreign exchange reserves tend to rise
 - D. U.S. foreign exchange reserves remain constant

ANSWER: B

8. Under a pegged exchange-rate system, which does not explain why a country would have a balance-of payments deficit?
- A. Very high rates of inflation occur domestically
 - B. Foreigners discriminate against domestic products
 - C. Technological advance is superior abroad
 - D. The domestic currency is undervalued relative to other currencies

ANSWER: D

9. Which exchange-rate system does not require monetary reserves for official exchange-rate intervention?
- A. Floating exchange rates
 - B. Pegged exchange rates
 - C. Managed floating exchange rates
 - D. Dual exchange rates

ANSWER: A

10. A primary objective of dual exchange rates is to allow a country the ability to insulate its balance of payments from net:
- A. Current account transactions
 - B. Unilateral transfers
 - C. Merchandise trade transactions
 - D. Capital account transactions

ANSWER: D

11. Under the historic adjustable pegged exchange-rate system, member countries were permitted to correct persistent and sizable payment deficits (i.e., fundamental disequilibrium) by:
- A. Officially revaluing their currencies
 - B. Officially devaluing their currencies
 - C. Allowing their currencies to depreciate in the free market
 - D. Allowing their currencies to appreciate in the free market
- ANSWER: B
12. Which exchange-rate system involves a “leaning against the wind” strategy in which short-term fluctuations in exchange rates are reduced without adhering to any particular exchange rate over the long run?
- A. Pegged or fixed exchange rates
 - B. Adjustable pegged exchange rates
 - C. Managed floating exchange rates
 - D. Freely floating exchange rates
- ANSWER: C
13. In 1973, the reform of the international monetary system resulted in the change from:
- A. Adjustable pegged rates to managed floating rates
 - B. Managed floating rates to adjustable pegged rates
 - C. Crawling pegged rates to freely floating rates
 - D. Freely floating rates to crawling pegged rates
- ANSWER: A
14. The Bretton Woods Agreement of 1944 established a monetary system based on
- A. Gold and managed floating exchange rates
 - B. Gold and adjustable pegged exchange rates
 - C. Special Drawing Rights and managed floating exchange rates
 - D. Special Drawing Rights and adjustable pegged exchange rates
- ANSWER: B
15. Rather than constructing their own currency baskets, many nations peg the value of their currencies to a currency basket defined by the International Monetary Fund. Which of the following illustrates this basket?
- A. IMF tranche
 - B. Special Drawing Rights
 - C. Primary reserve asset
 - D. Swap facility
- ANSWER: B

16. Small nations (e.g., the Ivory Coast) whose trade and financial relationships are mainly with a single partner tend to utilize:
- A. Pegged exchange rates
 - B. Freely floating exchange rates
 - C. Managed floating exchange rates
 - D. Crawling pegged exchange rates
- ANSWER: A
17. Small nations (e.g., Tanzania) with more than one major trading partner tend to peg the value of their currencies to:
- A. Gold
 - B. Silver
 - C. A single currency
 - D. A basket of currencies
- ANSWER: D
18. Under a floating exchange-rate system, if American exports increase and American imports fall, the value of the dollar will:
- A. Appreciate
 - B. Depreciate
 - C. Be officially revalued
 - D. Be officially devalued
- ANSWER: A
19. Under a floating exchange-rate system, if American exports decrease and American imports rise, the value of the dollar will:
- A. Appreciate
 - B. Depreciate
 - C. Be officially revalued
 - D. Be officially devalued
- ANSWER: B
20. Under a floating exchange rate system, an increase in U.S. imports of Japanese goods will cause the demand schedule for Japanese yen to:
- A. Increase, inducing a depreciation in the yen
 - B. Decrease, inducing a depreciation in the yen
 - C. Increase, inducing an appreciation in the yen
 - D. Decrease, inducing an appreciation in the yen
- ANSWER: C

- 21 Given an initial equilibrium in the money market and foreign exchange market, suppose the Federal Reserve increases the money supply of the United States. Under a floating exchange-rate system, the dollar would:
- A. Appreciate in value relative to other currencies
 - B. Depreciate in value relative to other currencies
 - C. Be officially devalued by the government
 - D. Be officially revalued by the government
- ANSWER: B
- 22 Under a floating exchange-rate system, if the U.S. dollar depreciates against the Swiss franc:
- A. American exports to Switzerland will be cheaper in francs
 - B. American exports to Switzerland will be more expensive in francs
 - C. American imports from Switzerland will be cheaper in dollars
 - D. None of the above
- ANSWER: A
- 23 If the Japanese yen depreciates against other currencies in the exchange markets, this will:
- A. Have no effect on the Japanese balance of trade
 - B. Tend to worsen the Japanese balance of trade
 - C. Tend to improve the Japanese balance of trade
 - D. None of the above
- ANSWER: A
- 24 A market-determined increase in the dollar price of the pound is associated with:
- A. Revaluation of the dollar
 - B. Devaluation of the dollar
 - C. Appreciation of the dollar
 - D. Depreciation of the dollar
- ANSWER: D
- 25 A market-determined decrease in the dollar price of the pound is associated with:
- A. Revaluation of the dollar
 - B. Devaluation of the dollar
 - C. Appreciation of the dollar
 - D. Depreciation of the dollar
- ANSWER: C
26. Which exchange-rate system does not require monetary reserves for official exchange-rate intervention?
- A. Floating exchange rates
 - B. Pegged exchange rates
 - C. Managed floating exchange rates
 - D. Dual exchange rates
- ANSWER: A

27. A primary objective of dual exchange rates is to allow a country the ability to insulate its balance of payments from net:
- A. Current account transactions
 - B. Unilateral transfers
 - C. Merchandise trade transactions
 - D. Capital account transactions
- ANSWER: D
28. During the 1970s, the European Union, in its quest for monetary union, adopted what came to be referred to as the “Community Snake” This device was a (an):
- A. Adjustable pegged exchange rate system
 - B. Dual exchange rate system
 - C. Jointly floating exchange rate system
 - D. Freely floating exchange rate system
- ANSWER: C
29. Under the historic adjustable pegged exchange-rate system, member countries were permitted to correct persistent and sizable payment deficits (i.e., fundamental disequilibrium) by:
- A. Officially revaluing their currencies
 - B. Officially devaluing their currencies
 - C. Allowing their currencies to depreciate in the free market
 - D. Allowing their currencies to appreciate in the free market
- ANSWER: B
30. Which exchange-rate system involves a “leaning against the wind” strategy in which short-term fluctuations in exchange rates are reduced without adhering to any particular exchange rate over the long run?
- A. Pegged or fixed exchange rates
 - B. Adjustable pegged exchange rates
 - C. Managed floating exchange rates
 - D. Freely floating exchange rates
- ANSWER: C
31. India earns maximum foreign exchange by the export of?
- A. Iron
 - B. Handloom
 - C. Texttiles
 - D. Tea
- ANSWER: D

- 32 What is the mainstay of Indian economy?
A. Manufacturing
B. Business
C. Public sector
D. Agriculture
ANSWER: D
- 33 The bank which has the highest number of branches in the world is?
A. State Bank of India
B. RBS
C. London Bank
D. Canara Bank
ANSWER: A
- 34 Deficit financing implies :
A. printing new currency notes
B. public revenue in excess of public expenditure
C. public expenditure in excess of public revenue
D. replacing new currency with worn out currency
ANSWER: C
- 35 International Monetary Fund (IMF) was established on :
A. 25 September, 1944
B. 27 December, 1944
C. 25 September, 1945
D. 27 December, 1945
ANSWER: D
- 36 Which state has the highest Per Capita Income in India?
A. Delhi
B. Punjab
C. Bihar
D. Goa
ANSWER: D
- 37 National Development Council was constituted on
A. 2 August, 1952
B. 6 August, 1952
C. 8 August, 1952
D. 12 August, 1952
ANSWER: B

