

UNIT I - BUSINESS ORGANISATION AND MANAGEMENT

Topic 1: Business – Meaning and Characteristics

1. Which of the following is the most essential element of business?

- A) Profit motive
- B) Charitable service
- C) Government approval
- D) Religious obligation

Answer: A) Profit motive

Explanation: Business is primarily an economic activity aiming at profit through production or exchange of goods and services.

2. Which of the following is not a characteristic of business?

- A) Involves risk and uncertainty
- B) Requires investment of capital
- C) Involves production or exchange
- D) Provides free social service

Answer: D) Provides free social service

Explanation: Business is an economic activity for earning income, not free service.

3. Assertion (A): Risk-bearing is an unavoidable characteristic of business.

Reason (R): Fluctuations in demand, supply, and competition create uncertainty in business.

- A) Both A and R are true, and R is the correct explanation of A.
- B) Both A and R are true, but R is not the correct explanation of A.
- C) A is true, but R is false.
- D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: Risk and uncertainty are inherent in all business activities due to changing market conditions.

4. Match the following features with the nature of business:

1. Production of goods – i) Continuity of dealings
 2. Regularity – ii) Capital investment
 3. Risk-bearing – iii) Creation of utility
 4. Profit motive – iv) Reward for entrepreneurship
- A) 1-iii, 2-i, 3-iv, 4-ii
B) 1-ii, 2-iii, 3-i, 4-iv
C) 1-iii, 2-i, 3-ii, 4-iv
D) 1-iv, 2-ii, 3-iii, 4-i

Answer: A) 1-iii, 2-i, 3-iv, 4-ii

Explanation: Production creates utility, regularity ensures dealings, risk is linked with entrepreneurship, and profit arises from investment.

5. Fill in the blank: Business is an _____ activity carried out to earn income by satisfying human wants.

- A) Political
B) Economic
C) Religious
D) Social service

Answer: B) Economic

Explanation: Business is always an economic activity involving production and distribution of goods and services for profit.

6. The term 'business' is derived from the word 'busy' which means

- A) Social service
- B) Being engaged in work
- C) Religious activity
- D) Entertainment

Answer: B) Being engaged in work

Explanation: The word 'business' originates from 'busy', denoting continuous involvement in economic activities.

7. Which of the following is the main difference between business and profession?

- A) Business requires profit motive, profession requires service motive
- B) Business requires service motive, profession requires profit motive
- C) Business does not require skill, profession requires no skill
- D) Business is free service, profession is charity

Answer: A) Business requires profit motive, profession requires service motive

Explanation: Business focuses on profits whereas a profession is governed by service orientation and ethics.

8. Which of the following is not an economic activity?

- A) Teaching in a school
- B) A doctor treating a patient for fees
- C) A person cooking food for family
- D) A shopkeeper selling goods

Answer: C) A person cooking food for family

Explanation: Personal or household activities are not economic, as they do not involve monetary gain.

9. The uncertainty of return in business is due to

- A) Regular demand
- B) Government subsidy
- C) Market competition and risk
- D) Fixed income

Answer: C) Market competition and risk

Explanation: The profit in business is uncertain as it depends on

external factors like demand and competition.

10. Which of the following is the hallmark of business activity?

- A) Risk-free return
- B) Regular production and exchange
- C) Fixed salary income
- D) Charitable work

Answer: B) Regular production and exchange

Explanation: Business involves continuous production and exchange of goods/services, unlike occasional transactions.

11. Assertion (A): Small Finance Banks (SFBs) were set up to serve unorganised sector, small business, and marginal farmers.

Reason (R): They provide credit and savings services to financially excluded groups.

- A) Both A and R are true, and R is the correct explanation of A.
- B) Both A and R are true, but R is not the correct explanation of A.
- C) A is true, but R is false.
- D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: SFBs were introduced in 2015 to improve financial inclusion.

12. Fill in the blank: Foreign banks in India operate through _____.

- A) Representative offices
- B) Subsidiaries
- C) Branches
- D) All of the above

Answer: D) All of the above

Explanation: Foreign banks function via branches, subsidiaries, and representative offices as per RBI approval.

13. Which of the following is not a function of commercial banks?

- A) Accepting deposits
- B) Granting loans
- C) Issuing currency
- D) Providing agency services

Answer: C) Issuing currency

Explanation: Currency issue is RBI's role. Commercial banks focus on deposit, lending, and financial services.

14. Assertion (A): Public sector banks play a major role in financial inclusion.

Reason (R): They have a wide branch network across rural and semi-urban areas.

- A) Both A and R are true, and R is the correct explanation of A.
- B) Both A and R are true, but R is not the correct explanation of A.
- C) A is true, but R is false.
- D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: Their extensive rural outreach promotes financial inclusion and rural credit.

