SEBI Grade A 2024 Phase I Paper 2 (General) Previous Year Paper

Answer Key & Detailed Solutions

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Question 1

A partnership firm has current assets of ₹800,000, stocks of ₹300,000, and liabilities of ₹400,000. What is the quick ratio?

OPTIONS

(A) 1.25

(B) 0.75

(C) 0.5

(D) 1.0

(E) 1.5

CORRECT ANSWER: 1.25

EXPLANATION:

The quick ratio, also known as the acid-test ratio, is calculated as:

Quick Ratio = (Current Assets – Inventory) / Current Liabilities

(800000 – 300000) / 400000 * 100

1.25 Times

Question 2

According to Ind AS 36, when should an asset be declared as impaired?

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OPTIONS

(A) When the recoverable amount is equal to the carrying amount

(B) When the recoverable amount is greater than the carrying amount

(C) When the recoverable amount is less than the carrying amount

(D) When the asset is certified as impaired by management

(E) When the asset is fully depreciated

CORRECT ANSWER: **When the recoverable amount is less than the carrying amount**

EXPLANATION:

An asset is declared as impaired when its recoverable amount is less than its carrying amount.

If this amount is lower than the carrying amount, the difference is recognized as an impairment loss.

Question 3

Which company is required to prepare consolidated accounts?

OPTIONS

(A) Every Holding Company

(B) Every Subsidiary Company

(C) Every Listed Company

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(D) Every Associate Company

(E) Every Joint Venture Company

CORRECT ANSWER: **Every Holding Company**

EXPLANATION:

A holding company is required to prepare consolidated accounts. Consolidated financial statements present the financial position and results of a group of companies (comprising the holding company and its subsidiaries) as if they were a single entity. This requirement ensures transparency and provides a complete picture of the financial health and performance of the entire group.

Question 4

In the context of accounting principles, on what basis are financial accounts generally prepared to ensure accuracy and completeness?

OPTIONS

(A) Single Entry System

(B) Cash Basis Accounting

(C) Accrual Basis Accounting

(D) Double Entry Bookkeeping

(E) Receipt Basis

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CORRECT ANSWER: **Double Entry Bookkeeping**

EXPLANATION:

Financial accounts are generally prepared on the basis of double entry bookkeeping. This accounting system requires that every financial transaction affects at least two accounts, ensuring that the total debits equal the total credits. This method provides a complete and accurate record of all financial transactions, helping to maintain the accounting equation (Assets = Liabilities + Equity) in balance. Double entry bookkeeping is the foundational principle of modern accounting, providing a robust framework for recording and reporting financial information.

Question 5

In the Cash Flow Statement, which of the following is an example of an investing activity?

OPTIONS

(A) Payment of wages

(B) Issuance of shares

(C) Purchase of machine

(D) Payment of dividends

(E) Payment of interest

CORRECT ANSWER: **Purchase of machine**

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EXPLANATION:

In the Cash Flow Statement, investing activities include the acquisition and disposal of longterm assets and investments. The purchase of a machine is considered an investing activity because it involves spending cash to acquire a capital asset that will be used in the production process. This type of transaction is recorded under investing activities, reflecting the cash outflow for investment in business operations.

Question 6

Which of the following is a limitation of the Fund Flow Statement?

OPTIONS

(A) It cannot provide detailed information on flows of funds.

(B) It cannot show details of changes in working capital.

(C) It cannot show some changes in working capital.

(D) It cannot help in financial planning and decision-making.

(E) It cannot determine the cash position of the company.

CORRECT ANSWER: **It cannot determine the cash position of the company.**

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EXPLANATION:

Despite its importance in analyzing the financial position of a firm, the following are the limitations of fund flow statement:

• The statement focuses only on the movement of funds. It doesn't consider other parameters that are part of the Balance Sheet and Profit and Loss Account. Therefore, it has to be analyzed alongside the Balance Sheet and Profit and Loss Account.

• The funds flow statement doesn't depict the cash position of a company. Hence, a separate cash flow statement has to be made for analyzing the cash position.