- 38 In India, Inflation measured by the :
- National Income Deflation
 - Wholesale Price Index number
 - Consumer Price Index
 - None of above
- ANSWER: C
- 39 What is FEMA ?
- First Exchange Management Act
 - Foreign Exchequer Management Act
 - Foreign Exchange Management Act
 - Foreign Evaluation Management Act
- ANSWER: C
- 40 Industrial Finance Corporation of India (IFCI) was established in :
- 1946
 - 1947
 - 1948
 - 1949
- ANSWER: C

Ans. (1)(D), (2)(A), (3)(C), (4)(A), (5)(D), (6)(A), (7)(B), (8)(D), (9)(A), (10)(D), (11)(B), (12)(C), (13)(A), (14)(B), (15)(B), (16)(A), (17)(D), (18)(A), (19)(B), (20)(C), (21)(B), (22)(A), (23)(A), (24)(D), (25)(C), (26)(A), (27)(D), (28)(C), (29)(B), (30)(C), (31)(D), (32)(D), (33)(A), (34)(C), (35)(D), (36)(B), (37)(B), (38)(C), (39)(C), (40)(C)

II SHORT ANSWER TYPE QUESTIONS:

- Discuss the statement, “Devaluation of the currency improves Balance of Payments position of an economy.”
- Distinguish between balance of trade and balance of payment.
- Briefly explain FEMA.
- What is the importance of foreign exchange reserve
- What is depreciation of exchange rate?
- Discuss FERA.
- Explain meaning of appreciation of exchange rate.
- What do you mean by export promotion.
- Define Exchange rate.
- Differentiate between devaluation and depreciation of currency.
- What is BOP?
- What is BOT?
- Give the meaning of Current account.
- Explain Capital Account.
- What are different components of BOP?
- What are the causes of adverse BOP?
- Give various components of BOT?

18. What are the remedies to improve adverse BOP?
19. Discuss current foreign trade policy of India.
20. What are the implications of foreign trade policy on an economy?
21. Examine Export- Import Policy 2007.
22. Compare the characteristics of FERA and FEMA.
23. Distinguish between appreciation and revaluation of currency.
24. Explain briefly import substitution.
25. What are different import substitution policies.
26. How exchange rate fluctuations impact Balance of Payment.
27. What are recent changes in FDI in retail sector in India.
28. Which one is better FDI or FII?
29. Why FII is known as hot money?
30. Does exchange rate shows the development picture of an economy?
31. How improvement capital account balances can be implemented?
32. Explain the causes for adverse balance of payments in India.
33. Explain the remedial measures for Imbalanced BOP.
34. Explain export-import policy of India.
35. Explain the foreign exchange reserves position in India since 1991.

III LONG ANSWER TYPE QUESTIONS:

1. Discuss the salient features of India's Balance of Payment situation.
2. What is the role of export promotion and import substitution after globalization of Indian economy?
3. Discuss the main features of Export Import Policy (2002-2007)
4. What do you understand by Balance of Payment? How is it different from Balance of Trade?
5. What are the components of Balance of Payment account of our country?
6. What are the important provisions of Foreign Exchange Management Act, 1999?
7. What are some incentives given by our government as a part of Export Promotion?
8. Write a note on India's Balance of Payment (BOP) position since 1991.
9. What is the role of export promotion and import substitution since liberalization of Indian economy?
10. What does a deficit on current account of balance of payment indicate?
11. How policy changes have contributed to the improvement in our current account balance?
12. Explain the causes and remedial measures for adverse balance of payments in India.
13. Discuss the important features of the export-import policy of India.
14. Explain the foreign exchange reserves position in India since 1991. What is the role of export promotion and import substitution since liberalization of Indian Economy.
15. Give the rationale for exports in Indian economy.
16. Critically examine the latest foreign trade policy of India.
17. Examine the Balance of Payments Scenario in present times.
18. Write a detailed note on FEMA.
19. Discuss the relevance and impact of TRIPS on developing countries with special reference to Indian economy.

20. “TRIPS is a disguised attempt of developed countries to exploit the poor and less advanced developing countries.” Comment on the statement.
21. What is the Balance of Payment? Discuss the impact of fluctuation in exchange rates on the balance of payment.
22. Explain the difference between import-substitution and export promotion policies.
23. Distinguish between depreciation and appreciation of exchange rate.
24. What incentives are given to exporters as a part of foreign trade policy of GOI? Explain these incentives in brief.
25. Write a detailed note on the Balance of Payment account of Indian economy. What are the various constituents of BOP account of a country?
26. Explain the difference between BOP and BOT. What are different types of accounts in BOP and BOT.
27. Contrast features of Current Account and Capital Account.
28. Elaborate the constituents of Balance of Trade.
29. What incentives are given to exporters as a part of Foreign Trade Policy of GOI? Explain these incentives in brief.
30. Explain the difference between Import Substitution and Export Promotion Policy.
31. What incentives are given to exporters as a part of Foreign Trade Policy of GOI? Explain these incentives in brief.
32. How FDI is different from FII? Explain the process involved in approval of FDI in India. How FDI has helped India in its Economic Development.
33. Write notes on:
 - (a) WTO and its role
 - (b) TRIMS v/s TRIPS
34. Write a detailed note on the Balance of Payment Account of Indian Economy. What are the various constituents of BOP account of a country? Explain the difference between BOP and BOI.
35. Compare the features of BOP and BOT of India.

UNIT – IV

I MULTIPLE CHOICE QUESTIONS:

1. The best indicator of economic development of any country is:
 - A. Agriculture
 - B. Transport
 - C. Gross Production
 - D. Per Capita Income
 ANSWER: D

2. What is the underlying characteristic of the WTO?
 - A. It facilitates economic co-operation between different countries
 - B. It resolves disputes between economic trade blocks
 - C. It facilitates the development of less developed countries

- D. It acts as an umbrella institution that regulates the agreements concluded at the Uruguay round, the organisation's ultimate goal being the promotion of free international trade

ANSWER: D

3. Does the WTO come with its own institutional framework?
- A. No, the WTO depends on the relevant frameworks of national governments
- B. No, the WTO provides certain institutional arrangements but only on an ad hoc basis
- C. Yes, the WTO provides a certain institutional framework which changes depending on the nature of free trade agreements
- D. Yes, the WTO provides a common institutional framework for the implementation of free trade agreements

ANSWER: D

4. What are the three key 'components' of the WTO?
- A. A Senate, a Judiciary and a Directorate
- B. A Trade Commission, a Dispute Settlement Body and a Council of Ministers
- C. An Executive apparatus, a Legislative apparatus and an Enforcement apparatus
- D. A Board of Governors, the Assembly of Member States and a Steering Committee

ANSWER: C

5. Does the WTO apply its framework in exactly the same fashion throughout the world?
- A. Yes, the WTO applies its framework in exactly the same way throughout the world
- B. Yes, the WTO applies its framework in exactly the same way around the world, unless it deals with trade blocks
- C. No, the WTO makes allowance for regional variation
- D. No, the WTO makes allowance for variation in the case of economically stronger countries

ANSWER: C

6. What are the two main functions of the WTO?
- A. The promotion of free trade and economic liberalism
- B. The administration of the WTO agreements and the resolution of international trade disputes
- C. The promotion of world peace, economic stability and financial co-operation
- D. The administration of the WTO's institutional framework and the promotion of economic co-operation amongst its members

