

SAMPLE CONTENT

SMART NOTES



Std. XII

SUPPLEMENTARY QUESTIONS

(BK • ECO • OCM • SP)

Covers all objectives & new types
of questions as per the textbook

BK

OCM

ECO

SP

COMMERCE

SMART NOTES

SUPPLEMENTARY QUESTIONS

(B.K., ECO, O.C.M., S.P.)

Std. XII

Salient Features

- ☞ Written as per the latest textbook
- ☞ Covers four major subjects of Commerce i.e. B.K., Economics, O.C.M. and S.P
- ☞ Extensive coverage of all new type of questions from the latest textbooks
- ☞ Includes a variety of objective and interpretative questions
- ☞ Provides answers of all questions to facilitate evaluation
- ☞ All textual questions covered and marked with (T) for easy identification
- ☞ Ample additional questions given for exhaustive coverage
- ☞ Includes relevant board questions upto March 2023 board examination

Printed at: **Print to Print**, Mumbai

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PREFACE

“Supplementary Questions - Std. XII” forms a part of **‘SMART NOTES’** prepared as per the **Latest Textbook**. This book is a chapter-wise compilation of four major subjects of Commerce i.e. Book Keeping & Accountancy, Economics, Organisation of Commerce & Management and Secretarial Practice.

It is a known fact that it is possible to score 100% marks in objective questions. However, it is also a known fact that students tend to neglect these objective questions the most. They assume that if they have read the textbook or theory questions of their notes, they will easily be able to answer all the objective questions as well. Their approach is partially correct but partially wrong too.

With the growing complexity of syllabus and the focus on increasing students’ interpretative capacity, a whole new set of objective questions have been introduced in the latest textbooks for Std. XII. It is surely an advantage that there is more focus on concept building and application, thereby reducing the memorising part. However, it can turn into a disadvantage if a student neglects these new type of interpretative and thought-provoking questions.

With the primary idea of enabling students to score more, we have introduced the “Supplementary Questions” book. The book contains different types of 1-mark objective questions like **“Choose the correct option”, “Complete the sentences”, “Answer in one sentence”, “Write a word or phrase”** etc. Apart from these 1-mark questions, we have also included interpretative questions like **“Justify the following statements”, “Study the following case and express your opinion”, “Identify and explain the concepts from the given illustrations, Distinguish Between”** etc. By studying all these questions, a student ensures that he/she is completely prepared for his exams.

Publisher

Edition: Second

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we’ve nearly missed something or want to applaud us for our triumphs, we’d love to hear from you. Pls write to us on: mail@targetpublications.org

Disclaimer

This reference book is transformative work based on textbooks - Book Keeping & Accountancy, Economics, Organisation of Commerce & Management and Secretarial Practice ; Third Reprint : 2022 published by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. We the publishers are making this reference book which constitutes as fair use of textual contents which are transformed by adding and elaborating, with a view to simplify the same to enable the students to understand, memorize and reproduce the same in examinations.

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Objective Type Questions:

(A) Select most appropriate answer from the alternatives given below and rewrite the sentences.

1. When there is no partnership agreement between partners, the division of profits take place in _____ ratio. (T)		Equal
a. equal	b. capital ratio	
c. initial contribution	d. experience and tenure of partners	
2. To find out Net Profit or Net Loss of the business _____ account is prepared. (T)		Profit & Loss
a. Trading	b. Capital	
c. Current	d. Profit & Loss	
3. A _____ is an Intangible Asset. (T)		Goodwill
a. Goodwill	b. Stock	
c. Cash	d. Furniture	
4. In the absence of an agreement, interest on loan advanced by the partner to the firm is allowed at the rate of _____. (T)		6%
a. 5%	b. 6%	
c. 10%	d. 9%	
5. Liability of partners in a partnership business is _____. (T)		Unlimited
a. Limited	b. Unlimited	
c. Limited and Unlimited	d. None of the above	
6. The Indian Partnership act is in force since _____. (T)		1932
a. 1932	b. 1881	
c. 1956	d. 1984	
7. Maximum number of Partners in a firm are _____ according to Companies Act 2013. (T)		50
a. 10	b. 25	
c. 20	d. 50	
8. If the date of drawing is not given then average of _____ month's interest is charged on drawings.		6
a. 3	b. 6	
c. 9	d. 12	
9. Trading account is a _____ account.		Nominal
a. Personal	b. Real	
c. Nominal	d. Nominal or Real	
10. A statement showing financial position of the business is called as _____. (Oct'21)		Balance Sheet
a. Trial Balance	b. Capital	
c. Balance Sheet	d. Trading Account	
11. Closing stock should be taken at _____. (T)		Cost or market value, whichever is lower
a. Cost		
b. Market value		
c. Cost or market value, whichever is lower		
d. Cost or market value, whichever is higher		

