



# Phase 2 Paper 2 Solutions - 2024

## Commerce & Accountancy

Q.1) (d)

Explanation:

Qualitative characteristics of accounting information are attributes that enhance the usefulness of financial information. These include understandability, relevance, comparability, and reliability. Conformity does not specifically relate to the qualitative characteristics of accounting information.

Q.2) (a)

Explanation:

The going concern assumption in accounting implies that the company is expected to continue its operations into the foreseeable future and does not plan to liquidate or cease its activities. This assumption forms the basis for preparing financial statements, allowing businesses to defer some expenses and spread costs over future periods.

Q.3) (b)

Explanation:

The prudence (or conservatism) principle in accounting dictates that uncertainties and risks should be accounted for by ensuring that liabilities and expenses are recorded as soon as they are known, even if their exact value is uncertain. Conversely, revenues and assets are recognized only when they are assured. This ensures that financial statements are not overly optimistic, providing a conservative view of a company's financial position.

Q.4) (a)

Explanation:

Number of shares issued = 10,000

Face value per share = ₹10

Premium = 10% of face value = 10% of ₹10 = ₹1 per share

So, the Securities Premium per share is ₹1.

Therefore, total amount credited to the Securities Premium Account = 10,000 shares x  
Rs 1 = Rs 10,000

Q.5) (c)

Explanation:

Share Capital is always recorded at face value:

₹10 × 2,00,000 = ₹20,00,000

Amount received in bank = Issue price × number of shares

₹12 × 2,00,000 = ₹24,00,000

The difference between amount received (₹12) and face value (₹10) = ₹2

This ₹2 per share is treated as Securities Premium if shares are issued above face value.

But here, they are issued at ₹2 above face value, so:

Securities Premium = ₹2 × 2,00,000 = ₹4,00,000

Q.6) (b)

Explanation:

An application of funds in a Fund Flow Statement refers to how funds are used by a company. Increase in working capital means that current assets have increased or current liabilities have decreased, which typically requires a company to use funds. Conversely, a decrease in working capital would represent a source of funds. Other applications include the acquisition of long-term assets or reduction of long-term liabilities.

Q.7) (c)

Explanation:

In the Cash Flow Statement, any cash flow arising from obtaining or losing control of subsidiaries or other businesses is classified as an investing activity. This is because such transactions involve the acquisition or disposal of long-term assets or investments, which are part of a company's investment activities.

Q.8) (c)

Explanation:

According to IND AS 21, non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. This ensures the value reflects the original cost paid, unaffected by later exchange rate changes.

Q.9) (c)

Explanation:

IND AS 105 relates to the accounting for Non-Current Assets Held for Sale and Discontinued Operations. It provides guidelines for classifying, measuring, and presenting assets intended for sale and operations that are discontinued in financial statements.

Q.10) (a)

Explanation:

IND AS 7 deals with the preparation and presentation of the Cash Flow Statement. It provides guidelines on how to report cash flows from operating, investing, and financing activities to provide a clear view of a company's liquidity and financial flexibility.

Q.11) (b)

Explanation:

Net Working Capital Turnover Ratio = Sales / Net Working Capital = 120/20 = 6

Q.12) (a)

Explanation:

An increasing Debt Service Coverage Ratio (DSCR) indicates that a company is generating more operating income relative to its debt obligations. This improvement suggests that the company is in a better position to meet its debt payments, reflecting stronger financial health and greater ability to cover interest and principal repayments.

Q.13) (b)

Explanation:

Issuing bonus shares increases the number of shares held by each shareholder but does not affect their ownership percentage or the company's total equity. The equity is simply reallocated from reserves to share capital.

Q.14) (b)

Explanation:

"Cum-rights shares" refers to shares that are issued with the right for existing shareholders to subscribe to additional shares at a discounted price through a rights issue. These shares include the right to participate in the upcoming rights issue, allowing shareholders to buy more shares at a lower price than the market value.

