Finance and Management

Q.1) (c)
Explanation:

Explanation: SEBI mandates a T+2 trading timeline for credit and listing of shares issued under a Bonus Issue to ensure faster settlement and investor convenience. If you want, I can also create a timeline-based tricky question on T+1 vs T+2 settlement reforms for exam practice.

Q.2) (d)
Explanation:

Explanation: As per the InvIT Regulations notified by the Securities and Exchange Board of India, at least 75% of the public issue must be allocated to QIBs.

Q.3) (b)
Explanation:

Explanation: At least 10% of the public issue must be allocated to Retail Individual Investors under InvIT regulations.

Q.4) (c)
Explanation:

Explanation: The Investment Manager may allocate up to 60% of the QIB portion to Anchor Investors.

Q.5) (b)
Explanation:

Explanation: The RBI follows a Flexible Inflation Targeting (FIT) framework, with a target of 4% CPI inflation ± 2%.

- Adjusts the repo rate to influence borrowing costs.

To maintain price stability, RBI:

- Uses tools like CRR, SLR, Open Market Operations (OMO) to manage liquidity.
- Controls excess money supply during inflationary periods.
- Anchors inflation expectations through credible policy signals.

Higher interest rates reduce demand and control inflation, while lower rates stimulate growth during slowdown. Thus, RBI ensures price stability primarily through monetary transmission mechanisms rather than direct price control.

Q.6) (d)

Explanation:
Explanation: The Phillips Curve shows the inverse relationship between inflation and unemployment in the short run.

It was introduced by economist A. W. Phillips, who observed that when unemployment is low, wages tend to rise faster, leading to higher inflation. Conversely, when unemployment is high, wage growth slows down, resulting in lower inflation.

Thus: Low Unemployment → High Inflation and High Unemployment → Low Inflation

This trade-off between inflation and unemployment is represented by the Phillips Curve.

Q.7) (b)
Explanation:

- Statement 1 is correct: The 1998 Committee, chaired by M. Narasimham, was called the Committee on Banking Sector Reforms.
- Statement 2 is correct: It recommended the entry of new private sector banks and greater competition in the banking sector.
- Statement 3 is incorrect: The committee recommended reducing dependence on CRR and SLR and moving towards market-based liquidity management tools instead of using CRR as the primary instrument.

Q.8) (b)
Explanation:

The 1998 Narasimham Committee recommended strengthening short-term liquidity management and improving monetary transmission. Based on this, RBI introduced the Liquidity Adjustment Facility (LAF) in 2000, which uses repo and reverse repo operations to manage system liquidity and signal policy rates.

Q.9) (c)
Explanation:

The institution referred to in the passage is the National Bank for Financing Infrastructure and Development (NaBFID). NaBFID was established in 2021 under the National Bank for Financing Infrastructure and Development Act, 2021 as a Development Financial Institution (DFI) with a focused mandate to finance long-term infrastructure projects in India.

Q.10) (d)
Explanation:

The above-mentioned institution refers to a financial market infrastructure entity operating in the Government securities or money market segment (such as CCIL or NDS-OM framework). These entities fall under the regulatory and supervisory jurisdiction of the Reserve Bank of India.

RBI regulates:

- Government securities market
- Money market (call/notice/term money)
- Clearing and settlement systems
- Market Infrastructure Institutions (in G-Sec and money market space)

Since the institution operates in the domain of Government securities and liquidity management, its regulator is the RBI, not SEBI.

Q.11) (b)
Explanation:

Net Worth = 10,00,000

Debt–Equity Ratio = 0.5

Debt = 0.5 × 10,00,000

= ₹5,00,000

Q.12) (c)
Explanation:

Total Liabilities = Total Assets

Total Assets = Net Worth + Debt

= 10,00,000 + 5,00,000

= ₹15,00,000

Hence, Total Liabilities = ₹15,00,000

Q.13) (a)
Explanation:

Step 1: Net Worth = Equity + Reserves

= 4,00,000 + 6,00,000

= ₹10,00,000

Step 2: Asset Turnover Ratio = 2

Asset Turnover Ratio = Sales/ Total assets

Sales = 2 X 10,00,000

Sales = ₹20,00,000

Step 3: Gross Profit = 30% of Sales

= 0.30 × 20,00,000

= ₹6,00,000

Q.14) (b)
Explanation:

Explanation: The platform referred to in the question is NDS-OM (Negotiated Dealing System – Order Matching).

Gilt Account Holders (GAHs) do not maintain Subsidiary General Ledger (SGL) accounts directly with the Reserve Bank of India. Instead, they maintain gilt accounts with Primary Members (PMs) such as banks and Primary Dealers.

- Only entities with SGL accounts can become direct members of the NDS-OM system.
- GAHs are granted indirect access to the NDS-OM platform.
- They route their buy/sell orders through their respective Primary Members.
- The Primary Member executes the trade on the NDS-OM platform on their behalf.

Q.15) (b)
Explanation:

The platform referred to in the question is the Negotiated Dealing System – Order Matching (NDS-OM), which is used for secondary market trading in Government securities. While the platform is owned by the Reserve Bank of India, it is administered and operated by the Clearing Corporation of India Limited (CCIL).