**(B) Write the Word / Term / Phrase which can substitute each of the following statements.**

1. Persons who form the partnership firm. (T)	Partners
2. An association of two or more persons according to Indian Partnership Act 1932. (T)	Partnership
3. Act under which partnership firms are regulated. (T)	Indian Partnership Act 1932
4. Nature of liability of partners of partnership firm.	Unlimited, joint and several
5. Partnership agreement in written form. (T)	Partnership Deed
6. Document which is called as an Article of Partnership.	Partnership Deed
7. Process of entering the name of partnership firm in the register of Registrar. (T)	Registration
8. Proportion in which partners share profits. (T)	Profit Sharing Ratio
9. The accounts that are prepared at the end of each accounting year. (T)	Final Accounts
10. Under this method, capital balances of partners remain constant. (T)	Fixed Capital Method
11. Such capital method in which only capital account is maintained for each partner. (T)	Fluctuating Capital Method
12. The account to which all adjustment are made when capital is fixed. (T)	Partners' Current Account
13. Debit balance of Trading Account. (T) (Mar'22)	Gross Loss
14. Credit balance of Profit & Loss Account. (T) (Mar'23)	Net Profit
15. Amount of cash or goods withdrawn by partners from the business from time to time. (T)	Drawings
16. Expenses which are paid before they are due. (T)	Prepaid Expenses
17. An asset which can be converted into cash easily. (T)	Current Asset / Liquid asset
18. Order in which fixed assets are recorded first in Balance sheet. (T)	Order of Liquidation
19. Account prepared to find Gross Profit / Loss of the business.	Trading account
20. The account in which selling expenses of business are recorded. (T)	Profit and Loss Account

(C) State whether the following statements are True or False with reasons.

1. There can be partnership with 60 partners.

Ans: False

Reason: Partnership firm can have maximum of 50 partners

2. Partnership must be in written form compulsorily.

Ans: False

Reason: Partnership can be in oral form as well.



3. Partnership firm is a Non Trading Concern. (T)

Ans: False

Reason: Partnership firm is a trading concern. It is an organisation where there is an association of two or more persons coming together to carry on a business with a view to share profit or losses of a firm.

4. Profit and Loss Account is a Real Account. (T)

Ans: False

Reason: Profit and Loss Account is a Nominal Account.

5. Carriage Inward is carriage on purchases. (T)

Ans: True

Reason: The expenses incurred on carriage of purchases is carriage inward.

6. Adjustments are recorded in Partners Current Account in Fixed Capital Method. (T)

Ans: True

Reason: In case of Fixed Capital Method, the capital of partners is to be kept fixed. Hence, all the adjustments are routed through Partners Current Account.

7. Prepaid expenses are treated as liabilities. (T)

Ans: False

Reason: Prepaid expenses are the expenses that are not due but have been paid in advance. Hence, they are to be treated as assets.

8. If Partnership Deed is silent, partners share profits and losses in proportion to their capital. (T)

Ans: False

Reason: If the Partnership Deed is silent, partners share profit and losses in equal ratio.

9. Balance sheet is an Account. (T)

Ans: False

Reason: Balance sheet is a statement.

10. Wages paid for installation of Machinery is a Revenue expenditure. (T)

Ans: False

Reason: Wages paid for installation of Machinery is a capital expenditure and is to be added in cost of Machinery.

11. Income received in advance is a liability. (T)

Ans: True

Reason: Since the income is not due but already received, it is a liability.

12. R.D.D. is created on creditors. (T)

Ans: False

Reason: R.D.D. is a provision against the doubtful debtors and hence is created on debtors.

13. Depreciation is not calculated on Current Assets. (T)

Ans: True

Reason: Depreciation is calculated on fixed assets only and not on current assets.

14. Goodwill is an intangible asset. (T)

Ans: True

Reason: Intangible assets are the assets which cannot be seen or touched. Hence, goodwill is an intangible asset.