Q.15) (b)

Explanation:

A low cash conversion cycle indicates that a company is converting its inventory into cash quickly and efficiently. This typically means the company manages its inventory well, collects receivables promptly, and pays its payables in a timely manner. A shorter cash conversion cycle is generally a sign of effective inventory management and good cash flow management.

## Costing

Q.16) (c)

Explanation:

To calculate the minimum cost of production, include:

- Material Cost = ₹600
- Direct Labour Cost = ₹150
- Setup Cost = ₹200
- Manufacturing Overhead = ₹30 (20% of ₹150)

Exclude selling overhead because it is not part of the production process.

Thus, the minimum cost of production = ₹600 + ₹150 + ₹200 + ₹30 = ₹980

Q.17) (b)

Explanation:

We need to find the change in cost when output increases from 7000 units to 8500 units

Change in Variable cost:

- 7,000→8,000 (1,000 units) at ₹4 = ₹4,000
- 8,000→8,500 ( 500 units) at ₹5 = ₹2,500
- Total change in variable cost = ₹6,500

Change in Maintenance cost:

- At 7,000 units: ₹1,500
- At 8,500 units: ₹4,000
- Change = 4000 – 1500 = ₹2,500

Total differential cost = ₹6,500 + ₹2,500 = ₹9,000

Q.18) (b)

Explanation:

The scarce (or "scare") factor is the resource in shortest supply that constrains output. In marginal costing terminology, this is referred to as the **Key Factor** because it's the critical bottleneck that determines the maximum achievable production and profit.

Q.19) (c)

Explanation:

Canteen expenses for factory workers are classified as Production Overheads because they are part of the indirect costs associated with the production process. These expenses are incurred to support the workers involved in manufacturing, making them part of the overall production cost rather than administrative or selling expenses.

Q.20) (a)

Explanation:

- Input units: 300
- Normal loss (30% of 300) =  $0.30 \times 300 = 90$  units
- Expected output after normal loss =  $300 - 90 = 210$  units
- Actual output = 190 units

Since actual output (190) is 20 units less than the expected output (210), this shortfall of 20 units is an abnormal loss. Hence, there is an abnormal loss of 20 units.

Q.21) (c)

Explanation:

Net selling price per unit =  $\text{₹}75 - 20\% \text{ discount} = \text{₹}75 \times 0.80 = \text{₹}60$

Total sales =  $10,000 \text{ units} \times \text{₹}60 = \text{₹}6,00,000$

Variable cost per unit =  $20 + 10 + 8 + 7 = \text{₹}45$

Total variable cost =  $10,000 \text{ units} \times \text{₹}45 = \text{₹}4,50,000$

Total contribution =  $\text{Sales} - \text{Variable cost} = \text{₹}6,00,000 - \text{₹}4,50,000 = \text{₹}1,50,000$

P/V Ratio =  $\text{Contribution}/\text{Sales} \times 100 = 1,50,000/6,00,000 \times 100 = 25\%$

Q.22) (e)

Explanation:

Net selling price per unit =  $\text{₹}60 - 10\% \text{ discount} = \text{₹}60 \times 0.90 = \text{₹}54$

Total variable cost per unit =  $20 + 8 + 6 = \text{₹}34$

Contribution per unit =  $\text{Selling price} - \text{Variable cost} = \text{₹}54 - \text{₹}34 = \text{₹}20$

Break-even point (in units) =  $\text{Fixed overheads} / \text{Contribution per unit} = 60,000/20 = 3000 \text{ units}$ .

Q.23) (c)

Explanation:

Contribution per unit = Selling price – variable cost = 200 – 150 = Rs 50

P/V ratio = Contribution per unit / Selling price = 50/200 = 0.25 (or 25%)

Required Sales (in Rs.) = (Fixed costs + Desired profit) / PV ratio = (15000 + 30000)/0.25 = 45000/0.25 = 1,80,000

Q.24) (d)

Explanation:

Bicycle manufacturing involves producing different components separately (like frames, wheels) and then assembling them, which is why it uses Multiple Costing.