ANSWER: D

7. Theoretically, what is the most significant organ of the WTO?
- A. The Committee on Trade and Development
 - B. The Council for Trade in Goods
 - C. The General Council
 - D. The Ministerial Conference
- ANSWER: D
8. Practically, what is the most significant organ of the WTO?
- A. The Committee on Trade and Development
 - B. The Council for Trade in Goods
 - C. The General Council
 - D. The Ministerial Conference
- ANSWER: C
9. Where is provision made with regard to the WTO's institutional arrangements?
- A. In the WTO Agreement
 - B. In the GATT
 - C. In the UN Charter
 - D. In the WTO Agreement on Subsidies and Countervailing Measures
- ANSWER: A
10. With regard to the WTO, subsidies are covered in two separate international economic law agreements. Which are they?
- A. The GATT and the Agreement on Subsidies and Countervailing Measures
 - B. The Reform Treaty and the Treaty of Rome
 - C. The North American Free Trade Agreement and the Organization of American States Charter
 - D. The International Monetary Fund's Articles of Agreement and the European Central Bank's Statute.
- ANSWER: A
11. What are countervailing measures?
- A. Measures which a State may initiate against another State when that other State has legally subsidised any of its domestic industries
 - B. Measures which a national government may initiate against another State when that other State has not subsidised any of its domestic industries
 - C. Measures which a State may initiate against another State when that other State has illegally subsidised any of its domestic industries
 - D. Measures which a national government may initiate against another State when that other State has not illegally subsidised any its domestic industries
- ANSWER: C

12. The Balance of Payment is an _____ system.

- A. Accounting
- B. Social
- C. Environmental
- D. Tourist

ANSWER: A

13. Which statement is true?

- 1) The balance of payments depends on the principle of double-entry accounting.
 - 2) Decrease in assets and increase in liabilities of net worth represent credits or sources of funds.
 - 3) The balance of payment is a source- and uses of funds statement that reflects changes in assets, liabilities and net worth during a specified period of time.
- A. Only 1
 - B. Only 2
 - C. Only 3
 - D. 1, 2 and 3

ANSWER: D

14. Which conference gives the birth to the 'International Monetary Fund'?

- A. Brettonwoods
- B. Congress
- C. LIBOR
- D. TIDA

ANSWER: A

15. The World Bank formed on:

- A. 1944
- B. 1966
- C. 1980
- D. 1970

ANSWER: A

16. Which of the following is not included under World Bank objective?

- A. Reconstruction and Economic Development
- B. Encouragement to Capital Investment
- C. Balance Development
- D. Delayed Implementation

ANSWER: D

17. What were the initial capital of World Bank?

- A. 10,000 million \$
- B. 12,000 million \$
- C. 2,000 million \$
- D. 18,405 million \$

ANSWER: A

- 18 Which of the following is not included under the management of World bank?
A. Board of Governor
B. Executive Committee
C. Chairman
D. RBI's Governor
ANSWER: D
- 19 World Bank provides loan to the member country:
A. From own funds
B. From Borrowings
C. By Gurantee
D. By issuing the dollars
E. From (A), (B) and (C)
ANSWER: E
- 20 When India became member of World Bank?
A. In 1945
B. In 1950
C. In 1975
D. None of these
ANSWER: A
- 21 The World Bank formed as a _____ body of IMF.
A. Complementary Body
B. Competitive Body
C. Legal Body
D. None of the above
ANSWER: A
- 22 The minimum members of Board of governance in World Bank may be:
A. 12
B. 15
C. 18
D. 20
ANSWER: A
- 23 International Finance Corporation formed as a _____ body of the World Bank.
A. As a subsidiary body
B. As a main body
C. As a competitive body
D. As a holding body
ANSWER: A

24 GATT came into force on:

- A. 1947
- B. 1949
- C. 1959
- D. 1956

ANSWER: A

25 GATT is a:

- A. Organization
- B. Method
- C. Agreement
- D. Policy

ANSWER: A

26 The OECD

- A. Gathers and publishes data on the international economy.
- B. Provides financial assistance to developing countries.
- C. Approves international standards and product regulations.
- D. Includes more developing countries than developed countries.
- E. Is a cartel of countries that export oil.

ANSWER: A

27. Which of the following issues did the Uruguay Round not address?

- A. Tariffs
- B. Intellectual Property
- C. Agriculture
- D. Migration
- E. Services

ANSWER: D

28. Members of the World Trade Organization are required to

- A. Eliminate all tariffs.
- B. Allocate quotas on a first-come-first-served basis.
- C. Use the WTO's definitions of products, such as what can be called "beer."
- D. Enforce patent rights for patent holders from other countries.
- E. Prevent their firms from "dumping."

ANSWER: D

29. Which of the following is not a member of the WTO?

- A. United States
- B. China
- C. Russia
- D. Taiwan
- E. Iran

ANSWER: E

30. Which of the following exceptions in the WTO rules does not permit a country to use a tariff or quota that is more restrictive than its bound tariff?
- A. Anti-dumping
 - B. Countervailing duties
 - C. Safeguards
 - D. Balance of payments protection
 - E. Preferential trade agreements
- ANSWER: E
31. The first phase of globalization started around 1870 and ended with
- A. The World War I
 - B. The World War II
 - C. The Establishment of GATT
 - D. In 1913 when GDP was High
- ANSWER: A
32. IBRD (International Bank for Reconstruction and Development) also known as
- A. Exim Bank
 - B. World Bank
 - C. International Monetary fund
 - D. International Bank
- ANSWER: B
33. Ultimatelywas replaced by theon 1st Jan 1995
- A. GATS, WTO
 - B. WTO, GATT
 - C. GATT, WTO
 - D. IMF, GATT
- ANSWER: C
34. Which is the right sequence of a stages of Internationalization
- A. Domestic, Transnational, Global, International, Multinational
 - B. Domestic, International, Multinational, Global, Transnational
 - C. Domestic, Multinational, International, Transnational, Global
 - D. Domestic, Internatinal, Transnational, Multinational, Global
- ANSWER: B
35. Subsidiaries consider regional environment for policy / Strategy formulation is known as
- A. Polycentric Approach
 - B. Regiocentric Approach
 - C. Ethnocentric Approach
 - D. Geocentric Approach
- ANSWER: B

36. According to this theory the holdings of a country's treasure primarily in the form of gold constituted its wealth.

- A. Gold Theory
- B. Ricardo Theory
- C. Mercantilism
- D. Hecksher Theory

ANSWER: C

37. The Theory of Absolute Cost Advantage is given by

- A. David Ricardo
- B. Adam Smith
- C. F W Taylor
- D. Ohlin and Heckscher

ANSWER: B

38. The Theory of Relative Factor Endowments is given by

- A. David Ricardo
- B. Adam Smith
- C. F W Taussig
- D. Ohlin and Hecksher

ANSWER: D

39. The theory of Comparative cost advantage is given by

- A. David Ricardo
- B. Adam Smith
- C. F W Taussig
- D. Ohlin and Hecksher

ANSWER: A

40.is application of knowledge which redefine the boundaries of global business

- A. Cultural Values
- B. Society
- C. Technology
- D. Economy

ANSWER: C

II SHORT ANSWER TYPE QUESTIONS:

1. "The role of Foreign Direct Investment is rising in comparison to that of foreign trade." Discuss.
2. What is FDI?
3. Define FII.
4. What was the initial name of WTO? Give the reason of change in name.
5. Examine the policy of the government regarding promoting foreign capital in India.
6. Examine TRIMS.