15. Indirect expenses are debited to Trading Account. (T)

Ans: False

Reason: Only direct expenses are debited to Trading Account. Indirect expenses are debited to Profit and Loss Account.

**16. Bank Loan is a current liability. (T)****Ans:** False**Reason:** Current liabilities are usually short term liabilities. Bank loan is usually a long term loan and hence is not a current liability.**17. Net profit is debit balance of Profit & Loss Account. (T)****Ans:** False**Reason:** Net profit is credit balance of Profit & Loss Account. Net loss is debit balance of Profit & Loss Account.**18. Closing stock is always valued at market price.****Ans:** False**Reason:** Closing stock is valued at cost or market price whichever is lower.**19. Interest on capital is income of the firm.****Ans:** False**Reason:** Interest on capital is paid by firm to its partner and hence is an expense of the firm.**20. Return inward is deducted from purchases.****Ans:** False**Reason:** Return inward is sales returns and is deducted from sales. Return outward is deducted from purchases.**(D) Find the odd one.****1. Wages, Salary, Royalty, Import Duty (T)****Ans:** Salary – All others are debited to Trading Account.**2. Postage, Stationery, Advertising, Purchases (T)****Ans:** Purchases – All others are debited to Profit and Loss Account.**3. Capital, Bills Receivable, Reserve Fund, Bank overdraft (T)****Ans:** Bills Receivable – All others are recorded on Balance Sheet liability side.**4. Building, Machinery, Furniture, Bills payable (T)****Ans:** Bills Payable – All others are recorded on Balance Sheet asset side.**5. Discount received, Dividend received, Interest received, Depreciation (T)****Ans:** Depreciation – All others are income.**6. Carriage inward, Dock Charges, Factory Rent, Salary and Wages****Ans:** Salary and Wages – All others are recorded in Trading Account.**7. Dock charges, Printing and stationery, Custom duty, Wages and salary. (Oct'21)****Ans:** Printing and stationery – All others are recorded in Trading Account.**8. Loading charges, Rent and rates, Advertisement, Work Manager's salary****Ans:** Work Manager's salary – All others are recorded in Profit and Loss Account.**9. Land and Building, Furniture and Fixture, Patents, Bank Loan****Ans:** Bank Loan – All others are recorded on Balance Sheet asset side.**10. Creditors, Land and Building, General Reserve, Capital. (Oct'21)****Ans:** Land and Building – All others are recorded on Balance Sheet liability side.**(E) Complete the sentences.**

1. Partners share profit & losses in _____ ratio in the absence of partnership deed.

(T)

Equal

2. Registration of Partnership is _____ in India. **(T)**

Optional

3. Partnership business must be _____ **(T)**

Lawful

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To see complete chapter buy **Target Notes**



Objective Questions:

(A) Choose the correct option:

1. The branch of economics that deals with the allocation of resources. **(T) (Oct' 21)**
 - i. Micro-economics
 - ii. Macro-economics
 - iii. Econometrics
 - iv. None of these
 - a. i, ii and iii
 - b. i and ii
 - c. only i
 - d. None of these
2. Concepts studied under Micro-economics. **(T)**
 - i. National income
 - ii. General price level
 - iii. Factor pricing
 - iv. Product pricing
 - a. ii and iii
 - b. ii, iii and iv
 - c. i, ii and iii
 - d. iii and iv
3. Method adopted in micro-economic analysis. **(T)**
 - i. Lumping method
 - ii. Aggregative method
 - iii. Slicing method
 - iv. Inclusive method
 - a. i, iii and iv
 - b. i, ii and iv
 - c. only iii
 - d. only i
4. The theories which fall under the scope of Micro-economics.
 - i. Theory of Product Pricing
 - ii. Theory of Factor Pricing
 - iii. Theory of Economic Welfare
 - iv. Theory of Growth and Development
 - a. i, iii and iv
 - b. i, ii, and iv
 - c. i, ii and iii
 - d. only iv
5. This is not a feature of Micro-economics.
 - i. Income theory
 - ii. Study of aggregates
 - iii. Lumping Method
 - iv. Policy oriented
 - a. i, ii, iii and iv
 - b. i, ii and iv
 - c. i, ii and iii
 - d. ii and iv
6. These points explain the importance of Micro-economics.
 - i. Price determination
 - ii. Economic model building
 - iii. Useful to government
 - iv. Performance of an economy
 - a. i, ii, iii and iv
 - b. i, ii and iii
 - c. i, ii and iv
 - d. only i
7. Concepts studied under Macro-economics. **(T)**
 - i. Whole economy
 - ii. Economic development
 - iii. Aggregate supply
 - iv. Product pricing
 - a. i, ii and iii
 - b. ii, iii and iv
 - c. only iv
 - d. i, ii, iii and iv
8. The theories which fall under the scope of Macro-economics.
 - i. Theory of Income and Employment
 - ii. Theory of Factor Pricing
 - iii. Theory of Economic Welfare
 - iv. Theory of Growth and Development
 - a. i, iii and iv
 - b. i, ii and iv
 - c. i, ii and iii
 - d. i and iv