Q.25) (a)

Explanation:

Labour rate variance = (Standard Rate – Actual Rate) \* Actual Hours

LRV = (2.50 – 2.20) \* 1000 = 0.30 \* 1000 = Rs 300

Since the actual rate (₹2.20) is lower than the standard rate (₹2.50), the variance is Favourable.

Q.26) (b)

Explanation:

When the cost of raw materials purchased exceeds the standard or budgeted cost, the Purchasing Manager is typically responsible for this variance. This manager is in charge of sourcing and negotiating the prices of materials, so any deviation from the expected cost is generally attributed to their actions.

Q.27) (e)

Explanation:

Process Innovation refers to the implementation of new or significantly improved production or delivery methods, including substantial changes in techniques, equipment, and software. This aims to enhance efficiency, reduce costs, or improve product quality.

Q.28) (b)

Explanation:

Overall Equipment Effectiveness (OEE) is the key metric used to measure the effectiveness of Total Productive Maintenance (TPM). It evaluates how well equipment is performing in terms of availability, performance, and quality, which are critical factors in maintenance efficiency.

## **Companies Act**

Q.29) (e)

Explanation:

A tender offer is typically used for acquiring shares of an existing company, often in takeover bids, rather than for issuing new shares. Public companies issue shares through methods like Initial Public Offering (IPO), Rights Issue, Private Placement, and Employee Stock Option Plans (ESOPs), but not through a tender offer.

Q.30) (b)

Explanation:

In the context of a public offer of securities, regulations typically require that securities be issued in dematerialized form. This means they are recorded electronically, providing a more efficient and secure way of handling securities compared to physical certificates.

Q.31) (c)

Explanation:

Preference shares in India can be issued with a maximum maturity period of 20 years as per regulatory guidelines. This long tenor allows companies to use preference shares for long-term financing needs.

Q.32) (e)

Explanation:

Under Section 71 of the Companies Act, 2013, if a company plans to issue debentures to the public or to more than 500 members, it must appoint Debenture Trustees to protect the interests of the debenture holders. The trustees ensure that the company's obligations to the debenture holders are met.

Q.33) (d)

Explanation:

According to Section 56 of the Companies Act, 2013, a company must deliver the certificates of securities within 60 days from the date of allotment of shares. This ensures that shareholders receive their certificates in a timely manner, reflecting their ownership in the company.

Q.34) (a)

Explanation:

Under Section 123 of the Companies Act, 2013, the amount of dividend, including interim dividend, must be deposited into a scheduled bank in a separate account within 5 days from the date of declaration of the dividend. This ensures that the company has sufficient funds set aside to pay the declared dividend to shareholders.

Q.35) (a)

Explanation:

Section 125 of the Companies Act, 2013, establishes the Investor Education and Protection Fund (IEPF). This fund is created to promote investor education and protect investors' interests. It collects unclaimed dividends, matured deposits, and other such amounts.

Q.36) (c)

Explanation:

The National Company Law Tribunal (NCLT) has the authority to remove an auditor found acting fraudulently. According to Section 140 of the Companies Act, 2013, the NCLT can remove an auditor and appoint a new one if there is evidence of fraud or misconduct.

Q.37) (c)

Explanation:

According to the Companies Act, 2013, auditors are primarily responsible for providing statutory audit services. They are not allowed to offer bookkeeping, accounting services, or design internal controls for the company to maintain their independence and objectivity. Statutory audit services involve examining the financial statements and ensuring they are accurate and comply with legal requirements.

Q.38) (d)

Explanation:

For a firm to be appointed as the auditor of a company, the majority of its partners must be Chartered Accountants practicing in India. This ensures that the firm has the necessary expertise and credibility to perform audit functions effectively.