7. What is the impact of WTO on agriculture?
8. Elaborate TRIPS.
9. What changes have been made in the policy since 1991 to liberalize it?
10. What are the objectives of WTO?
11. Discuss the role of FEMA on Indian economy.
12. What is export promotion policies?
13. Give the meaning of GATT.
14. Examine the impact of WTO on Indian economy.
15. Contrast the features of FDI and FII.
16. Discuss briefly the policy of the government of India towards foreign capital.
17. Explain the process involved in approval of FDI in India.
18. How FDI has helped India in its Economic Development?
19. What is portfolio investment?
20. Explain the impact of globalization in reference to upcoming of FDI and FII in Indian economy.
21. Examine export promotion policies.
22. Explain the role of FDI on retail sector.
23. What are Green Box Subsidies?
24. Give the characteristics of WTO.
25. Discuss the advantages and disadvantages of WTO.
26. Explain WTO and its different Components.
27. Outline in brief the export promotion incentives by the government of India.
28. What are the impact of TRIPS and TRIMS on an economy.
29. Discuss the implication of WTO trade negotiation and policies on Indian Economy.
30. Explain the share of FDI in defense sector in India.
31. Discuss the implications of WTO on Indian Agriculture.
32. Comment on Foreign Direct Investment (FDI) in Indian economy.
33. Examine the role of WTO with special reference to TRIPS in India.
34. Make a case for Foreign Institutional Investment (FII) in Indian economy.
35. What is the role of FDI in retail sector

III LONG ANSWER TYPE QUESTIONS:

1. What are the objectives of World Trade Organization (WTO)? How has it served the economic interest of developing countries like India?
2. Discuss briefly the policy of the government of India towards foreign capital.
3. What changes have been made in the Foreign Trade Policy since 1991 to liberalize it?
4. Elaborate TRIPS and TRIMS.
5. What is Portfolio Investment? Explain with the help of an example.
6. What are the objectives of World Trade Organization (WTO)? Examine the impact of WTO agreement on Indian economy.
7. What is the difference between FDI and FII?
8. FDI is increasingly important in economic development because of its close links in trade, financial flows and technology transfer. Explain this statement and examine the policy of the government regarding promoting foreign capital in India.

9. Write notes on:
 - A. TRIPS and TRIMS
 - B. FDI
10. What are the objectives of WTO? Discuss its advantages and disadvantages for India.
11. Discuss the implications of WTO on Indian Agriculture.
12. Comment on Foreign Direct Investment (FDI) in Indian economy.
13. Examine the role of WTO with special reference to TRIPS in India.
14. Make a case for Foreign Institutional Investment (FII) in Indian economy.
15. What is the role of FDI in retail sector.
16. Discuss the impact of WTO on Indian industry and agriculture.
17. "Trade Agreements under WTO's are highly biased and there is hardly anything to gain for developing countries." Comment on the statement.
18. What is export promotion strategy? Do you think that this policy has helped India in achieving higher levels of economic development?
19. Discuss the role of FEMA in management of Foreign exchange resources and facilitating international trade payments.
20. Discuss the implications of WTO trade negotiations and policies on various sectors of the Indian economy.
21. Discuss WTO and Green Box Subsidies.
22. What are different types of export promotion policies?
23. "There exists a huge gap between the demand and supply of financial resources for funding various developmental projects in the India. In this concern FDI plays a crucial role in bridging gap." Comment on the statement.
24. How FDI is different from FII? Explain the process involved in approval of FDI in India.
25. What is different types of FDI? How FDI has helped India in its Economic Development.
26. Explain characteristics of WTO. Signify the role played by WTO in economic development.
27. Explain various agreements in emerging economies like India.
28. Write notes on
 - a) WTO and its role
 - b) FDI vs FII
29. Give the meaning of GATT. How WTO has replaced GATT? Examine the impact of WTO on Indian economy.
30. What incentives are given to exporters as a part of Foreign Trade Policy of GOI? Explain these incentives in brief.
31. How is FDI different from FII. Also classify their components.
32. What is LPG? How had the LPG reforms inculcate changes in Indian Economy?
33. What is the role of WTO in globalization in integration of economies?
34. What is Capital Account Convertibility? Analyse India's approach to Capital Account Convertibility.
35. Elaborate Foreign Trade policy of India. Compare a developed economy's Foreign Investment Policy with that of developing economy.

QUESTION BANK

ENVIRONMENTAL SCIENCE

BBA 211

QUESTION BANK
ENVIRONMENTAL SCIENCE - BBA 211
BBA-VI

UNIT - I

I MULTIPLE CHOICE QUESTIONS:

- 1 The region of earth, where life exists is known as
A. Atmosphere
B. Biosphere
C. Lithosphere
D. Hydrosphere
Answer: B

- 2 In the biosphere energy is received from
A. The Sun
B. The interior of the earth
C. Both (A) and (B)
D. Work
Answer: C

- 3 The Biosphere consists of the following
A. Lakes
B. Soils
C. Solid sediments
D. All of the above
Answer: D

- 4 In which of the following form(s), the waster products are discharged into the biosphere?
A. Gaseous
B. Liquid
C. Solid
D. All of the above
Answer: D

- 5 Ecosystem is smallest unit of
A. Ionosphere
B. Lithosphere
C. Biosphere
D. Mesosphere
Answer: C

- 6 Energy _____ in an Ecosystem.
A. is released
B. is absorbed

- C. flows
 - D. None of the above
- Answer: C

7 The set of ecosystems is called a.....

- A. Biome
- B. Climate
- C. Subsystem
- D. Structure

Answer: A

8 The following is an example of Terrestrial Biome

- A. Tropical rain forest
- B. Rivers
- C. Streams
- D. All of the above

Answer: A

9 The management of natural resources should take into

- A. A long term perspective
- B. Environmental pollution
- C. Their equitable distribution
- D. All of the above and safe disposal of wastes

Answer: D

10 Which of the following countries has the highest biodiversity?

- A. South America
- B. South Africa
- C. Russia
- D. India

Answer: A

11 Which of the following is not a cause for loss of biodiversity?

- A. Destruction of habitat
- B. Invasion by alien species
- C. Keeping animals in zoological parks
- D. Over-exploitation of natural resources

Answer: C

12 NGOs stands for:

- A. Non-Governmental Organization
- B. Nine-Governmental Organization
- C. Non-Gained Organizations
- D. National-Grade Organization

Answer: A

- 13 Which one of the following is not a major characteristic feature of biodiversity hot spots?
- A. Large number of species
 - B. Abundance of endemic species
 - C. Mostly located in the tropics
 - D. Mostly located in the polar regions

Answer: D

- 14 Match the animals given in column I with their location in column II:

Column I Column II

- A. Dodo i. Africa
- B. Quagga ii. Russia
- C. Thylacine iii. Mauritius
- D. Stellar's sea cow iv. Australia

Answer: D

- 15 Choose the correct match from the following:

- A. A-i, B-iii, C-ii, D-iv
- B. A-iv, B-iii, C-i, D-ii
- C. A-iii, B-i, C-ii, D-iv
- D. A-iii, B-i, C-iv, D-ii

Answer: C

- 16 Amongst the animal groups given below, which one appears to be more vulnerable to extinction?

- A. Insects
- B. Mammals
- C. Amphibians
- D. Reptiles

Answer: C

- 17 Among the ecosystem mentioned below, where can one find maximum biodiversity?

- A. Mangroves
- B. Desert
- C. Coral reefs
- D. Alpine meadows

Answer: C

- 18 Which of the following forests is known as the 'lungs of the planet Earth'?