9. This is a feature of Macro-economics.
- Income theory
 - Study of aggregates
 - Lumping Method
 - Policy oriented
- i, ii, iii and iv
 - i, ii and iv
 - i, ii and iii
 - ii and iv
10. These points explain the importance of Macro-economics.
- Functioning of an economy
 - Economic model building
 - Basis of Welfare Economics
 - Performance of an economy
- i, ii, iii and iv
 - i and iv
 - i, ii and iii
 - ii and iv

Answers:

- | | | | |
|-------|--------|-------|-------|
| 1 – c | 2 – d | 3 – c | 4 – c |
| 5 – a | 6 – b | 7 – a | 8 – d |
| 9 – a | 10 – b | | |

(B) Assertion and Reasoning – Choose the correct answer from the following:

- Assertion (A):** Micro-economics and Macro-economics are two branches of modern economics.

Reasoning (R): The terms 'Micro-economics' and 'Macro-economics' were coined by Prof. Alfred Marshall.

 - (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).
- Assertion (A):** Micro-economics is known as price theory.

Reasoning (R): Micro-economics deals with the determination of prices of goods & services as well as prices of factors of production.

 - (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).
- Assertion (A):** Micro-economics begins with certain assumptions like pure capitalism, full employment, perfect competition etc.

Reasoning (R): The assumptions make micro-economic analysis simpler.

 - (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).
- Assertion (A):** Micro-economics uses lumping method.

Reasoning (R): Micro-economics splits or divides the whole economy into small individual units for study.

 - (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).
- Assertion (A):** Marginal analysis helps to study a variable through the changes.

Reasoning (R): Producers and consumers take economic decisions using marginal principle.

 - (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).



6. **Assertion (A):** Micro-economics helps in understanding the working of a free market economy.
Reasoning (R): There is limited intervention by the government in a free market economy.
- (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).
7. **Assertion (A):** General price level is the average of all prices of goods and services in the economy.
Reasoning (R): Determination and change in general price level are studied in Macro-economics.
- (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).
8. **Assertion (A):** Micro-economics helps us to analyse the performance of an economy.
Reasoning (R): National Income estimates are used to measure performance of an economy over time.
- (A) is True but (R) is False.
 - (A) is False but (R) is True.
 - Both (A) and (R) are True and (R) is the correct explanation of (A).
 - Both (A) and (R) are True but (R) is not the correct explanation of (A).

Answers: 1 – a 2 – c 3 – c 4 – b
 5 – d 6 – a 7 – d 8 – b

(C) Complete the following statements by choosing the correct alternative:

- The terms Micro-economics & Macro-economics were first used by _____.
(Mar' 18, '15)
 - Adam Smith
 - Robbins
 - Ragnar Frisch
 - Marshall
- The term "micro" is derived from Greek word _____.
 - Micros
 - Mikros
 - Makros
 - Mykros
- Micro-economics was popularised by Neo-Classical Economist, _____ in his books 'Principles of Economics'.
 - Adam Smith
 - Lord Keynes
 - Ragnar Frisch
 - Alfred Marshall
- The credit for development of macro-economic approach goes to _____.
 - Adam Smith
 - Lord Keynes
 - Ragnar Frisch
 - Alfred Marshall
- The theory of factor pricing explains how _____ are determined.
 - output prices
 - costs
 - demand and supply
 - factor rewards
- Theory of _____ deals with the efficiency in allocation of resources.
 - Product Pricing
 - Factor Pricing
 - Economic Welfare
 - Growth & Development
- A study of _____ is micro-economics.
 - aggregate demand
 - firm
 - national income
 - whole economy
- Micro Economics is also called as _____. **(Mar' 23, July 18)**
 - Income theory
 - Price theory
 - Growth theory
 - Employment theory