Q.39) (a)

Explanation:

According to the Companies Act, 2013, the minimum age for appointing a Managing Director (MD) or Chairman and Managing Director (CMD) is 21 years, and the maximum age limit is 70 years. This age range ensures that the individuals appointed have sufficient experience while still being within a reasonable age range for active management roles.

Q.40) (c)

Explanation:

A person must file their consent to act as a director with the Registrar of Companies (ROC) within 30 days of their appointment. This ensures that the director officially

agrees to take on the responsibilities of the role and is recorded as such in the company's records.

Q.41) (b)

Explanation:

Under Section 156 of the Companies Act, 2013, a company must furnish the Director Identification Number (DIN) of all its directors to the Registrar of Companies (ROC) within 15 days of receiving the intimation. This requirement helps maintain accurate and up-to-date records of directors.

Q.42) (c)

Explanation:

Under Section 186 of the Companies Act, a company can give loans to its subsidiaries, or any other person or entity, up to a maximum limit of 100% of the company's paid-up share capital and free reserves. This is meant to regulate and ensure that companies do not overextend themselves financially by providing excessive loans.

Q.43) (c)

Explanation:

According to the Companies Act, when a company has more than 1,000 shareholders or other security holders, it is required to form a Stakeholders Relationship Committee. This committee addresses grievances of stakeholders, including shareholders, debenture holders, and deposit holders, ensuring effective communication and resolution of their issues.

Q.44) (c)

Explanation:

An independent director is defined by the Companies Act as a director who does not have any material or pecuniary relationship with the company, its promoters, or its management, apart from the director's remuneration. This ensures that the director can make unbiased decisions in the best interest of the company.

Q.45) (c)

Explanation:

According to the Companies Act, an alternate director can be appointed to replace a director who is absent from India for a continuous period of 90 days or more. This provision ensures that the board's decision-making capacity is not hindered due to the absence of a director.

Q.46) (b)

Explanation:

An individual dissatisfied with a decision made by the Appellate Tribunal can file an appeal to the Supreme Court within 60 days from the date of the Tribunal's decision. This timeline is prescribed to ensure that appeals are addressed promptly and efficiently.

Q.47) (b)

Explanation:

The tribunal has the authority to rectify any mistake apparent from the record and amend any order passed by it within 2 years from the date of the order. This provision allows for corrections of errors and ensures the accuracy and fairness of judicial decisions.

Q.48) (d)

Explanation:

The Central Government has the power to constitute the National Company Law Tribunal (NCLT) under the Companies Act, 2013. The NCLT is responsible for adjudicating matters related to company law and corporate disputes.

## Finance

Q.49) (c)

Explanation:

Rule 72 is a financial rule of thumb used to estimate the number of years required for an investment to double in value at a given annual interest rate. By dividing 72 by the annual interest rate, you get an approximation of the doubling time.

Q.50) (e)

Explanation:

When a foreign-controlled Indian company makes an investment into another Indian company, it is termed a downstream investment. In contrast, when an Indian company invests abroad, that is called an upstream investment. External Commercial Borrowings (Option c) refer to loans raised by Indian entities from foreign lenders, not equity investments.

Q.51) (d)

Explanation:

Fixed Deposits (FDs) are generally not considered easily transferable financial instruments. Once an FD is placed with a bank or financial institution, it cannot be transferred to another person. The ownership remains with the person or entity who opened the FD until maturity, although premature withdrawal is possible (with a penalty). In contrast, other instruments like stocks, bonds, certificates of deposit (CDs), and treasury bills (T-bills) are easily tradable or transferable in the secondary market.

Q.52) (e)

Explanation:

The Small Industries Development Bank of India (SIDBI) is the nodal body responsible for managing startup funds under the Alternative Investment Funds (AIF) scheme. It plays a key role in promoting and financing small and medium-sized enterprises, including startups, through various initiatives like the AIF scheme.

