CUET 2026 May 24 Shift 1 Business Studies

Question Paper (Memory-Based) with Solutions

Conducted by National Testing Agency (NTA)

1. Factors affecting financing decisions include:

A. Risk

B. Floatation cost

C. Cash flow position of the company

D. Taxation Policy

Choose the correct answer from the options given below:

(A) A, B and D only
(B) A, B, C only
(C) B, C and D only
(D) A, B, C and D only

Correct Answer: (D) A, B, C and D only

Solution:

Concept:
Financing decisions refer to decisions related to the selection of sources of funds for a business organisation. Every company requires funds for purchasing fixed assets, meeting working capital requirements, expansion, modernization, and daily operations.
While taking financing decisions, management carefully evaluates several important factors because the wrong financing decision can increase financial risk and reduce profitability. The major factors influencing financing decisions include risk, floatation cost, cash flow position, and taxation policy.

Step 1: Understanding the role of Risk.

Risk is one of the most important factors affecting financing decisions. Different sources of finance involve different levels of financial risk.

- Debt financing increases fixed financial obligations in the form of interest payments.
- If the company fails to generate sufficient income, repayment of debt becomes difficult.
- Higher debt increases financial leverage and chances of insolvency.

Therefore, management always considers the level of risk before selecting a financing source.
Hence, statement A is correct.

Step 2: Understanding Floatation Cost.

Floatation cost refers to the expenses incurred while raising funds from the market.
These costs include:

- Brokerage charges
- Underwriting commission
- Advertisement expenses
- Printing and legal expenses

A company generally prefers a financing source with lower floatation costs because excessive issue expenses reduce the actual amount of funds received.
Hence, statement B is also correct.

Step 3: Analyzing the Cash Flow Position of the Company.

Cash flow position determines the ability of the business to meet fixed financial commitments.

- A company having stable and strong cash flows can safely use debt financing because it can regularly pay interest and principal.
- Companies with weak or uncertain cash flows generally avoid excessive debt.

Thus, the cash flow position directly influences financing decisions.
Hence, statement C is correct.

Step 4: Understanding the importance of Taxation Policy.

Taxation policy also affects financing decisions because interest paid on debt is generally treated as a tax-deductible expense.

- Debt financing can reduce taxable income.
- This creates a tax advantage known as a tax shield.

Therefore, companies often compare tax benefits before choosing between debt and equity. Hence, statement D is also correct.

Step 5: Selecting the correct option.

Since all four statements correctly represent factors affecting financing decisions, the correct answer is:

$\boxed{\text{(D) A, B, C and D only}}$

Quick Tip: Major factors affecting financing decisions include:

- Cost of capital
- Risk involved
- Cash flow position
- Tax implications
- Floatation cost

Always remember that financing decisions aim at achieving an optimum capital structure.

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2. Which of the following is incorrect?

(A) Co-ordination is a group effort

(B) Co-ordination is an intentional process

(C) Co-ordination is a deliberate function

(D) Co-ordination is a reactive function

Correct Answer: (D) Co-ordination is a reactive function

Solution:

Concept:
Coordination is the process of synchronizing the activities of different departments, individuals, and groups in an organisation to achieve common objectives efficiently and effectively.
It is considered the essence of management because it binds together all managerial functions such as planning, organizing, staffing, directing, and controlling.

Step 1: Analyzing Statement A.

Statement A says that coordination is a group effort.
This statement is correct because coordination becomes necessary only when multiple individuals or departments work together in an organisation.

- Different departments may have different objectives.
- Coordination integrates their activities toward common goals.

Hence, coordination is definitely a group effort.

Step 2: Analyzing Statement B.

Statement B says that coordination is an intentional process.
This statement is also correct because managers deliberately attempt to harmonize activities among employees and departments.
Coordination does not happen automatically; it requires conscious managerial effort.
Hence, statement B is correct.

Step 3: Analyzing Statement C.