15. Fill in the blank: The first bank established in India was _____.

- A) Bank of Bombay
- B) Bank of Bengal
- C) Bank of Hindustan
- D) Presidency Bank

Answer: C) Bank of Hindustan

Explanation: Bank of Hindustan (1770) was the first bank, though now defunct.

16. Which of the following is not under the RBI's regulatory scope?

- A) Public sector banks
- B) Foreign banks
- C) Co-operative banks
- D) Stock market brokers

Answer: D) Stock market brokers

Explanation: Brokers are under SEBI, not RBI.

17. Assertion (A): Private sector banks are those in which majority ownership is with private individuals/institutions.

Reason (R): Examples include ICICI, HDFC, Axis Bank.

- A) Both A and R are true, and R is the correct explanation of A.
- B) Both A and R are true, but R is not the correct explanation of A.
- C) A is true, but R is false.
- D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: Private ownership differentiates them from public sector banks.

18. Fill in the blank: The first Indian bank to be nationalised was _____.

- A) Punjab National Bank
- B) State Bank of India
- C) Allahabad Bank
- D) Imperial Bank of India

Answer: D) Imperial Bank of India

Explanation: Imperial Bank was nationalised in 1955 and became SBI.

19. Which of the following is not an objective of RBI?

- A) Monetary stability
- B) Regulating credit
- C) Controlling inflation
- D) Promoting exports directly

Answer: D) Promoting exports directly

Explanation: RBI's role is indirect; export promotion is handled by EXIM Bank and trade bodies.

20. Assertion (A): Universal banks provide commercial and investment banking services under one roof.

Reason (R): They combine traditional banking with capital market services.

A) Both A and R are true, and R is the correct explanation of A.

B) Both A and R are true, but R is not the correct explanation of A.

C) A is true, but R is false.

D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: Universal banking integrates lending, deposit, insurance, and investment services.

21. Fill in the blank: Auditor's liability to third parties arises in case of _____.

A) Professional negligence

B) Shareholder disputes

C) Dividend distribution

D) Salary disputes

Answer: A) Professional negligence

Explanation: Negligence causing loss to outsiders can result in liability.

22. Which of the following is not an auditor disqualification?

A) Employee of company

B) Officer of company

C) Relative of director holding securities above limit

D) Practising Chartered Accountant

Answer: D) Practising Chartered Accountant

Explanation: Practising CAs are eligible for appointment.

23. Assertion (A): Auditor's civil liability arises when negligence causes financial loss.

Reason (R): Courts can award damages to affected parties.

- A) Both A and R are true, and R is the correct explanation of A.
- B) Both A and R are true, but R is not the correct explanation of A.
- C) A is true, but R is false.
- D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: Negligence in auditing may lead to compensation claims.

24. Fill in the blank: Auditor must comply with _____
Standards on Auditing.

- A) Accounting
- B) Auditing
- C) Secretarial
- D) Management

Answer: B) Auditing

Explanation: Standards on Auditing (SA) issued by ICAI guide auditors in performing duties.

25. Which of the following is not part of auditor's report?

- A) True and fair view statement
- B) Basis of opinion
- C) Auditor's remuneration details
- D) Emphasis of matter

Answer: C) Auditor's remuneration details

Explanation: Audit report does not disclose auditor's fee.

26. Assertion (A): Auditors are liable under IPC for fraud.

Reason (R): Criminal liability extends beyond Companies Act.

- A) Both A and R are true, and R is the correct explanation of A.
- B) Both A and R are true, but R is not the correct explanation of A.

C) A is true, but R is false.

D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of A.

Explanation: Fraudulent conduct may attract criminal charges under IPC.

27. Fill in the blank: Auditor must report compliance with _____ **Accounting Standards.**

A) ICAI

B) RBI

C) IRDAI

D) SEBI

Answer: A) ICAI

Explanation: ICAI issues Indian Accounting Standards, compliance is mandatory.

28. Which of the following is not a statutory right of auditor?

A) Right to demand explanations from officers

B) Right to attend shareholder meetings

C) Right to increase share capital

D) Right to receive remuneration

Answer: C) Right to increase share capital

Explanation: Increasing share capital is management's power, not auditor's.

29. Assertion (A): Auditor is duty-bound to report frauds above threshold to Central Government.

Reason (R): The Companies Act, 2013 mandates such reporting.

A) Both A and R are true, and R is the correct explanation of A.

B) Both A and R are true, but R is not the correct explanation of A.

C) A is true, but R is false.

D) A is false, but R is true.

Answer: A) Both A and R are true, and R is the correct explanation of

A.

Explanation: Section 143 of the Act requires reporting of material frauds.

30. Fill in the blank: Auditor's remuneration is fixed by the

_____.

- A) Board of Directors
- B) Shareholders
- C) Registrar
- D) SEBI

Answer: B) Shareholders

Explanation: Auditor's fee is decided by shareholders in general meeting.