Q.53) (b)

Explanation:

Once a bank receives the credit advice or statement of the Nostro account, and after meeting all required guidelines and regulations under FEMA, the bank must transfer the funds to the exporter's account within two working days. This ensures timely processing of foreign exchange transactions in compliance with regulatory norms.

Q.54) (b)

Explanation:

An index fund is a type of passive mutual fund that aims to replicate the performance of a specific index, such as the Nifty 50 or S&P 500, by holding the same stocks or securities in the same proportions as the index. Unlike actively managed funds, passive funds do not try to outperform the market but rather aim to match its returns.

Q.55) (b)

Explanation:

A long buildup occurs when the price of an asset increases along with an increase in open interest (the total number of outstanding contracts). This indicates that traders are taking long positions (buying) in anticipation of further price increases.

Q.56) (c)

Explanation:

Arbitrage is the practice of simultaneously buying and selling the same asset in different markets to take advantage of price differences. It ensures that prices across markets remain efficient. Arbitrageurs help in bringing equilibrium in market prices by eliminating price differences.

Q.57) (e)

Explanation:

As per the Companies Act, 2013, and SEBI regulations, the minimum value of debt securities or non-convertible redeemable preference shares issued on a private placement basis is ₹10,000.

Previously, the minimum face value was Rs 1 lakh, making it less accessible for smaller investors. The reduction to Rs 10,000 (done through a circular issued in July 2024) is

expected to boost retail participation and liquidity in the corporate bond market, according to SEBI.

Q.58) (c)

Explanation:

The Bank for International Settlements (BIS) is an international financial institution that fosters cooperation among central banks and provides banking services to them. It also acts as a forum for central banks to discuss monetary and financial stability.

Q.59) (b)

Explanation:

The International Monetary Fund (IMF) is known as the lender of last resort for national governments facing balance of payments crises or severe economic difficulties. It provides financial assistance and technical advice to stabilize economies and restore growth. The IMF's main goal is to maintain international monetary cooperation and financial stability.

Q.60) (b)

Explanation:

As per the Fiscal Responsibility and Budget Management (FRBM) Act, the central government aims to reduce its debt to 40% of GDP by the end of FY 2024-25. The FRBM Act sets fiscal targets to ensure prudent fiscal management, reduce fiscal deficits, and maintain overall debt sustainability for the country.

Q.61) (d)

Explanation:

The 15th Finance Commission allocated 12.5% weightage to the criterion of "Income distance" for horizontal devolution, which helps in equalising the fiscal capacity among states based on their income levels.

Q.62) (c)

Explanation:

Under the new tax regime, the standard deduction has been increased to ₹50,000 with effect from FY 2024-25, providing additional tax relief to individuals.

Q.63) (d)

Explanation:

Fringe Benefit Tax was abolished in the 2009–10 budget.

Wealth Tax was abolished in 2015 (Finance Act, 2015).

Gift Tax remains in force under the Income Tax Act (though gifts above a threshold are taxable).

Dividend Distribution Tax (DDT) was abolished in the 2020–21 Union Budget (effective April 1, 2020), shifting the tax incidence from the company to the shareholders.

Securities Transaction Tax (STT) continues to apply on trades in equity and equity derivatives.

Hence, the most recent abolition is of the Dividend Distribution Tax.

Q.64) (b)

Explanation:

The Key Fact Statement must have a validity period of at least 15 days for loans with a tenor of 7 days or more and a validity period of 1 working day for loans with a tenor of less than seven days.

Q.65) (c)

Explanation:

A high dividend yield indicates that the company is providing a high return to shareholders through substantial dividend payments relative to its stock price. This often reflects a mature company with a stable cash flow and a commitment to returning value to shareholders.

Q.66) (b)

Explanation:

SEBI has set the maximum investment limit for Retail Individual Investors (RIIs) in an IPO at ₹2 lakh. This limit ensures fair participation for small investors in IPOs.