Question 7

The royalty paid on production to the state government should be classified under which head in the company's accounts:

OPTIONS

(A) Direct Expense

(B) Production Overhead

(C) Administrative Overhead

(D) Selling Overhead

(E) Indirect Expense

CORRECT ANSWER: **Direct Expense**

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EXPLANATION:

The royalty payment made to the to the state government on production would typically be classified as a direct expense. Direct expenses are costs that can be specifically attributed to the production of a specific product or service. In this case, the royalty payment directly relates to the manufacturing of the product.

Question 8

What does TPM stand for?

OPTIONS

(A) Total Productive Maintenance

(B) Total Process Management

(C) Total Performance Monitoring

(D) Total Production Management

(E) Total Preventive Maintenance

CORRECT ANSWER: **Total Productive Maintenance**

EXPLANATION:

TPM stands for Total Productive Maintenance. It is a holistic approach to equipment maintenance that aims to achieve perfect production by minimizing breakdowns, slow running, and defects. TPM involves everyone in the organization, from top management to frontline operators, to improve overall productivity and ensure that machinery operates efficiently.

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Question 9

If the profit/volume (P/V) ratio is 30%, what does the remaining 70% represent?

OPTIONS

(A) Variable Cost

(B) Semi-Variable Cost

(C) Marginal Cost

(D) Profit

(E) Fixed Cost

CORRECT ANSWER: **Variable Cost**

EXPLANATION:

The profit/volume (P/V) ratio is the ratio of contribution margin to sales. A P/V ratio of 30% means that 30% of the sales contribute to covering fixed costs and profit. The remaining 70% represents the variable costs incurred to generate the sales.

Question 10

In Activity-Based Costing (ABC), what is the underlying basis for the allocation of costs?

OPTIONS

(A) Cost Drivers

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(B) Cost Unit

(C) Cost Object

(D) Standard Cost

(E) Relevant Unit

CORRECT ANSWER: **Cost Drivers**

EXPLANATION:

Cost Allocation is used to determine the cost of a specific department or activity, Cost object is anything for which a separate measurement of cost is required. Cost object may be a product, a service, a project, a customer, a brand category, an activity, a department or a programme etc.

Question 11

What is the cost determined before production begins?

OPTIONS

(A) Standard Cost

(B) Sunk Cost

(C) Marginal Cost

(D) Predetermined Cost

(E) Variable Cost

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CORRECT ANSWER: **Predetermined Cost**

EXPLANATION:

Predetermined cost refers to the cost that is estimated and established in advance of production. It is used for budgeting and planning purposes, allowing businesses to set financial targets and control costs effectively.

Predetermined costs are based on anticipated expenses and are often used as a benchmark to measure actual performance against the forecast.

Question 12

Standard costing is based on which of the following?

OPTIONS

(A) Actual costs

(B) Historical costs

(C) Incremental costs

(D) Predetermined costs

(E) Sunk costs

CORRECT ANSWER: **Predetermined costs**

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EXPLANATION:

Standard costing is based on predetermined costs. These are costs that are established in advance of production and serve as a benchmark for measuring actual performance.

Predetermined costs, also known as standard costs, are used to set budgeted amounts for materials, labor, and overheads. They allow for the comparison of actual costs to these standards to identify variances and take corrective actions.

Question 13

A subset of Just-In-Time (JIT) and Lean System is:

OPTIONS

(A) Total Quality Management (TQM)

(B) Continuous Improvement (Kaizen)

(C) Six Sigma

(D) Cellular Manufacturing

(E) Benchmarking

CORRECT ANSWER: **Cellular Manufacturing**

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EXPLANATION:

Cellular manufacturing is a subset of Just-In-Time (JIT) and Lean System. It involves grouping different machines and workstations into cells, each dedicated to the production of a specific set of similar products or components. This approach aims to enhance efficiency, reduce waste, and improve workflow by streamlining production processes and minimizing movement and handling. Cellular manufacturing aligns with the principles of JIT and Lean, which focus on reducing waste and improving overall efficiency in production systems.