- A. Taiga forest
- B. Tundra forest
- C. Amazon rain forest
- D. Rain forests of North East India

Answer: B

- 19 The historic convention on Biological Diversity held in Rio de Janeiro in 1992 is known as:
- A. CITES Convention
 - B. The Earth Summit
 - C. G-16 Summit
 - D. MAB Programme
- Answer: B
- 20 What led to maximum number of fatalities during Indonesian 2004 Earthquake?
- A. Death on account of openings on surface
 - B. Fires generated due to earthquake
 - C. Epidemic diseases
 - D. Tsunami
- Answer: D
- 21 Which of the following is a primary pollutant in atmospheric air?
- A. Cl_2
 - B. SO_3
 - C. Nitrates
 - D. Sulphates
- Answer: A
- 22 'Fanning' smokestack plumes are observed when
- A. There is an inversion above the ground surface.
 - B. There is unstable atmosphere.
 - C. There is neutrally stable atmosphere.
 - D. The stack height is below an inversion layer.
- Answer: A
- 23 Which of the following is not an air pollutant ?
- A. Smoke
 - B. Carbon Dioxide
 - C. Nitrogen Gas
 - D. Sulphur Dioxide
- Answer: C
- 24 The climate sensitivity parameter is defined as the rate of change of
- A. Surface temperature with albedo of earth
 - B. Surface temperature with CO_2 concentration in atmosphere
 - C. Precipitation with earth's temperature
 - D. Surface temperature with radioactive forcing.
- Answer: D
- 25 How many biosphere reserves are present in India ?
- A. 41
 - B. 34

- C. 14
 - D. 43
- Answer: C

- 26 Energy _____ in an Ecosystem.
- A. is released
 - B. is absorbed
 - C. flows
 - D. None of the above

Answer: C

- 27 The set of ecosystems is called a.....
- A. Biome
 - B. Climate
 - C. Subsystem
 - D. Structure

Answer: A

- 28 The following is an example of Terrestrial Biome
- A. Tropical rain forest
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 - B. Environmental pollution
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 - D. All of the above and safe disposal of wastes

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- 30 Which of the following countries has the highest biodiversity?
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 - D. India

Answer: A

- 31 Which of the following is not a cause for loss of biodiversity?
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 - B. Invasion by alien species
 - C. Keeping animals in zoological parks
 - D. Over-exploitation of natural resources

Answer: C

- 32 NGOs stands for:
 A. Non-Governmental Organization
 B. Nine-Governmental Organization
 C. Non-Gained Organizations
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 Answer: A
- 33 Which one of the following is not a major characteristic feature of biodiversity hot spots?
 A. Large number of species
 B. Abundance of endemic species
 C. Mostly located in the tropics
 D. Mostly located in the polar regions
 Answer: D
- 34 Match the animals given in column I with their location in column II:
 Column I Column II
 A. Dodo i. Africa
 B. Quagga ii. Russia
 C. Thylacine iii. Mauritius
 D. Stellar's sea cow iv. Australia
 Answer: D
- 35 Choose the correct match from the following:
 A. A-i, B-iii, C-ii, D-iv
 B. A-iv, B-iii, C-i, D-ii
 C. A-iii, B-i, C-ii, D-iv
 D. A-iii, B-i, C-iv, D-ii
 Answer: C

II SHORT ANSWER TYPE QUESTIONS:

- How is the presently occurring species extinction different from the earlier mass extinctions?
- Of the four major causes for the loss of biodiversity (Alien species invasion, habitat loss and fragmentation, over-exploitation and co-extinctions) which according to you is the major cause for the loss of biodiversity? Give reasons in support.
- Discuss one example, based on your day-to-day observations, showing how loss of one species may lead to the extinction of another.
- Is it possible that productivity and diversity of a natural community remain constant over a time period of, say one hundred years?
- There is greater biodiversity in tropical /subtropical regions than in temperate region. Explain.
- Why are the conventional methods not suitable for the assessment of biodiversity of bacteria?
- What criteria should one use in categorizing a species as threatened?

8. What could be the possible explanation for greater vulnerability of amphibians to extinction as compared to other animal groups?
9. How do scientists extrapolate the total number of species on Earth?
10. Humans benefit from diversity of life. Give two examples.
11. What is an endangered species? Give an example of an endangered plant and animal species each?
12. What is co-extinction? Explain with a suitable example?
13. How is biodiversity important for ecosystem functioning?
14. Briefly mention about Genetic diversity,
15. Briefly mention about Species diversity,
16. Briefly mention about Ecological diversity.
17. What is biodiversity?
18. Which animal is the most threatened with extinction?
19. What can we do to protect biodiversity?
20. Briefly give the views regarding the reasons for conserving biodiversity?
21. What is environment? Why do we study environmental science?
22. What is an ecosystem?
23. Describe the structure and function of a forest ecosystem.
24. How is biodiversity important for ecosystem functioning?
25. Define Environmental science and the types of environment.
26. Mention the Scope and importance of Environmental studies
27. What are Hazards? Explain how hazards are expressed?
28. Briefly about the types of HAZARD.
29. What are the control measures of Hazards?
30. Define Ecology?

III LONG ANSWER TYPE QUESTIONS:

1. Elaborate how invasion by an alien species reduces the species diversity of an area.
2. How can you, as an individual, prevent the loss of biodiversity?
3. Can you think of a scientific explanation, besides analogy used by Paul Ehrlich, for the direct relationship between diversity and stability of an ecosystem?
4. Though the conflict between humans and wildlife started with the evolution of man, the intensity of conflict has increased due to the activities of modern man. Justify your Answer: with suitable examples.
5. What is an ecosystem service? List any four important ecosystem services provided by the natural ecosystems. Are you in favour or against levying a charge on the service provided by the ecosystem?
6. Describe the consumptive use value of biodiversity as food, drugs and medicines, fuel and fiber with suitable examples.
7. Species diversity decreases as we move away from the equator towards the poles. What could be the possible reasons?
8. Explain briefly the 'rivet popper hypothesis' of Paul Ehrlich.
9. The relation between species richness and area for a wide variety of taxa turns out to be a rectangular hyperbola. Give a brief explanation.

- 10 Can you think of a situation where we deliberately want to make a species extinct? How would you justify it?
11. How many mass extinction of species are there on records since the origin and diversification of life on earth? How is the present episode different? What is the result of loss of biodiversity in a region?
- 12 Among the ecosystem services are control of floods and soil erosion. How is this achieved by the biotic components of the ecosystem?
- 13 Briefly give the views regarding the reasons for conserving biodiversity
- 14 How is biodiversity important for ecosystem functioning?
- 15 What makes a species disappear?
- 16 What could be the possible explanation for greater vulnerability of amphibians to extinction as compared to other animal groups?
- 17 Discuss one example, based on your day-to-day observations, showing how loss of one species may lead to the extinction of another.
- 18 Is it possible that productivity and diversity of a natural community remain constant over a time period of, say one hundred years?
- 19 Define ecosystem. What are its major components?
- 20 Explain the role of consumers and producers in an economic Welfare
- 21 What is an ecosystem? How does it work?
- 22 Define food chain. Give comparative account of various types of chains?
- 23 Discuss the flow of energy through the various components of an ecosystem.
- 24 Explain material cycling and energy flow. What is balance of nature? How does environment maintain it? What is ecological succession? What are its various types?
25. Differentiate between Environment and ecosystem.
26. Bring out the functional features of an ecosystem.
27. What are the types of ecosystem?
28. What are the classifications of biotic components? Explain in brief.
29. What is Ecological Succession? Mention its types
30. Briefly explain the energy flow through ecosystem.