Q.67) (c)

Explanation:

When a foreign entity owns or controls an Indian company that subsequently invests in the equity or capital of another Indian company, it is classified as Indirect Foreign Investment (IFI). This type of investment reflects the indirect influence of foreign capital through domestic entities.

Q.68) (c)

Explanation:

The annual compensation for Business Correspondents in India typically ranges between ₹2.5 lakh to ₹3 lakh, depending on factors like location, experience, and the size of the financial institution. BCs also have the opportunity to earn commissions based on performance and the specific bank's policies.

## Management

Q.69) (c)

Explanation:

Theory Z was developed by William Ouchi. It focuses on increasing employee loyalty to the company by providing a job for life and focusing on the well-being of the worker, both on and off the job, blending American individualism and Japanese collectivism.

Q.70) (c)

Explanation:

Higher employee morale in a company often leads to positive outcomes such as better collaboration among employees, higher productivity, and a more engaged workforce.

Employees with high morale are generally more motivated, creative, and aligned with the company's goals, resulting in improved overall performance and customer satisfaction. Reduced turnover and absenteeism are also common benefits of maintaining high morale.

Q.71) (e)

Explanation:

According to Victor Vroom's Expectancy Theory, the motivational force (MF) is the product of three factors: Valence (V), Expectancy (E), and Instrumentality (I). Valence refers to the value an individual places on the rewards, Expectancy is the belief that effort will lead to the desired performance, and Instrumentality is the belief that performance will lead to the desired outcome or reward. The equation  $MF = V \times E \times I$  shows that all three components must be present and positive for motivation to be strong; if any factor is zero, the overall motivation will also be zero.

Q.72) (b)

Explanation:

Leadership effectiveness is not only driven by the task, work, and behaviour but also by emotional intelligence (EI). Emotional intelligence involves understanding and managing one's own emotions and the emotions of others. Leaders with high EI are better equipped to handle interpersonal relationships judiciously and empathetically, which helps in fostering a positive work environment, resolving conflicts, and motivating employees. This, in turn, enhances team cohesion and productivity.

Q.73) (b)

Explanation:

In a matrix structure, employees report to both a functional manager (who oversees technical expertise, appraisals, etc.) and a project manager (who oversees project execution and deadlines). This dual authority can sometimes lead to conflicting instructions, making prioritization and clarity of responsibility a key challenge.

Q.74) (e)

Explanation:

An intermediate plan serves as a bridge between strategic and tactical plans. Strategic plans set the long-term goals and direction of the organization, while tactical plans focus on the short-term actions needed to achieve these objectives. The intermediate plan helps translate broad strategic objectives into actionable steps that guide mid-level decision-making and resource allocation over a medium-term horizon. It ensures coherence between the organization's vision and the tactical efforts needed for execution.

Q.75) (b)

Explanation:

In a wheel network, all communication flows through a central leader, with subordinates communicating only with the leader and not with each other. This structure allows for centralized control and quick decision-making but can hinder teamwork and collaboration among subordinates. It is often used in hierarchical organizations where the leader acts as the primary decision-maker and point of contact. Other communication networks, like the all-channel or circle network, promote more open communication between all members.

Q.76) (c)

Explanation:

The key responsibility of a manager is to ensure that the team's goals are aligned with the organization's objectives. When communication is effective, managers can clearly define expectations, align individual efforts with broader goals, and create a shared vision for success. Prioritizing alignment promotes long-term success by ensuring that the team contributes directly to the organization's mission. Micro-managing, ignoring feedback, and focusing on personal tasks or short-term profits can hinder team development and undermine effective communication.

Q.77) (c)

Explanation:

Strategic planning is about defining long-term goals and aligning them with the organization's resources to ensure success. Option [c], "Aligning the organization's long-term goals with its resources and capabilities," directly relates to this. The other

options are more focused on short-term or day-to-day tasks, which are not part of strategic planning.