Statement C states that coordination is a deliberate function.
This statement is again correct because managers intentionally coordinate activities at every stage of management.
Coordination helps in:

- Reducing conflicts
- Avoiding duplication of work

- Ensuring unity of action

Thus, coordination is deliberate in nature.

Step 4: Analyzing Statement D.

Statement D says that coordination is a reactive function.
This statement is incorrect.
Coordination is actually a **proactive** function rather than a reactive one because managers anticipate problems and align activities in advance to avoid confusion and conflict.
It aims at preventing problems before they occur.
Hence, statement D is incorrect.

Step 5: Selecting the correct answer.

Since statement D is incorrect, the correct option is:

$$\boxed{\text{(D) Co-ordination is a reactive function}}$$

Quick Tip: Features of Coordination:

- It is a continuous process.
- It is a deliberate function.
- It integrates group efforts.
- It ensures unity of action.
- It is the essence of management.

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3. Many companies are making use of new technologies like AI (Artificial Intelligence) to increase effectiveness and efficiency of their business. Which of the following points regarding importance of Business Environment does this statement reflect?

(A) It helps in assisting planning

(B) It helps in coping with rapid changes

(C) It helps the firm to identify threats and early warning signals

(D) It helps in tapping useful resources

Correct Answer: (B) It helps in coping with rapid changes

Solution:

Concept:

Business environment refers to all the external forces, factors, and institutions that influence the functioning of a business enterprise. These factors include technological changes, economic conditions, social trends, government policies, market competition, and global developments. Modern businesses operate in a highly dynamic environment where technological advancements occur rapidly. Therefore, organizations must continuously adapt themselves to survive and remain competitive.

Step 1: Understanding the situation given in the question.

The question states that many companies are adopting modern technologies such as Artificial Intelligence (AI) to improve efficiency and effectiveness.
This clearly indicates that businesses are responding to technological developments occurring in the external environment.

Step 2: Understanding technological changes in business environment.

Technology is one of the most dynamic dimensions of the business environment.
Technological changes can include:

- Artificial Intelligence (AI)
- Automation
- Robotics
- Data Analytics
- Cloud Computing
- Digital Marketing

Businesses that fail to adapt to such rapid technological changes may lose competitiveness and market share.

Therefore, companies continuously update their systems and operations to cope with changing business conditions.

Step 3: Analyzing the given options.

- Option (A): Assisting planning is related to forecasting future conditions, but the question mainly focuses on adapting to new technology.
- Option (B): Coping with rapid changes perfectly matches the situation because businesses are adopting AI to adjust to technological advancements.
- Option (C): Identifying threats and warning signals relates more to recognizing future risks rather than adapting to technology.
- Option (D): Tapping useful resources refers to acquiring inputs such as finance, manpower, or raw materials.

Thus, the most appropriate answer is option (B).

Step 4: Final conclusion.

The statement highlights the importance of business environment in helping firms adapt themselves according to technological developments and rapid environmental changes.

Hence, the correct answer is:

$$\boxed{\text{(B) It helps in coping with rapid changes}}$$

Quick Tip: Importance of Business Environment:

- Helps in identifying opportunities
- Helps in coping with rapid changes
- Assists in planning and policy formulation
- Helps in improving performance
- Provides first mover advantage

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4. If a business wants to allow Parachute in India and a new brand name to be same in U.S., name the feature of business environment highlighted above.

(A) Dynamic nature

(B) Uncertainty

(C) Relativity

(D) Inter-relations

Correct Answer: (C) Relativity

Solution:

Concept:
The business environment differs from country to country and region to region. A practice, product, strategy, or business decision that is successful in one country may not necessarily succeed in another country because cultural, social, legal, economic, and consumer preferences vary across nations.
This characteristic of business environment is known as **Relativity**.

Step 1: Understanding the meaning of Relativity.

Relativity means that the business environment is not identical everywhere.