Question 14

If a bond with a face value of ₹100 has a coupon interest rate of 10% and is currently sold at ₹80, what is the current yield?

OPTIONS

(A) 8%

(B) 10%

(C) 12.5%

(D) 15%

(E) 20%

CORRECT ANSWER: 12.5%

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EXPLANATION:

The current yield of a bond is calculated by dividing the annual interest payment by the current market price of the bond.

(Interest Payment / Current Market Price) * 100

(10 / 80) * 100

= 12.5 %

Question 15

Which day-count conventions are commonly used for money market and bond market financial instruments?

OPTIONS

(A) 30/360 for money market; actual/365 for bond market

(B) 30/365 for money market; actual/365 for bond market

(C) actual/360 for money market; 30/365 for bond market

(D) actual/365 for money market; 30/360 for bond market

(E) 30/360 for money market; 30/365 for bond market

CORRECT ANSWER: **actual/365 for money market; 30/360 for bond market**

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EXPLANATION:

Day count convention followed in Indian debt market

o Money market: actual/365 i.e. that the actual number of days in a month is taken for number of days (numerator) whereas the number of days in a year is taken as 365 days;

o Bond market: 30/360, which means that irrespective of the actual number of days in a month, the number of days in a month is taken as 30 and the number of days in a year is taken as 360

Question 16

Who regulates microfinance institutions in India?

OPTIONS

(A) Securities and Exchange Board of India (SEBI)

(B) Ministry of Finance

(C) Reserve Bank of India (RBI)

(D) Insurance Regulatory and Development Authority of India (IRDAI)

(E) National Stock Exchange (NSE)

CORRECT ANSWER: **Reserve Bank of India (RBI)**

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EXPLANATION:

In India, the Reserve Bank of India (RBI) is the primary regulatory authority responsible for overseeing microfinance institutions and Non-Banking Financial Companies (NBFCs). The RBI issues guidelines, supervises their operations, and ensures that these entities comply with the regulatory framework to maintain financial stability and protect the interests of borrowers and depositors.

Question 17

Which of the following is considered the least risky security?

OPTIONS

(A) Corporate Bonds

(B) Equity Shares

(C) Gilts

(D) Mutual Funds

(E) Real Estate

CORRECT ANSWER: **Gilts**

EXPLANATION:

Gilt-edged securities, commonly referred to as gilts, are government bonds that are considered the least risky type of security. This is because they are issued by the government, which has a very low risk of default. Investors in gilts are therefore provided with a high degree of security

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Question 18

Infrastructure Investment Trusts (InVITS) are regulated by which entity?

OPTIONS

(A) Reserve Bank of India (RBI)

(B) Ministry of Finance

(C) Securities and Exchange Board of India (SEBI)

(D) Insurance Regulatory and Development Authority of India (IRDAI)

(E) National Stock Exchange (NSE)

CORRECT ANSWER: **Securities and Exchange Board of India (SEBI)**

EXPLANATION:

Infrastructure Investment Trusts (InVITS) are regulated by the Securities and Exchange Board of India (SEBI). SEBI provides the regulatory framework for InVITS to ensure transparency, protect investor interests, and promote the orderly development of the infrastructure sector through these investment vehicles.

Question 19

A market with a maturity period of 2 to 14 days is called what type of money market?

OPTIONS

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(A) Call market

(B) Notice market

(C) term market

(D) Interbank market

(E) repo market

CORRECT ANSWER: **Notice market**

EXPLANATION:

The money market provides investment avenues of short term tenor. Money market transactions are generally used for funding the transactions in other markets and meeting short term liquidity mismatches. By definition, money market is for a maximum tenor of up to one year. Within the one year, depending upon the tenors, money market is classified into:

i. Overnight market/Call money market - The tenor of transactions is one working day.

ii. Notice money market – The tenor of the transactions is from 2 days to 14 days.

iii. Term money market – The tenor of the transactions is from 15 days to one year.