Q.78) (a)

Explanation:

An implied policy refers to a set of guidelines or expectations that are understood through actions or behaviors, but not officially communicated in writing or speech. Formal or written policies are explicitly documented, while implied policies are understood implicitly. This type of policy exists in practice but is not officially documented or announced.

Q.79) (b)

Explanation:

The Division of Work—which Henry Fayol identified as one of his 14 principles of management—advocates specialization. By assigning narrow, clearly defined tasks to workers or teams suited to their skills, organizations achieve higher productivity, faster learning curves, and improved quality. Options (a), (c), (d), and (e) describe other management principles (departmentalization, unity of command, employee participation, and job rotation) but not Division of Work.

Q.80) (c)

Explanation:

- While higher morale generally *tends* to improve employee engagement, motivation, and cooperation—factors that boost productivity—these outcomes aren't guaranteed.
- Productivity also depends on resources (e.g., adequate tools and technology), skill levels (training and expertise), clear processes and goals, and organizational support (leadership, structure).
- Thus, even with excellent morale, productivity may lag if, for instance, employees lack proper equipment or clear direction. Conversely, a well-resourced team with lower morale might still meet targets in the short term, though sustainably high performance usually does require good morale.

Q.81) (c)

Explanation:

When communication is effective, it fosters clarity, transparency, and collaboration within the organization. This leads to improved teamwork and higher productivity, as employees are better aligned with organizational goals and understand their roles clearly.

Q.82) (c)

Explanation:

Contingency theory holds that no single leadership style works in every situation; effectiveness comes from fitting the leader's style to situational factors (like task structure, leader-member relations, and position power).

Q.83) (b)

Explanation:

Effectiveness is about doing the right things — focusing on activities that achieve the intended goals or outcomes.

In contrast, Efficiency means doing things right — performing tasks with minimal waste of time and resources.

While both are important in management, effectiveness ensures that the efforts are aligned with the desired objectives.

Q.84) (d)

Explanation:

Parkinson's Law states that "work expands to fill the time available for its completion." It implies that as the amount of work increases, the effort or resources used do not necessarily increase.

Q.85) (c)

Explanation:

Adaptive decisions are difficult to make because they involve situations with high uncertainty, where the outcomes are unpredictable and there are many variables at play. This makes it challenging to choose the best course of action due to the lack of clear information or established procedures.

Q.86) (b)

Explanation:

When wastage in the management process decreases, it typically leads to higher efficiency and productivity. Reducing waste means that resources are being used more effectively, which can enhance overall performance and outcomes.

Q.87) (c)

Explanation:

The Career Development subsystem of HRD focuses on planning and supporting employees' career paths and future growth within the organization. It involves identifying opportunities for advancement and providing resources for professional development.

Q.88) (c)

Explanation:

- **Job Analysis** (collecting detailed information about tasks, skills, responsibilities).
- **Job Description** (using that information to draft a formal document of duties and requirements).
- **Job Evaluation** (comparing jobs to determine their relative value and appropriate pay scales).

Thus, the logical sequence is:

1. **Collect job data** (Job Analysis)
2. **Document duties** (Job Description)
3. **Assess relative worth** (Job Evaluation)  
— which matches option **(c)**.

Q.89) (a)

Explanation:

Team Synergy refers to the phenomenon where the collective output of a team exceeds the total output that could be achieved by the individual members working separately. This synergy often arises from effective collaboration and leveraging each member's strengths.

## Economics

Q.90) (a)

Explanation:

Say's Law of the Market states that "supply creates its own demand," meaning that the production of goods will generate an equivalent level of demand in the market. This implies that goods produced will always find a market for sale.

Q.91) (a)

Explanation:

National income refers to the total value of goods and services produced within a country over a specific period, usually a year. It is a key indicator of a country's economic performance and can be measured using various methods such as production, income, or expenditure approaches.