UNIT – II

I MULTIPLE CHOICE QUESTIONS :

1. Which of the following is the leading cause of death and diseases worldwide?
 - A. water pollution
 - B. radioactive pollution
 - C. air pollution
 - D. soil pollution
 Answer: A

2. Highest percentage of air consists of
 - A. Oxygen
 - B. Carbon dioxide
 - C. Nitrogen
 - D. Argon
 Answer: C

3. The Taj Mahal is being affected by
- A. Noise pollution
 - B. Air pollution
 - C. Water pollution
 - D. None of these

Answer: B

4. Most polluted river in the world is
- A. Yamuna
 - B. Cavery
 - C. Chenab
 - D. Ganga

Answer: D

5. Air pollution causes
- A. Global warming
 - B. Respiratory problems
 - C. Soil erosion
 - D. None of these

Answer: B

6. Green House gas is
- A. Nitrogen
 - B. Oxygen
 - C. Methane
 - D. Carbon dioxide

Answer: D

7. The percentage of nitrogen is
- A. 21%
 - B. 78%
 - C. 12%
 - D. 87%

Answer: B

8. What causes pollution
- A. Human activities
 - B. Trees
 - C. Both of these
 - D. None of these

Answer: A

9. CNG is a
A. Polluted fuel
B. Clean fuel
C. Harmful fuel
D. None
Answer: B
10. Pollution of water is responsible for
A. Oil refineries
B. Paper factories
C. Sugar mills
D. All
Answer: D
11. Chlorofluorocarbon is used in
A. Refrigerators
B. Air conditioners
C. Perfumes
D. All
Answer: D
12. Careful management of water catchment areas results in
A. more desertification
B. more deforestation
C. less waste of water
D. more waste of water
Answer: C
13. Percentage of Earth surface which is covered by oceans and seas is
A. 50%
B. 65%
C. 85%
D. 97%
Answer: D
14. Percentage of surface of Earth which is covered by water is
A. 70%
B. 85%
C. 90%
D. 60%
Answer: A

15. Higher level of floods and droughts are led by
A. sand storms
B. lower precipitation
C. higher precipitation
D. none of the above
Answer: C
16. Water pollution can be identified by testing its
A. PH level
B. Biological Oxygen Demand (BOD)
C. Both (a) and (b)
D. None of these.
Answer: C
17. The three R's to save the environment are
A. Reserve, Reduce, Recycle
B. Reuse, Reserve, Reduce
C. Reserve, Reuse, Reduce
D. Reduce, Recycle, Reuse.
Answer: D
18. Why should we conserve biodiversity? Because
A. We should preserve the biodiversity we have inherited
B. A loss of diversity may lead to a loss of ecological stability
C. Both (a) and (b)
D. None of the above.
Answer: C
19. The problems for criticism about large dams are that they
A. Displace large number of peasants and tribes without proper rehabilitation
B. Swallow up huge amounts of public money without the generation of proportionate benefits
C. Contribute enormously to deforestation and the loss of biological diversity
D. All of the above.
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20. The following are stakeholders of forests which one of these causes the maximum damage to forest?
A. People who live in or around the forest
B. The industrials
C. The wildlife and native enthusiasts
D. The forest department of the government.
Answer: B

21. The concept of 'Biosphere Reserve' was evolved by
A. Government of India.
B. Botanical Survey of India
C. UNESCO
D. UNDP.
Answer: C
22. Chipko Andolan is concerned with
A. Conservation of natural resources
B. Development of new breeds of forest plants
C. Zoological survey of India
D. Forest conservation.
Answer: A
23. Which energy of water is used to produce hydroelectricity?
A. Potential energy
B. Kinetic energy
C. Both (a) and (b) of these
D. None of these.
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24. Measure of biodiversity of an area is
A. The number of species found there
B. The range of different life forms
C. Both (a) and (b)
D. None of these.
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25. The concept of sustainable development encourages
A. Form of growth that meets current basic needs
B. Preservation of the resources for the need of future generation
C. A change in all respects of life
D. Growth to meet current needs, preservation for the needs of future and change in all respects of life
Answer: D
26. Pollution of water is responsible for
A. Oil refineries
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C. Sugar mills
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 Answer: D

II SHORT ANSWER TYPE QUESTIONS:

1. "Earth provides enough to satisfy every man's need but not any man's greed." Explain.
2. Discuss the characteristics of sustainable development.
3. What is sustainability? Describe its three pillars.
4. What are the major causes of water pollution?
5. Explain the indicators of sustainability. What are the reasons for the loss of sustainability?
6. What is Population explosion? Explain the impact of rapid population growth on environment.
7. Discuss some environmental problems associated with population growth.
8. Explain the effect of population explosion on ecological balance.
9. What is greenhouse effect?
10. Describe impact of greenhouse effect on global climate, food production and marine food.
11. Carbon dioxide is a non-pollutant, but it is of much environmental concern." Explain with reference to greenhouse effect.
12. Explain various methods of water conservation commonly used in our country
13. Discuss the causes and effects of global warming. What measures are needed to control global warming?
14. Discuss the Impact of urbanisation on the environment.
15. What steps are required to overcome the problem of urbanisation?
16. Explain the impact of rapid population growth on environment
17. Define pollution. Suggest ways to overcome the problem of pollution
18. What are the causes and effects of acid rain? What are the means to combat it?

- 19 How is the stratospheric ozone layer formed in nature? How is it getting depleted?
- 20 What are the effects of ozone depletion? What remedial measures do you suggest?
- 21 What are the causes of ozone hole formation?
- 22 What was the purpose of the Stockholm conference on the environment in 1972?
- 23 Suggest ways to overcome the problem of pollution
- 24 Explain the concept of sustainable development?
- 25 Explain the various sources of air pollution and their harmful effects on humans and vegetations.
- 26 Bring out the difference between oxygen and nitrogen cycle.
- 27 Mention the types and characteristics of forest ecosystem.
- 28 What is the importance of biodiversity?
- 29 Brief about the various levels of biodiversity.
- 30 What is the state of biodiversity at national level?

III LONG ANSWER TYPE QUESTIONS:

- 1 Explain the concept of sustainable development. How do you propose that development work progress along with sustenance of our environment?
- 2 Water is the soul of nature, its pollution will destroy the world. In this statement, explain the importance of water for life?
- 3 Explain the basic parameters for measuring the quality of water?
- 4 What are the different types of water resources spread across India?
- 5 What is hydrological cycle? What role does different processes of this cycle play in maintaining ecological balance?
- 6 Explain various methods of water conservation commonly used in our country. Give your suggestions for improving the water quality and reducing pollution.
- 7 Critically analyse the River Action Plans of India.
- 8 What are the major causes of water pollution? Discuss steps/control measures to be taken for controlling water pollution.
- 9 What are the harmful effects of polluted water on human being. Organisms, vegetation and ecology?
- 10 What is ground water and surface water? Explain its characteristic and major sources of pollution.
- 11 What are the characteristics of waste water? Explain the various steps of waste water management.
- 12 Write short notes on the following:
 - (i) Eutrophication
 - (ii) Biomagnification
- 13 Write short notes on the following:
 - (i) B.O.D (Biological Oxygen Demand)
 - (ii) Water pollutants
 - (iii) Ground water and rock formation
 - (iv) Marine and thermal pollution
- 14 What is air pollution? Explain the various sources of air pollution and their harmful effects on humans and vegetations.
- 15 What is greenhouse effect? Explain its impact on climate change.

- 16 What is climate change and global warming? Explain the two terms and their relationship?
- 17 What is solid waste and its characteristics? What are the sources of urban and industrial waste?
- 18 Discuss the various causes for soil and land pollution in India.
- 19 Enumerate the Air Quality Index developed by central pollution control board.
- 20 What strategies can be used for disposal of waste products as renewable resources?
- 21 What do you understand by bio-medical waste? Explain its main sources and methods of disposal?
- 22 What are the commonly used methods for disposal of municipal solid Waste? Write a detail note on this problem and modern urbanization?
- 23 Write notes on the following:
 - (i) Smog
 - (ii) Suspended Particulate Matter
 - (iii) AQI
- 24 Write short notes on:
 - (i) Fluoride problem in drinking water
 - (ii) Animal husbandry
 - (iii) Acid Rain
 - (iv) Global Warming
- 25 Write short notes on
 - (i) Plastic waste management
 - (ii) Agenda-21
 - (iii) International protocols
 - (iv) International Agreements on Environment Management
 - (v) WTO and environment
- 26 What is the state of biodiversity at national level?
- 27 What are the hot- spots of biodiversity?
28. List the threats towards biodiversity?
29. How will you conserve biodiversity?
30. What are the various classifications of species?