Question 20

NABARD supervises which of the following institutions?

OPTIONS

(A) Commercial Banks

(B) Urban co-operative banks

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(C) Microfinance Institutions

(D) District Central Cooperative Banks

(E) Non-Banking Financial Companies

CORRECT ANSWER: **District Central Cooperative Banks**

EXPLANATION:

The National Bank for Agriculture and Rural Development (NABARD) supervises District Central Cooperative Banks (DCCBs). NABARD's role includes providing financial support, formulating policies, and offering guidance to these cooperative banks to enhance their functioning and ensure they effectively contribute to rural development and agricultural financing.

Question 21

The Reserve Bank of India (RBI) issues state bonds in consultation with Ministry of Finance and _____

OPTIONS

(A) FIMMDA

(B) SEBI

(C) DIPAM

(D) NITI Aayog

(E) C&AG

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CORRECT ANSWER: NITI Aayog

EXPLANATION:

In order to meet their budgetary requirements, State Governments borrow from the market by issuing dated securities called State Development Loans(SDLs). SDLs have all characteristics similar to that of CGs.

The RBI has entered into agreements with 29 State Governments and one Union Territory (UT of Puducherry) to manage their public debt. The State Governments have to get authorisation from the Centre for any borrowing in case there is any outstanding loan that they have from the Centre.

Servicing of interest at half-yearly intervals and the repayment of principal on the maturity date is carried out by the RBI on behalf of the states.

RBI, in consultation with State Governments, announces the indicative quantum of borrowing on a quarterly basis. Market borrowings are raised by the RBI on behalf of the State Governments as approved by the **Ministry of Finance in consultation with the Planning Commission** (On 1 January 2015, a Cabinet resolution was passed to **replace the Planning Commission with the newly formed NITI Aayog (National Institution for Transforming India).**

Question 22

Companies with what minimum net worth are eligible to issue commercial paper according to the latest RBI directions?

OPTIONS

(A) ₹1 Crore

(B) ₹4 Crore

(C) ₹5 Crore

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(D) ₹8 crore

(E) ₹10 crore

CORRECT ANSWER: **₹4 Crore**

EXPLANATION:

Master Circular - Guidelines for Issue of Commercial Paper issued by the Reserve Bank of India (RBI) A corporate would be eligible to issue CP provided: (a) the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs.4 crore; (b) company has been sanctioned working capital limit by bank/s or all-India financial institution/s; and (c) the borrowal account of the company is classified as a Standard Asset by the financing bank/s/ institution/s.

However as per the updated m aster d irections issued by the Reserve Bank of India (RBI) on January 3, 2024, companies with a minimum net worth of ₹100 crore are eligible to issue commercial paper.

100 crore was not mentioned in the options that appeared in the exam

Question 23

What is a Forward Rate Agreement (FRA)?

OPTIONS

(A) A contract that allows one party to buy or sell a commodity at a predetermined price in the future

(B) An agreement where both the parties agrees to pay a fixed interest rate on a notional amount in the future

(C) A contract that grants the right but not the obligation to buy or sell an asset at a specified price before a certain date

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(D) An OTC contract where one party agrees to pay a fixed interest rate and the other agrees to pay a floating interest rate on a notional amount in the future

(E) A standardized agreement to exchange an asset at a predetermined price at a specified time in the future

CORRECT ANSWER: An OTC contract where one party agrees to pay a fixed interest rate and the other agrees to pay a floating interest rate on a notional amount in the future

EXPLANATION:

A Forward Rate Agreement (FRA) is an OTC contract where one party (the long side) agrees to pay a fixed interest rate on a notional principal at a future date, and the other party (the short side) agrees to pay a floating interest rate on the same notional principal on the same future date. This arrangement allows both parties to hedge against interest rate fluctuations.

Question 24

What is the purpose of the International Organization of Securities Commissions (IOSCO)?