Q.92) (b)

Explanation:

A negative supply shock occurs when there is a sudden decrease in the availability of a key resource or a disruption in production, leading to higher costs for goods and services. This results in increased inflation (rising prices) while the overall output in the economy decreases due to limited production capacity. Such shocks can be caused by events like natural disasters, geopolitical instability, or supply chain disruptions, making goods scarcer and driving prices up, while simultaneously slowing economic growth.

Q.93) (b)

Explanation:

According to Keynes' consumption function, the primary determinant of consumption is an individual's current income. Keynes argued that as people's income increases, their consumption also increases, though not by the same proportion. This relationship is known as the marginal propensity to consume (MPC). While factors like future income expectations, wealth, and consumer confidence can influence consumption to some extent, Keynes emphasized the importance of current disposable income in driving consumption decisions.

Q.94) (c)

Explanation:

A trade deficit occurs when a country's imports exceed its exports over a specific period. This means the country is buying more goods and services from abroad than it is selling to foreign markets. A trade deficit can lead to an outflow of domestic currency and may impact exchange rates, foreign reserves, and economic growth. However, it is not always negative and can sometimes indicate strong domestic demand for goods and services.

Q.95) (b)

Explanation:

The primary objective of monetary policy is to achieve price stability by controlling inflation. Central banks, such as the Reserve Bank of India (RBI), use various tools like interest rates, reserve requirements, and open market operations to regulate money supply and influence the economy. By maintaining price stability, monetary policy ensures stable economic growth, controls inflation, and helps create a favorable environment for investment and employment. Other objectives, such as fostering full employment and promoting sustainable growth, are also important, but price stability is the key focus.

Q.96) (c)

Explanation:

Automatic stabilizers in fiscal policy are economic policies and programs that automatically adjust in response to changes in the business cycle without the need for

direct government intervention or legislative action. Examples include progressive income taxes and unemployment benefits. During economic downturns, tax revenues decrease and welfare spending increases, providing a natural boost to aggregate demand. Conversely, during economic expansions, tax revenues increase, and welfare spending decreases, helping to prevent overheating of the economy. These stabilizers help to smooth out fluctuations in economic activity.

Q.97) (c)

Explanation:

The primary indicator of economic growth is the increase in Gross Domestic Product (GDP), which measures the total value of goods and services produced within a country over a specific period. A rising GDP indicates a growing economy, suggesting an increase in production, consumption, and investment. Other factors, such as employment rates, interest rates, and trade balances, can influence economic growth but are not direct measures of it. GDP growth reflects the overall economic health and is a key metric used by governments and economists to assess the strength of an economy.

Q.98) (d)

Explanation:

The Reserve Bank of India (RBI) acts as the lender of last resort for the central government. When the government faces a financial crisis or liquidity issues, the RBI provides emergency funds to ensure financial stability. This role involves lending to the government and the banking system during periods of financial stress to prevent system-wide failures. The central bank ensures the availability of liquidity to meet the government's borrowing needs, especially during economic downturns or fiscal challenges.

Q.99) (c)

Explanation:

In monopolistic competition, the primary aim of product differentiation is to create perceived uniqueness of a product, allowing firms to gain customer loyalty and charge a premium price. Even though many firms offer similar products, differentiation through branding, quality, or features helps a firm stand out, making consumers see their product as distinct. This strategy reduces direct price competition and allows firms to

maintain market share, despite the presence of many competitors. Product differentiation is key to survival in a market where numerous firms are vying for customer attention.

Q.100) (c)

Explanation:

The Economic Survey 2023-24 highlighted a sharp rise in private consumption expenditure, which played a crucial role in driving India's economic recovery post-pandemic. Private consumption, which reflects household spending on goods and services, is a key component of GDP. A rise in consumption indicates increased demand, signalling economic growth and improved consumer confidence. The survey emphasized that strong domestic demand, coupled with rising income levels, contributed to this trend, further boosting the economy's overall performance.