Ragnar Frisch

Mikros

Alfred Marshall

Lord Keynes

factor rewards

Economic Welfare

firm

Price theory



9. Micro economics is a _____ equilibrium approach. (Mar' 20)
 - a. partial
 - b. general
 - c. total
 - d. multi-variable
10. The term "Macro" is derived from the Greek word _____.
 - a. Micros
 - b. Mikros
 - c. Makros
 - d. Mykros
11. To understand how the level of _____ is determined, we must study the consumption function and investment function.
 - a. income
 - b. output
 - c. price
 - d. employment
12. Macro-economics is a study of _____.
 - a. aggregates
 - b. firm
 - c. individual unit
 - d. factor prices
13. The study of _____ is important on account of the problems created by inflation and deflation.
 - a. general price level
 - b. national income
 - c. national output
 - d. employment
14. Whole Economy is studied in _____. (Mar' 22)
 - a. Micro Economics
 - b. Macro Economics
 - c. Econometrics
 - d. Natural Sciences
15. According to Keynes, Macro-economics is a _____ oriented science.
 - a. welfare
 - b. policy
 - c. price
 - d. aggregate
16. _____ estimates are used to measure the performance of economy over time.
 - a. Regional Employment
 - b. National Income
 - c. Aggregate Demand
 - d. Aggregate Supply

partial

Makros

employment

aggregates

general price level

Macro Economics

policy

National Income

(D) Choose the Correct pair:

1.

Group 'A'		Group 'B'	
i.	Micro Economics	a.	Profit
ii.	Macro Economics	b.	Alfred Marshall
iii.	Reward of entrepreneur (Mar' 20)	c.	Feature of Micro Economics
iv.	Partial Equilibrium	d.	Lord Keynes

(A) i – b, ii – a, iii – c, iv – d

(B) i – c, ii – d, iii – a, iv – b

(C) i – b, ii – d, iii – a, iv – c

(D) i – b, ii – c, iii – a, iv – d

1 – C

2.

Group 'A'		Group 'B'	
i.	Micro	a.	Principles of Economics
ii.	Macro	b.	Makros
iii.	Alfred Marshall	c.	General Theory of Employment, Interest & Money
iv.	Lord Keynes	d.	Mikros

(A) i – d, ii – b, iii – a, iv – c

(B) i – c, ii – a, iii – b, iv – d

(C) i – c, ii – b, iii – a, iv – d

(D) i – a, ii – c, iii – d, iv – b

2 – A

Page no. **E-1** to **E-126** are purposely left blank.

To see complete chapter buy **Target Notes**



Objective Questions:

(A) Select the correct answer from the options given below and rewrite the statements:

1. Principles of management are a base for taking _____. a. orders b. remuneration c. decisions	decisions
2. Management principles influence _____. (Mar' 18) a. human behaviour b. organisation c. government	human behaviour
3. Management principles are the principles of _____ science. a. abstract b. social c. pure	social
4. Management _____ are set of general rules that guide the managers to manage an organisation. a. principles b. quotes c. theories	theories
5. _____ proposed 14 principles of management in his famous book 'General and Industrial Administration'. a. Henry Fayol b. F W Taylor c. Philip Kotler	Henry Fayol
6. Henry Fayol is called as the father of _____ management. (Feb' 20, July 18) a. modern b. scientific c. technical	modern
7. Principle of _____ is based on 'A place for everything and everything in its place'. (T) a. discipline b. order c. equity	order
8. According to principle of _____, all employees should be given the same treatment. (Feb' 19) a. discipline b. authority c. equity	equity
9. Member of organisation should receive orders from _____. (T) (Mar' 22) a. many superior b. one superior c. all superiors	one superior
10. According to the principle of _____, there must be a proper balance between centralisation and decentralisation in the organisation. a. centralisation b. scalar chain c. unity of command	centralisation
11. Scalar chain means the hierarchy of _____ from the top level to the lower level for the purpose of communication. (T) (Feb' 23) a. discipline b. unity c. authority	authority
12. Esprit de corps means _____ is strength. a. individual b. authority c. unity	unity
13. _____ introduced the concept of "Mental Revolution". a. Henry Fayol b. F. W. Taylor c. Philip Kotler	F. W. Taylor
14. _____ was regarded as Father of Scientific Management. (T) (Oct' 21) a. Henry Fayol b. F. W. Taylor c. Philip Kotler	F. W. Taylor
15. Taylor recommended total _____ foremen to control the various aspects of production. (T) a. eight b. three c. two	eight
16. _____ tells how work moves from one machine to other. a. Gang Boss b. Instruction clerk c. Route clerk	Route clerk
17. Taylor suggested a _____ piece-rate wage system. a. differential b. incentive-based c. standard	differential