Q.16) (b)
Explanation:

The Porter–Lawler model of motivation explains the relationship between effort, performance, rewards and satisfaction. According to this model:

- Employees put in effort based on their expectation of rewards.
- Their perception of fairness and value of rewards influences motivation.
- Performance leads to rewards, and the perceived fairness of these rewards determines job satisfaction.

Thus, the model emphasises that employees' attitudes, perceptions and expectations affect their behaviour and performance at work.

Q.17) (d)
Explanation:

Ethical absolutism states that moral principles are universal and unchanging, regardless of time, place or cultural differences.

According to this view:

- Certain actions are always right or always wrong.
- Ethical rules apply equally to all individuals and societies.

For example, actions like lying, stealing or corruption are considered wrong in all circumstances under this theory.

Why other options are incorrect:

- Ethical relativism: Believes morality depends on culture or situation.
- Utilitarianism: Focuses on actions that produce the greatest good for the greatest number.
- Deontological ethics: Focuses on duty and rules, but absolutism specifically emphasises universal moral standards.
- Virtue ethics: Focuses on moral character rather than universal rules.

Q.18) (d)
Explanation:

Explanation: Upward communication refers to the flow of information from lower levels of an organisation to higher levels.

It allows employees to:

- Give feedback to management
- Submit complaints or grievances
- Provide suggestions and ideas
- Report problems or progress

Examples include employee reports, suggestion boxes, meetings with supervisors, and performance feedback systems.

Q.19) (c)
Explanation:

Systems theory views an organisation as an open system that interacts continuously with its external environment.

According to this theory:

- Organisations receive inputs (resources, information, labour) from the environment.
- They process these inputs through internal activities.
- They produce outputs such as goods or services.
- Feedback from the environment helps improve future performance.

Thus, the organisation's success depends on how well it adapts to environmental changes such as market conditions, technology and regulations.
Q.20) (a)
Explanation:

A Code of Ethics is a formal document that outlines the ethical standards, values and expected behaviour of employees in an organisation. It provides clear guidelines about what is considered acceptable and unacceptable conduct.

If an organisation implements and strictly enforces a Code of Ethics:

- Employees become more aware of ethical standards.
- There is greater accountability for unethical behaviour.
- Employees are encouraged to follow honesty, fairness and transparency in their work.
- It helps create a strong ethical culture within the organisation.

In the given situation, unethical practices spread because senior managers set a bad example. A well-enforced Code of Ethics can help correct such behaviour and promote ethical decision-making across all levels of the organisation.

Q.21) (d)
Explanation:

Ethical relativism is the belief that moral standards depend on social norms, culture, or group behaviour, rather than universal rules.

According to this view:

- What is considered right or wrong depends on the situation or group practices.
- Individuals often decide what is acceptable based on what others around them are doing.

In the given case, the junior officer justified his unethical decision by saying "everyone in the organisation was doing the same thing." This reflects ethical relativism because his behaviour was guided by the prevailing practices in the organisation, rather than universal moral principles.

Q.22) (d)
Explanation:

Scientific Management Theory, developed by Frederick Winslow Taylor, focuses on improving efficiency and productivity by scientifically analysing work processes.

Key features include:

- Time study: Measuring the time required to perform each task to identify the most efficient method.
- Motion study: Analysing workers' movements to remove

unnecessary actions and improve efficiency.
- Work standardisation: Establishing standard methods and procedures for performing tasks.
- Work specialisation: Dividing work into smaller tasks so that workers can become highly skilled in specific activities.

In the given case, the company analysed each task, divided work into smaller activities and used time and motion studies to maximise productivity. These practices are core principles of Scientific Management.

Q.23) (c)
Explanation:

Henri Fayol, a French management theorist, developed Administrative Management Theory, which emphasises the importance of organisational structure and managerial principles.

Fayol proposed 14 principles of management, many of which focus on hierarchy and authority, such as:

- Scalar chain: A clear chain of command from top management to lower levels.
- Authority and responsibility: Managers must have the authority to give orders along with responsibility for results.
- Unity of command: Each employee should receive orders from only one superior.

In the given situation, the company introduced a strict hierarchical structure with clear authority and reporting relationships to improve coordination and control, which reflects Fayol's administrative management principles.

Q.24) (b)
Explanation:

The Scalar Chain is one of the 14 principles of management proposed by Henri Fayol. It refers to the clear line of authority and communication from the top level of management to the lowest level in the organisation.

In a scalar chain:

- Each employee knows who their immediate superior is.
- Communication and instructions follow a defined hierarchy.
- Authority flows from top management to lower levels.

In the passage, the organisation introduced a clearly defined hierarchy and reporting relationships, which ensure that employees understand their position in the chain of command. This directly reflects the principle of the scalar chain.

Q.25) (c)
Explanation:

Departmentalisation refers to the process of grouping related activities and tasks into separate departments or units within an organisation.

Examples include departments such as:

- Finance
- Human Resources
- Operations
- Marketing

This grouping helps in:

- Better coordination of similar tasks
- Improved efficiency and specialisation
- Clear responsibility and accountability

In the passage, the company grouped related activities into finance, HR and operations departments, which is a classic example of departmentalisation.