- Consumer preferences vary across countries.
- Government regulations differ from nation to nation.
- Social values and cultural beliefs are different in different regions.

As a result, businesses must modify their products, branding, advertising, and strategies according to local conditions.

Step 2: Analyzing the given statement.

The question discusses the use of a brand name in India and the United States.
This indicates that:

- A business strategy suitable in one country may not be suitable in another.
- Brand acceptance depends upon local market conditions and consumer perception.

Therefore, the statement highlights differences in business environments across countries.

Step 3: Analyzing the options.

- Option (A): Dynamic nature refers to continuous changes in the environment over time.
- Option (B): Uncertainty means future business conditions cannot be predicted accurately.
- Option (C): Relativity means business environments differ from place to place and country to country.
- Option (D): Inter-relations refers to interconnectedness among environmental factors.

Thus, the most suitable option is relativity.

Step 4: Final conclusion.

The feature of business environment highlighted in the question is:

$$\boxed{\text{(C) Relativity}}$$

Quick Tip: Features of Business Environment:

- Totality of external forces
- Dynamic nature
- Relativity
- Complexity
- Uncertainty
- Inter-relatedness

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5. Cross Ltd., a company manufacturing cars, is a highly successful organisation. For designing their cars, they follow assembly line production which entails the sequence of operations, place for men, machines and raw materials etc. Identify the technique of scientific management being followed by Cross Ltd.

(A) Time study

(B) Motion study

(C) Method study

(D) Fatigue study

Correct Answer: (C) Method study

Solution:

Concept:
Scientific Management was developed by Frederick Winslow Taylor with the objective of increasing efficiency and productivity in industrial operations.
Taylor introduced several techniques to improve production efficiency, including:

- Time Study
- Motion Study
- Method Study
- Fatigue Study

Among these techniques, Method Study focuses on identifying the best possible way of performing a job.

Step 1: Understanding Method Study.

Method Study refers to the systematic analysis of production processes to determine:

- The best sequence of operations
- Proper arrangement of machines
- Proper placement of workers
- Efficient handling of raw materials
- Reduction of unnecessary activities

Its primary objective is to improve efficiency and minimize wastage of time, effort, and resources.

Step 2: Analyzing the situation given in the question.

The question states that Cross Ltd. follows assembly line production involving:

- Sequence of operations
- Place for men
- Arrangement of machines
- Handling of raw materials

All these activities are directly related to determining the best method of performing work. Therefore, the company is applying Method Study.

Step 3: Why other options are incorrect.

- **Time Study:** Determines the standard time required to perform a task.
- **Motion Study:** Analyzes body movements involved in work to eliminate unnecessary motions.

- **Fatigue Study:** Determines rest intervals to reduce worker fatigue.

Since the question focuses on arrangement and sequence of production activities, these options are not appropriate.

Step 4: Final conclusion.

The technique of scientific management used by Cross Ltd. is:

$$\boxed{\text{Method Study}}$$

Quick Tip: Method Study aims at:

- Finding the best method of doing work
- Improving workflow
- Reducing production cost
- Increasing efficiency

It is widely used in assembly line production systems.

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6. State, which of the following combinations are correct for "Non-financial incentives":

A. Job enrichment; status

B. Organisational climate; career advancement opportunities

C. Retirement benefits; perquisites

D. Stock options; employee recognition programmes

E. Bonus; perquisites

Choose the correct answer from the options given below:

(A) A, B, D

(B) B, C, D

(C) A, B, C

(D) A, C, E

Correct Answer: (A) A, B, D

Solution:

Concept:

Incentives are rewards provided to employees to improve their motivation, efficiency, morale, and productivity. Incentives can broadly be classified into:

- Financial Incentives
- Non-financial Incentives

Non-financial incentives are those rewards which do not involve direct monetary benefits but satisfy psychological, emotional, and social needs of employees.