UNIT - III

I MULTIPLE CHOICE QUESTIONS :

1. The Air (Prevention and Control of Pollution) Act was enacted in the year:
 - A. 1981
 - B. 1996
 - C. 2000
 - D. 1974
 Answer: A

2. The Air Act contains:
A. 5 Chapters
B. 6 Chapters
C. 7 Chapters
D. 8 Chapters
Answer: C
3. The Air Act have
A. 56 Section
B. 54 Section
C. 58 Section
D. 62 Section
Answer: B
4. Noise pollution has been inserted as pollution in the Air Act in:
A. 1981
B. 1987
C. 1982
D. 2000
Answer: B
5. The Environmental (Protection) Act was enacted in the year:
A. 1986
B. 1992
C. 1984
D. 1974
Answer: A
6. The EPA consists:
A. 2 Chapters
B. 4 Chapters
C. 8 Chapters
D. 7 Chapters
Answer: B
7. The EPA contains:
A. 25 Sections
B. 12 Sections
C. 26 Sections
D. 14 Sections
Answer: C

8. The provisions of environmental protection in the constitution were made under:
A. Article 5-A
B. Article 21-B
C. Article 27-B (h)
D. Article 48-A and Article 51-A (g)
Answer: D
9. The first of the major environmental protection act to be promulgated in India was:
A. Water Act
B. Air Act
C. Environmental Act
D. Noise Pollution Rule
Answer: A
10. The Forest (Conservation) Act was enacted in the year:
A. 1986
B. 1974
C. 1980
D. 1972
Answer: C
11. The Forest (Conservation) Act extends to the whole of India except:
A. Uttar Pradesh
B. Karnataka
C. Jammu and Kashmir
D. Haryana
Answer: C
12. The Wildlife (Protection) Act was enacted in the year:
A. 1986
B. 1974
C. 1994
D. 1972
Answer: D
13. The power to declare an area as a sanctuary or national park of central Government is Wildlife (Protection) Act is under:
A. Section 38
B. Section 39
C. Section 18
D. Section 27
Answer: A

14. The Wildlife (Protection) Act contains:
A. 7 Chapters
B. 6 Chapters
C. 5 Chapters
D. 8 Chapters
Answer: A
15. The Wildlife (Protection) Act contains:
A. 66 Sections
B. 6 Sections
C. 7 Sections
D. 46 Sections
Answer: A
16. The Water (Prevention and Control of Pollution) Act was enacted in the year:
A. 1986
B. 1974
C. 1994
D. 1975
Answer: B
17. The Water Act contains:
A. 4 Chapters
B. 5 Chapters
C. 7 Chapters
D. 8 Chapters
Answer: B
18. The Water Act have:
A. 64 Sections
B. 68 Sections
C. 45 Sections
D. 62 Sections
Answer: A
19. The functions of Central Board are given under:
A. Section 16
B. Section 19
C. Section 25
D. Section 24
Answer: A

20. The functions of State Board are given under:
A. Section 16
B. Section 17
C. Section 21
D. Section 45
Answer: B
21. Water harvesting is an age-old concept in India. Various methods are used in different regions of India. Khadins water harvesting method is used in
A. Rajasthan
B. Maharashtra
C. Bihar
D. Uttar Pradesh
Answer: A
22. In which region of India bundhis are used for water harvesting?
A. Rajasthan
B. Maharashtra and Uttar Pradesh
C. Madhya Pradesh and Bihar
D. Uttar Pradesh and Madhya Pradesh
Answer: D
23. The ancient water harvesting method used in Rajasthan is
A. Surangams
B. Kattas
C. Kulhs
D. Nadis
Answer: D
24. Wildlife Week is celebrated on
A. 1st October to 7th October
B. 15th October to 21st October
C. 1st June to 7th June
D. 15th June to 21st June
Answer: A
25. Which state of India is known as 'Tiger State'?
A. Gujarat
B. West Bengal
C. Madhya Pradesh
D. Assam
Answer: C
26. The EPA contains:
A. 25 Sections
B. 12 Sections

- C. 26 Sections
- D. 14 Sections

Answer: C

27. The provisions of environmental protection in the constitution were made under:

- A. Article 5-A
- B. Article 21-B
- C. Article 27-B (h)
- D. Article 48-A and Article 51-A (g)

Answer: D

28. The first of the major environmental protection act to be promulgated in India was:

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Answer: A

29. The Forest (Conservation) Act was enacted in the year:

- A. 1986
- B. 1974
- C. 1980
- D. 1972

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30. The Forest (Conservation) Act extends to the whole of India except:

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- B. Karnataka
- C. Jammu and Kashmir
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Answer: C

31. The Wildlife (Protection) Act was enacted in the year:

- A. 1986
- B. 1974
- C. 1994
- D. 1972

Answer: D

32. The power to declare an area as a sanctuary or national park of central Government is Wildlife (Protection) Act is under:

- A. Section 38
- B. Section 39
- C. Section 18
- D. Section 27

Answer: A

33. The Wildlife (Protection) Act contains:

- A. 7 Chapters
- B. 6 Chapters
- C. 5 Chapters
- D. 8 Chapters

Answer: A

34. The Wildlife (Protection) Act contains:

- A. 66 Sections
- B. 6 Sections
- C. 7 Sections
- D. 46 Sections

Answer: A

35. The Water (Prevention and Control of Pollution) Act was enacted in the year:

- A. 1986
- B. 1974
- C. 1994
- D. 1975

Answer: B

II SHORT ANSWER TYPE QUESTIONS:

- 1 What are the objects of environment (protection) Act 1986?
- 2 What protection measures in India are taken regarding environment?
- 3 Mention the various provisions to protect the wildlife through Wildlife (Protection) Act?
- 4 What does “Environment” include and what do you mean by environmental pollutant?
- 5 What is the subject matter of environment protection Act 1986 and extent of the Act?
- 6 What are the functions of Central Board under Water Act, 1974?
- 7 Explain the salient features of Water Act, 1974.
- 8 Write short notes on
 - (i) ISO 9000 and ISO14001 standards
 - (ii) EMS under 150 1400.
- 9 Explain the public internet litigation relating to environment?
- 10 Comment on earth summit or UN Conference on human environment and development 1992.
- 11 What is the object of water Act, 1974 and to which states it applies?
- 12 What are the authorities under the Act?
- 13 What do you mean by central and state pollution control board under the water Act, 1974?
- 14 Discuss the power and functions of the central and state pollution control board under this Act.
- 15 Discuss the constitution of the central board under the Act 1974.
- 16 What do you mean by “water pollution and sewage effluent”?
- 17 What does “trade effluent “include?

- 18 Discuss the constitution of state pollution control board under this Act?
- 19 Can a joint board be constituted under the water Act?
- 20 Can central government establish a central water laboratory?
- 21 What are the emergency measures taken in case of pollution of stream or well?
- 22 What are the duties of persons carrying on industry towards the environment?
- 23 Explain various constitutional provisions concerning environmental protection?
- 24 What is environment system? Discuss its basic elements, costs and benefits.
- 25 Explain the environment impact assessment process, discussing the tools used in the various stages.
- 26 What are the control methods of thermal pollution?
- 27 Give the sources of radio activity.
- 28 Classify solid wastes.
- 29 What are the sources of urban and industrial wastes?
- 30 What are the various types of natural disasters?