OPTIONS

(A) To regulate international banking standards

(B) To set global standards for insurance companies

(C) To oversee international trade agreements

(D) To set global standards for securities regulation

(E) To manage global foreign exchange policies

CORRECT ANSWER: To set global standards for securities regulation

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EXPLANATION:

The International Organization of Securities Commissions (IOSCO) primarily aims to set global standards for securities regulation. IOSCO's mission includes developing, implementing, and promoting adherence to internationally recognized standards for securities regulation, enhancing investor protection, and promoting fair, efficient, and transparent securities markets.

Question 25

What is the formula to calculate per capita income?

OPTIONS

(A) Total National Income / Total Population

(B) Gross Domestic Product / Total Households

(C) Net National Product / Total Population

(D) Total Exports / Total Population

(E) Gross National Product / Total Population

CORRECT ANSWER: **Total National Income / Total Population**

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EXPLANATION:

The formula to calculate per capita income is Total National Income divided by Total Population.

Per capita income is a measure of the average income earned per person in a given area (such as a country) in a specified year. It is used to assess the economic well-being of the population and to compare the income levels of different regions.

The formula is:

Per Capita Income= Total National Income / Total Population

Question 26

What is the meaning of stagflation?

OPTIONS

(A) A period of low inflation and high economic growth.

(B) A period of high inflation and high economic growth.

(C) A period of low inflation and low economic growth.

(D) A period of high inflation and high unemployment.

(E) A period of deflation and high economic growth.

CORRECT ANSWER: **A period of high inflation and high unemployment.**

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EXPLANATION:

Stagflation refers to an economic condition characterized by a combination of high inflation and stagnant economic growth, often accompanied by high unemployment. This scenario is particularly challenging for policymakers because measures to reduce inflation may further slow economic growth, while efforts to stimulate growth can exacerbate inflation. Stagflation is considered an undesirable economic situation as it reflects the worst aspects of both inflation and economic stagnation.

Question 27

What does the IS curve define ?

OPTIONS

(A) Real Market

(B) Stock Market

(C) Goods Market

(D) Money Market

(E) Capital Market

CORRECT ANSWER: **Goods Market**

EXPLANATION:

The IS curve defines the equilibrium in the goods market, where total output equals total demand. It shows the relationship between interest rates and output. Higher interest rates reduce investment, lowering output, while lower rates boost investment, increasing output. Thus, it is concerned with the goods market.

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Question 28

Which economic concept describes the relationship between the price of a good or service and the quantity demanded by consumers?

OPTIONS

(A) Supply

(B) Demand

(C) Equilibrium

(D) Price Elasticity

(E) Marginal Utility

CORRECT ANSWER: **Demand**

EXPLANATION:

The concept of demand describes the relationship between the price of a good or service and the quantity demanded by consumers. According to the law of demand, as the price of a good or service decreases, the quantity demanded generally increases, and vice versa, all else being equal. Demand reflects consumers' willingness and ability to purchase goods at different prices.

Question 29

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Which economic measure represents the total value of all goods and services produced within a country's domestic territory?

OPTIONS

(A) Gross National Product (GNP)

(B) Net National Product (NNP)

(C) Gross Domestic Product (GDP)

(D) Net Domestic Product (NDP)

(E) National Income (NI)

CORRECT ANSWER: **Gross Domestic Product (GDP)**

EXPLANATION:

Gross Domestic Product (GDP) represents the total monetary value of all goods and services produced within a country's domestic territory over a specific period, typically a year or a quarter. GDP includes the value of production by all residents and businesses, regardless of whether they are citizens or foreign nationals. It is a key indicator used to gauge the health and size of an economy.

Question 30

Which of the following is a feature of perfect competition?

OPTIONS

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(A) Large number of buyers and sellers

(B) Barriers to free entry and exit

(C) Lack of Perfect Knowledge

(D) Product differentiation

(E) Price-setting authority

CORRECT ANSWER: **Large number of buyers and sellers**

EXPLANATION:

A key feature of perfect competition is the presence of a large number of buyers and sellers in the market. This ensures that no single buyer or seller has significant control over the market price, leading to a competitive environment where prices are determined by supply and demand. Other features of perfect competition include free entry and exit from the market, homogeneous products, and perfect information available to all participants.