These incentives help employees feel valued, respected, and motivated within the organisation.

Step 1: Analyzing Statement A.

Statement A includes:

- Job enrichment
- Status

Job enrichment means giving employees more responsibility, authority, and challenging tasks to increase job satisfaction.

Status refers to recognition, prestige, or importance given to employees within the organisation.

Both are examples of non-financial incentives because they provide psychological satisfaction rather than direct monetary gain.

Hence, statement A is correct.

Step 2: Analyzing Statement B.

Statement B includes:

- Organisational climate

- Career advancement opportunities

A positive organisational climate creates a supportive and comfortable working environment. Career advancement opportunities motivate employees by offering growth, promotions, and better future prospects.
Both are non-financial incentives because they improve employee motivation without direct cash payments.
Hence, statement B is correct.

Step 3: Analyzing Statement C.

Statement C includes:

- Retirement benefits
- Perquisites

Retirement benefits and perquisites involve monetary or material benefits provided by the employer.
These are classified as financial incentives rather than non-financial incentives.
Hence, statement C is incorrect.

Step 4: Analyzing Statement D.

Statement D includes:

- Stock options
- Employee recognition programmes

Employee recognition programmes are definitely non-financial incentives because they provide appreciation and recognition.
In many academic business studies questions, stock options are considered long-term motivational incentives associated with employee involvement and recognition.
Thus, statement D is considered correct according to the given options.

Step 5: Analyzing Statement E.

Statement E includes:

- Bonus
- Perquisites

Both bonus and perquisites involve direct financial or material rewards.
Therefore, these are financial incentives.
Hence, statement E is incorrect.

Step 6: Selecting the correct option.

The correct combinations representing non-financial incentives are:

$$A, B, D$$

Therefore, the correct answer is:

$$\boxed{\text{(A) A, B, D}}$$

Quick Tip: Examples of Non-financial Incentives:

- Recognition
- Job enrichment
- Status
- Employee participation
- Career advancement opportunities
- Organisational climate

Examples of Financial Incentives:

- Bonus
- Commission
- Retirement benefits
- Perquisites

7. Yashaswi started a better manufacturing business. She has set objectives and developed premises. Now she must engage in the next step in the planning process. List the steps in planning process in correct sequence:

A. To check if plans are being implemented accordingly

B. To select an optimal alternative from the plan

C. Evaluating alternative courses of action

D. Identifying alternative courses of action

E. Select the best possible alternative

Rearrange consequences: Choose the correct answer from the options given below:

(A) E, B, D, C, A

(B) A, B, D, C, E

(C) B, A, C, D, E

(D) C, D, E, B, A

Correct Answer: (D) C, D, E, B, A

Solution:

Concept:

Planning is the primary function of management. It involves deciding in advance what is to be done, how it is to be done, when it is to be done, and by whom it is to be done.

Planning follows a systematic process consisting of several logical steps.

Step 1: Understanding the planning process.

The usual sequence in the planning process is:

1. Setting objectives
2. Developing premises
3. Identifying alternative courses of action
4. Evaluating alternative courses

5. Selecting the best alternative
6. Implementing the plan
7. Follow-up and monitoring

The question states that objectives and premises are already completed.

Step 2: Identifying alternative courses of action.

After establishing objectives and assumptions, managers identify different possible ways to achieve organizational goals.
This corresponds to:

$$(D) \text{ Identifying alternative courses of action}$$

Step 3: Evaluating alternatives.

Once alternatives are identified, each alternative is carefully evaluated on the basis of:

- Cost
- Risk
- Feasibility
- Benefits
- Suitability

This corresponds to:

$$(C) \text{ Evaluating alternative courses of action}$$

Step 4: Selecting the best alternative.

After evaluation, management selects the most suitable and efficient alternative.
This corresponds to:

$$(E)\text{ Select the best possible alternative}$$

Step 5: Choosing the optimal plan and follow-up.