III LONG ANSWER TYPE QUESTIONS:

- 1 What are the solid waste management rules and their implementation by hospitals and dispensaries?
- 2 Can Central Government appoint analysts for the purpose of analysis of sample of water or of sewage or trade effluents?
- 3 Why do we need environmental laws? Discuss the role of judiciary in environmental protection.
- 4 Mention the various provisions to protect the wildlife through Wildlife (Protection) Act? Can a company be punished for offences under the Environment Protection Act 1986?
- 5 Explain the salient features of Water Act, 1974. What are the functions of Central Board under Water Act, 1974?
- 6 Define air pollution. Explain powers as well as functions of Central Pollution Board to control and prevent Air pollution?
- 7 What are powers of government to prevent environmental under the Environmental (Protection Act), 1986?
- 8 What penalty is prescribed for the failure to comply with the direction given U/S 20(2) or (3) of the water Act 1974 within such time as may be specified in the direction?
- 9 Write short notes on
 - (i) Legal framework and Indian Penal Code
 - (ii) Wildlife protection in pre and post-independence era
 - (iii) Territorial jurisdiction of Wildlife Act
- 10 Write short notes on
 - (i) Function of State Board (Section 17)
 - (ii) Objective of Environmental Act, 1986
 - (iii) Delhi Environmental Law.
- 11 Explain the notification of Ministry of Environment, Forest and Climate change (MCEF).
- 12 What are the special power of central government regarding the prevention control and abatement of environment pollution?
- 13 What are the duties of persons carrying on industry towards the environment?

- 14 Define hazardous substance and what are the duties of persons handling hazardous substance?
- 15 Who shall be bound to prevent environmental pollution if any accident took place in excess of the prescribed standard?
- 16 What are the provisions regarding penal liability for contravention of the rules, orders and directions made there under?
- 17 Can a company be punished for the offences under the environment protection Act 1986?
- 18 Can a government servant or concerned head of the government department be punished for the offences committed under the environment Act 1986?
- 19 How far environmental protection in India is a constitutional obligation of both the government as well as of citizens? Discuss.
- 20 What are the special power of central government regarding the prevention control and abatement of environment pollution?
- 21 What do you mean by central and state pollution control board under the water Act, 1974?
- 22 Discuss the power and functions of the central and state pollution control board under this Act.
- 23 Mention the various provisions to protect the wildlife through Wildlife (Protection) Act?
- 24 What does “Environment” include and what do you mean by environmental pollutant?
- 25 Comment on earth summit or UN Conference on human environment and development 1992.
- 26 Briefly describe the sources effects and control of noise pollution.
- 27 Enumerate with example the major sources of surface and ground water Pollution.
- 28 Explain the method of sewage water treatment.
- 29 Define soil pollution. What are the major sources of soil pollution?
- 30 Explain in detail the Solid waste management techniques.

UNIT – IV

I MULTIPLE CHOICE QUESTIONS :

1. Which of the following is the leading cause of death and diseases worldwide?
 - A. water pollution
 - B. radioactive pollution
 - C. air pollution
 - D. soil pollution
 Answer: A

2. Highest percentage of air consists of
 - A. Oxygen
 - B. Carbon dioxide
 - C. Nitrogen
 - D. Argon
 Answer: C

3. The Taj Mahal is being affected by
- A. Noise pollution
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 - C. Water pollution
 - D. None of these

Answer: B

4. Most polluted river in the world is
- A. Yamuna
 - B. Cavery
 - C. Chenab
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Answer: D

5. Air pollution causes
- A. Global warming
 - B. Respiratory problems
 - C. Soil erosion
 - D. None of these

Answer: B

6. Green House gas is
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7. The percentage of nitrogen is
- A. 21%
 - B. 78%
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8. What causes pollution
- A. Human activities
 - B. Trees
 - C. Both of these
 - D. None of these

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9. CNG is a
- A. Polluted fuel
 - B. Clean fuel
 - C. Harmful fuel

D. None

Answer: B

10. Pollution of water is responsible for

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B. Paper factories

C. Sugar mills

D. All

Answer: D

11. Chlorofluorocarbon is used in

A. Refrigerators

B. Air conditioners

C. Perfumes

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Answer: D

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B. Air conditioners
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3. What is sustainability? Describe its three pillars.
4. What are the major causes of water pollution?
5. Explain the indicators of sustainability. What are the reasons for the loss of sustainability?
6. What is Population explosion? Explain the impact of rapid population growth on environment.
7. Discuss some environmental problems associated with population growth.
8. Explain the effect of population explosion on ecological balance.
9. What is greenhouse effect?
10. Describe impact of greenhouse effect on global climate, food production and marine food.
11. Carbon dioxide is a non-pollutant, but It to of much environmental concern." Explain with reference to greenhouse effect.
12. Explain various methods of water conservation commonly used in our country
13. Discuss the causes and effects of global warming. What measures are needed to control global warming?
14. Discuss the Impact of urbanisation on the environment.
15. What steps are required to overcome the problem of urbanisation?
16. Explain the impact of rapid population growth On environment
17. Define pollution. Suggest ways to overcome the problem of pollution
18. What are the causes and effects of acid rain? What are the means to combat it?
19. How is the stratospheric ozone layer formed in nature? How is it getting depleted?
20. What are the effects of ozone depletion? What remedial measures do you suggest?
21. What are the causes of ozone hole formation?
22. What was the purpose of the Stockholm conference on the environment in 1972?
23. Suggest ways to overcome the problem of pollution
24. Explain the concept of sustainable development?
25. Explain the various sources of air pollution and their harmful effects on humans and vegetations.
26. Bring out the difference between oxygen and nitrogen cycle.
27. Mention the types and characteristics of forest ecosystem.
28. What is the importance of biodiversity?

- 29 Brief about the various levels of biodiversity.
30 What is the state of biodiversity at national level?

III LONG ANSWER TYPE QUESTIONS:

- 1 Explain the concept of sustainable development. How do you propose that development work progress along with sustenance of our environment?
- 2 Water is the soul of nature, its pollution will destroy the world. In this statement, explain the importance of water for life?
- 3 Explain the basic parameters for measuring the quality of water?
- 4 What are the different types of water resources spread across India?
- 5 What is hydrological cycle? What role does different processes of this cycle play in maintaining ecological balance?
- 6 Explain various methods of water conservation commonly used in our country. Give your suggestions for improving the water quality and reducing pollution.
- 7 Critically analyse the River Action Plans of India.
- 8 What are the major causes of water pollution? Discuss steps/control measures to be taken for controlling water pollution.
- 9 What are the harmful effects of polluted water on human being. Organisms, vegetation and ecology?
- 10 What is ground water and surface water? Explain its characteristic and major sources of pollution.
- 11 What are the characteristics of waste water? Explain the various steps of waste water management.
- 12 Write short notes on the following:
(i) Eutrophication
(ii) Biomagnification
- 13 Write short notes on the following
(i) B.O. D (Biological Oxygen Demand)
(ii) Water pollutants
(iii) Ground water and rock formation
(iv) Marine and thermal pollution
- 14 What is air pollution? Explain the various sources of air pollution and their harmful effects on humans and vegetations.
- 15 What is greenhouse effect? Explain its impact on climate change.
- 16 What is climate change and global warming? Explain the two terms and their relationship?
- 17 What is solid waste and its characteristics? What are the sources of urban and industrial waste?
- 18 Discuss the various causes for soil and land pollution in India.
- 19 Enumerate the Air Quality Index developed by central pollution control board.
- 20 What strategies can be used for disposal of waste products as renewable resources?
- 21 What do you understand by bio-medical waste? Explain its main sources and methods of disposal?
- 22 What are the commonly used methods for disposal of municipal solid Waste? Write a detail note on this problem and modem urbanization?

- 23 Write notes on the following:
- (i) Smog
 - (ii) Suspended Particulate Matter
 - (iii) AQI
- 24 Write short notes on:
- (i) Fluoride problem in drinking water
 - (ii) Animal husbandry
 - (iii) Acid Rain
 - (iv) Global Warming
- 25 Write short notes on
- (i) Plastic waste management
 - (ii) Agenda-21
 - (iii) International protocols
 - (iv) International Agreements on Environment Management
 - (v) WTO and environment
- 26 What is the state of biodiversity at national level?
- 27 What are the hot- spots of biodiversity?
28. List the threats towards biodiversity?
29. How will you conserve biodiversity?
30. What are the various classifications of species?