Question 31

Which of the following describes structural unemployment?

OPTIONS

(A) Unemployment due to seasonal variations in demand

(B) Unemployment resulting from economic downturns

(C) Technological changes making the skillsets obsolete

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(D) Unemployment caused by voluntary job changes

(E) Unemployment due to geographical immobility

CORRECT ANSWER: **Technological changes making the skillsets obsolete**

EXPLANATION:

Structural unemployment occurs when workers' skills do not match the jobs available in the economy. This can happen when there are technological advancements or changes in market conditions that make certain skills obsolete. For example, if an industry automates a significant portion of its processes, workers who previously performed those tasks might find their skills are no longer needed. This mismatch between the skills workers possess and the skills demanded by employers leads to structural unemployment.

Question 32

What is the maximum age limit for an Appellate Tribunal chairman?

OPTIONS

(A) 60 years

(B) 62 years

(C) 65 years

(D) 68 years

(E) 70 years

CORRECT ANSWER: **70 years**

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EXPLANATION:

The maximum age limit for an Appellate Tribunal chairman is 70 years, as specified under Section 413(1) of the Companies Act, 2013. This provision ensures that the chairman, who holds a significant judicial position, has ample experience and knowledge to effectively oversee the tribunal's functions while also allowing for periodic renewal of leadership within the organization.

Question 33

What is the time limit for filing an appeal to the National Company Law Appellate Tribunal (NCLAT)?

OPTIONS

(A) 30 days

(B) 45 days

(C) 60 days

(D) 90 days

(E) 120 days

CORRECT ANSWER: **45 days**

EXPLANATION:

The time limit for filing an appeal to the National Company Law Appellate Tribunal (NCLAT) is 45 days from the date of receipt of the order against which the appeal is being made. This time frame is stipulated to ensure timely justice and resolution of disputes while providing sufficient time for the parties to prepare their appeal.

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Question 34

Securities issued in dematerialized form must comply with the provisions of which of the following acts?

OPTIONS

(A) Companies Act, 2013

(B) Securities Contracts (Regulation) Act, 1956

(C) Depositories Act, 1996

(D) SEBI Act, 1992

(E) Banking Regulation Act, 1949

CORRECT ANSWER: **Depositories Act, 1996**

EXPLANATION:

Securities issued in dematerialized form must comply with the provisions of the Depositories Act, 1996. This act provides the legal framework for the establishment and regulation of depositories in India, which facilitate the electronic holding and transfer of securities, eliminating the need for physical certificates. Compliance with the Depositories Act, 1996 ensures that the issuance and transfer of dematerialized securities are conducted in a secure, efficient, and transparent manner.

Question 35

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According to section 186 which of the following should not be disclosed by the company in its financial statement?

OPTIONS

(A) Loans by company

(B) Investments by company

(C) Director's appointed on board

(D) guarantee given by company

(E) None of the above

CORRECT ANSWER: **Director's appointed on board**

EXPLANATION:

Section 186 of the Companies Act, 2013, requires companies to disclose details of loans, investments, and guarantees in their financial statements. However, the appointment of directors on the board is not a disclosure requirement under this section.

Question 36

Under which condition is the issuance of shares at a discount exempted?

OPTIONS

(A) To employees under an Employee Stock Ownership Plan (ESOP)

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(B) To existing shareholders through a rights issue

(C) To creditors in pursuance of any statutory resolution plan or debt restructuring scheme

(D) To the public through an Initial Public Offering (IPO)

(E) To directors as part of a remuneration package

CORRECT ANSWER: **To creditors in pursuance of any statutory resolution plan or debt restructuring scheme**

EXPLANATION:

The issuance of shares at a discount is generally prohibited under most regulations. However, an exemption is provided for shares issued to creditors in pursuance of any statutory resolution plan or debt restructuring scheme. This exemption allows financially distressed companies to restructure their debt by converting it into equity, thereby helping to stabilize their financial position and meet their obligations to creditors under the specific terms of a legally sanctioned plan.