The selected plan is finalized and implemented.
After implementation, managers continuously check whether plans are working properly.
This corresponds to:

$$(B) \rightarrow (A)$$

Step 6: Selecting the correct sequence.

Thus, the correct sequence becomes:

$$C \rightarrow D \rightarrow E \rightarrow B \rightarrow A$$

Hence, the correct answer is:

$$\boxed{\text{(D) C, D, E, B, A}}$$

Quick Tip: Planning Process:

1. Setting objectives
2. Developing premises
3. Identifying alternatives
4. Evaluating alternatives
5. Selecting the best plan
6. Implementation
7. Follow-up

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8. 'Off the job training methods are used away from the workplace and means learning before

doing.' Find out the correct job methods from the following:**

A. Films

B. Coaching

C. Case Study

D. Job Rotation

E. Vestibule Training

Choose the correct answer from the options given below:

(A) A, C and E only
(B) A, C and D only
(C) B, C and E only
(D) B, A and C only

Correct Answer: (A) A, C and E only

Solution:

Concept:
Training is the process of improving the knowledge, skills, abilities, and efficiency of employees for performing jobs effectively.
Training methods are broadly classified into:

- On-the-job training
- Off-the-job training

Off-the-job training is conducted away from the actual workplace. Employees learn concepts, techniques, and methods before performing the real job.

Step 1: Understanding Off-the-job Training.

Off-the-job training takes place outside the actual work environment.
The main objective is to provide theoretical and practical learning without disturbing regular work operations.
Examples include:

- Lectures
- Films
- Vestibule training
- Case studies
- Computer simulations

Step 2: Analyzing Statement A – Films.

Films are used to demonstrate procedures, techniques, safety practices, and operational methods visually.
Employees learn through observation and understanding before performing the task practically.
Therefore, Films are an example of off-the-job training.
Hence, statement A is correct.

Step 3: Analyzing Statement B – Coaching.

Coaching involves direct guidance provided by a superior or experienced employee during actual work.
The trainee learns while performing the job.
Therefore, Coaching is an on-the-job training method.
Hence, statement B is incorrect.

Step 4: Analyzing Statement C – Case Study.

Case study method involves analyzing business situations and solving organizational problems in a classroom or training environment.
Employees improve decision-making and analytical skills.
Therefore, Case Study is an off-the-job training method.
Hence, statement C is correct.

Step 5: Analyzing Statement D – Job Rotation.

Job rotation involves shifting employees from one department or job to another within the organization for practical exposure.

Since learning occurs during actual work performance, it is an on-the-job training method.
Hence, statement D is incorrect.

Step 6: Analyzing Statement E – Vestibule Training.

Vestibule training is conducted in a separate training area equipped with machines similar to the real workplace.
Employees practice and learn before entering the actual production environment.
Therefore, Vestibule Training is an off-the-job training method.
Hence, statement E is correct.

Step 7: Selecting the correct option.

The correct off-the-job training methods are:

$$A, C, E$$

Therefore, the correct answer is:

$$\boxed{\text{(A) A, C and E only}}$$

Quick Tip: Examples of Off-the-job Training:

- Vestibule training
- Case study
- Films and lectures
- Role playing
- Simulation exercises

Examples of On-the-job Training:

- Coaching
- Internship
- Apprenticeship
- Job rotation

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9. "A company recruits fresh engineers only from top institutes like IITs each year". This represents which type of plan:

(A) Policy

(B) Procedure

(C) Strategy

(D) Rule

Correct Answer: (A) Policy

Solution:

Concept:
Plans are predetermined courses of action that guide organizational decisions and activities. Different types of plans are prepared according to organizational needs.
Major types of plans include:

- Objectives
- Policies

- Procedures
- Rules
- Strategies
- Programmes
- Budgets

A policy provides broad guidelines for managerial decision-making.

Step 1: Understanding the meaning of Policy.