Question 37

What is the lock-in period for sweat equity shares?

OPTIONS

(A) 1 year

(B) 2 years

(C) 3 years

(D) 4 years

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(E) 5 years

CORRECT ANSWER: **3 years**

EXPLANATION:

The lock-in period for sweat equity shares is 3 years. This means that the recipients of sweat equity shares, typically employees or directors, cannot sell or transfer these shares for a period of three years from the date of allotment. This lock-in period is intended to align the interests of the recipients with the long-term goals of the company and ensure their continued commitment to the company's growth and success.

Question 38

What is the typical time frame within which shareholders must subscribe to a rights issue?

OPTIONS

(A) 7-15 days

(B) 7-30 days

(C) 15-30 days

(D) 10-30 days

(E) 3-15 days

CORRECT ANSWER: **15-30 days**

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EXPLANATION:

The typical time frame within which shareholders must subscribe to a rights issue is 15-30 days.

During this period, existing shareholders are given the opportunity to purchase additional shares at a discounted price before the shares are offered to the public. This time frame ensures that shareholders have sufficient time to make an informed decision and exercise their rights.

Question 39

If a dividend is declared but not claimed within 30 days, within how many days must it be transferred to the Unpaid Dividend Account?

OPTIONS

(A) 3 days

(B) 5 days

(C) 7 days

(D) 10 days

(E) 15 days

CORRECT ANSWER: 7 days

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EXPLANATION:

If a dividend is declared but not claimed by shareholders within 30 days, the company must transfer the amount to the Unpaid Dividend Account within 7 days. This ensures that unclaimed dividends are appropriately managed and safeguarded until they are claimed by the shareholders or transferred to the Investor Education and Protection Fund (IEPF) after seven years if they remain unclaimed.

Question 40

What is the minimum time period required for giving notice of a board meeting in a company?

OPTIONS

(A) 3 days

(B) 5 days

(C) 7 days

(D) 10 days

(E) 14 days

CORRECT ANSWER: 7 days

EXPLANATION:

The minimum time period required for giving notice of a board meeting in a company is 7 days.

This notice period is mandated to ensure that all directors have sufficient time to prepare for the meeting and participate effectively in the decision-making process. The notice must include the agenda, date, time, and venue of the meeting, and it should be sent to all directors through hand delivery, post, or electronic means.

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Question 41

Whose approval is required for the removal of an auditor before the expiry of their term?

OPTIONS

(A) C&AG

(B) Audit Committee

(C) State Government

(D) Company Secretary

(E) Central Government

CORRECT ANSWER: **Central Government**

EXPLANATION:

The removal of an auditor before the expiry of their term requires the approval of the Central Government in addition to passing a special resolution by the shareholders in a general meeting. This ensures that the process is carried out fairly and that the reasons for removal are justified. The auditor must also be given a reasonable opportunity to be heard before any final decision is made.

Question 42

Under Section 151 of the Companies Act, which type of director may a listed company appoint?

OPTIONS

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(A) Independent Director

(B) Nominee Director

(C) Small Shareholders' Director

(D) Executive Director

(E) Managing Director

CORRECT ANSWER: **Small Shareholders' Director**

EXPLANATION:

Under Section 151 of the Companies Act, a listed company may appoint a Small Shareholders' Director. This provision allows small shareholders holding shares of nominal value of not more than 20,000 rupees to have a representative on the board of directors. The appointment of a Small Shareholders' Director ensures that the interests of small shareholders are considered in the company's decision-making process. This director is typically elected by small shareholders, providing them with a voice in the company's governance.

Question 43

What type of leadership involves a leader who can change the perception, behavior, and expectations of followers and direct them towards a common goal, leading to the accomplishment of the leader's vision?

OPTIONS

(A) Autocratic Leadership

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(B) Transactional Leadership

(C) Transformational Leadership

(D) Laissez-faire Leadership

(E) Servant Leadership

CORRECT ANSWER: **Transformational Leadership**

EXPLANATION:

Transformational leadership involves a leader who can inspire and motivate followers to change their perceptions, behavior, and expectations. This type of leader explains the importance of the organization's plans and work to the employees, helping them understand and align with the common goal. Transformational leaders are visionary and focus on the growth and development of their followers to achieve the overall vision of the leader and the organization.

Question 44

What type of barriers occur when individuals have varying perspectives and mindsets due to their diverse backgrounds?

OPTIONS

(A) Physical Barriers

(B) Language Barriers

(C) Psychological Barriers

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(D) Cultural Barriers

(E) Organizational Barriers

CORRECT ANSWER: **Cultural Barriers**

EXPLANATION:

Cultural barriers occur when individuals have different perspectives and mindsets due to their diverse cultural backgrounds, such as differences in ethnicity, nationality, religion, or social norms. These barriers can lead to misunderstandings and miscommunications because people may interpret information and behavior differently based on their cultural perspectives.

Recognizing and addressing cultural barriers is crucial for effective communication and collaboration in diverse settings.

Question 45

Which school of management focuses on teaching concepts related to transforming global impact?

OPTIONS

(A) Integrated School

(B) Behavioral School

(C) Situational School

(D) Contemporary School

(E) Classical School

CORRECT ANSWER: **Contemporary School**

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EXPLANATION:

The Contemporary School of Management focuses on teaching concepts that address the dynamic and complex nature of modern global business environments. This approach includes various modern theories and practices that emphasize adaptability, innovation, and the ability to create a significant global impact. The contemporary school integrates insights from various management disciplines to prepare leaders who can navigate and transform the global business landscape effectively.

Question 46

What is the management function that involves coordinating human efforts and resources to achieve organizational goals?

OPTIONS

(A) Planning

(B) Organizing

(C) Leading

(D) Controlling

(E) Directing

CORRECT ANSWER: **Organizing**

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EXPLANATION:

Organizing is the process of aligning human efforts with resources, assigning tasks, and establishing procedures to ensure efficient collaboration and resource utilization to achieve the organization's objectives.

Question 47

What is the process called that involves identifying and improving the skills of individuals for promotion and organizational development?

OPTIONS

(A) Performance Appraisal

(B) Training and Development

(C) Potential Appraisal

(D) Succession Planning

(E) Career Planning

CORRECT ANSWER: **Potential Appraisal**

EXPLANATION:

Potential appraisal is the process of identifying and improving the skills of individuals with the potential for future promotions and organizational development. It focuses on assessing employees' capabilities and preparing them for higher responsibilities within the organization.

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Question 48

What role does a leader play when they select the best course of action from multiple alternatives?

OPTIONS

(A) Planner

(B) Organizer

(C) Decision Maker

(D) Controller

(E) Facilitator

CORRECT ANSWER: **Decision Maker**

EXPLANATION:

As a decision maker, a leader evaluates various alternatives and makes informed choices that align with the organization's goals, using critical thinking, analysis, and judgment.

Question 49

What is the term for the process related to the start and ending of work?

OPTIONS

(A) Planning

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(B) Scheduling

(C) Monitoring

(D) Controlling

(E) Executing

CORRECT ANSWER: **Scheduling**

EXPLANATION:

Scheduling is the process of planning and organizing the start and ending times of work tasks. It ensures that work is completed within the designated time frames and resources are allocated efficiently.

Question 50

What is the term for competencies measured by organizations to define and assess technical and specialized abilities required for specific roles?

OPTIONS

(A) Behavioral Competencies

(B) Managerial Competencies

(C) Functional Competencies

(D) Emotional competency

(E) Intelligence competence

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CORRECT ANSWER: **Functional Competencies**

EXPLANATION:

Functional competencies are the specific technical and specialized abilities required for particular roles within an organization. These competencies are measured to ensure that individuals have the necessary skills to perform their job functions effectively.

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