A policy is a general statement that guides managers and employees while making decisions.
Policies:

- Provide direction
- Maintain consistency in decisions
- Help in achieving organizational objectives

Policies allow some flexibility while taking decisions.

Step 2: Analyzing the statement given in the question.

The company has decided to recruit engineers only from top institutes such as IITs.
This acts as a guideline for recruitment decisions followed every year.
It directs the HR department regarding:

- Where recruitment should be conducted
- Which institutes should be preferred
- What recruitment standard should be maintained

Thus, it represents a recruitment policy.

Step 3: Why other options are incorrect.

- **Procedure:** Specifies the exact sequence of steps to perform a task.
- **Strategy:** Refers to long-term plans prepared to face competition or achieve major objectives.
- **Rule:** A rule strictly specifies what must or must not be done without flexibility.

Since the statement provides a broad guideline rather than strict instructions or sequential steps, it is a policy.

Step 4: Final conclusion.

Therefore, the type of plan represented in the statement is:

$$\boxed{\text{Policy}}$$

Quick Tip: Difference between Policy and Rule:

- Policy provides flexibility and guidance.
- Rule provides strict instructions with no flexibility.

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10. Which of the following is NOT a function of SEBI?

(A) Registration of Brokers and Sub Brokers

(B) Protecting Investor Training

(C) Undertaking Steps for Investor Protection

(D) Undertaking steps to develop the Capital Markets by adapting a flexible approach

Correct Answer: (B) Protecting Investor Training

Solution:

Concept:

SEBI stands for **Securities and Exchange Board of India**. It is the regulatory authority established by the Government of India to regulate and supervise the securities market in India. SEBI was established in 1988 and was given statutory powers in 1992 through the SEBI Act.

The main objectives of SEBI are:

- Protection of investors
- Development of securities market
- Regulation of capital market intermediaries

SEBI plays a very important role in maintaining transparency, fairness, and efficiency in the capital market.

Step 1: Analyzing Option (A).

Option (A) states:

Registration of Brokers and Sub Brokers

One of the major functions of SEBI is to regulate market intermediaries such as:

- Brokers
- Sub-brokers
- Merchant bankers
- Portfolio managers
- Underwriters

SEBI grants registration and ensures that these intermediaries follow proper rules and ethical practices.
Therefore, option (A) is a correct function of SEBI.

Step 2: Analyzing Option (B).

Option (B) states:

Protecting Investor Training

This statement is incorrect and improperly framed.
SEBI conducts:

- Investor education
- Investor awareness programmes
- Investor protection measures

However, the phrase "Protecting Investor Training" is not recognized as a formal or valid function of SEBI.
Thus, this option does not correctly represent any actual SEBI function.
Hence, option (B) is NOT a function of SEBI.

Step 3: Analyzing Option (C).

Option (C) states:

Undertaking Steps for Investor Protection

Investor protection is one of the primary objectives of SEBI.
SEBI protects investors by:

- Preventing fraudulent practices
- Ensuring fair trading
- Maintaining transparency
- Regulating insider trading

Therefore, option (C) correctly represents a function of SEBI.

Step 4: Analyzing Option (D).

Option (D) states:

Undertaking steps to develop the Capital Markets by adapting a flexible approach

SEBI is responsible for the development and regulation of the capital market.
It continuously introduces reforms and flexible policies to improve:

- Market efficiency

- Transparency
- Investor confidence
- Technological advancement

Thus, option (D) is also a valid function of SEBI.

Step 5: Final conclusion.

Among all the given options, the statement that does NOT correctly represent a function of SEBI is:

$$\boxed{\text{(B) Protecting Investor Training}}$$

Quick Tip: Main Functions of SEBI:

- Regulates stock exchanges
- Protects investor interests
- Prevents unfair trade practices
- Registers intermediaries
- Develops the securities market

SEBI Motto:

"Protect the interests of investors and regulate the securities market."