(B) Match the pairs:

1. (T)

Group 'A'		Group 'B'	
1.	Henry Fayol (Feb' 23)	a.	Eight Foremen
2.	Principle of Unity of Direction	b.	F.W. Taylor
3.	Principles of Management	c.	Proper division of all activities
4.	Scientific Management Theory (Mar' 22)	d.	General guidelines
5.	Functional Organisation	e.	A place for everything and everything in its place
		f.	One head – one plan
		g.	Low wage rate
		h.	Harmony between the employees and management
		i.	German engineer
		j.	Modern Management

1 – j

2 – f

3 – d

4 – b

5 – a

2.

Group 'A'		Group 'B'	
1.	Principle of unity of command (Feb' 20)	a.	Last function of management
2.	Controlling (Feb' 20)	b.	Creates sense of belonging
3.	Cross or direct communication	c.	One man one boss
4.	Principle of Stability of Tenure	d.	First function of management
		e.	Gang plank

1 – c

2 – a

3 – e

4 – b

(C) Write a word or a term or a phrase which can substitute each of the following statements:

- Father of modern management. **(Mar' 18)**
- The principle of management that says work should be divided into parts. **(Mar' 17, 16)**
- Principle of management which says unity is strength. **(Oct' 14)**
- Father of scientific management. **(Mar' 14)**
- The scientific principle which focuses on change in the attitude of employees and management towards each other.
- The principle which deals with 'to do work in an innovative way'. **(T)**
- The principle which is based on 'a place for everything and everything in its place'. **(T)**
- The study of movement of an employee as well as machine while completing particular task. **(T)**
- The technique of observing and recording the time required by an employee to complete a given task. **(T)**
- Study consists of an organised, systematic and critical assessment of various activities. **(T)**
- The foreman at implementation level who ensure that the work is completed in specific time.

Henry Fayol

Principle of Division
of Work

Principle of Esprit De
Corps

F. W. Taylor

Mental Revolution

Principle of Initiative

Principle of Order

Motion study

Time study

Work study

Speed Boss

**(D) State whether the following statements are true or false:**

1. The principles of management are universal in nature. **(T)**
2. Management principles are applied differently under different situations. **(T)**
3. Only some principles of management are important. **(T)**
4. F. W. Taylor has proposed 14 principles of management. **(T) (Feb' 23)**
5. Each member of organisation should receive orders only from one superior. **(T)**
6. The principle of equity suggests that remuneration should depend on department and not the level on which subordinates are working.
7. F. W. Taylor is known as the Father of Scientific Management.
8. Rule of thumb decisions are based on the personal judgements of the manager.
9. Employees and management should treat each other as two pillars of the organisation.
10. Method study is the technique used for fixing the standard time required to do a particular task.
11. Instruction clerk ensures that work is done as per the specified standards.
12. Differential piece rate wage plan motivates the employees to attain higher standard performance and earn wages at a higher rate.
13. Henry Fayol has given different techniques of management. **(T)**

True

True

False

False

True

False

True

True

True

False

False

True

False

(E) Find the odd one:

1. Principle of Authority and Responsibility, Motion Study, Principle of Division of Work, Principle of Discipline. **(T)**
2. Principle of Discipline, Principle of Equity, Division of Responsibility, Principle of Esprit de Corps
3. Fatigue Study, Principle of Unity of Command, Work Study, Motion Study. **(T)**
4. Speed Boss, Gang Boss, Route Clerk, Inspector

Motion Study

Division of
ResponsibilityPrinciple of Unity of
Command

Route Clerk

(F) Complete the sentences:

1. Management principles are formed to guide and influence the _____ of employees.
2. Authority always comes with _____.
3. Principle of Unity of _____ states that there should be one head and one plan in every organisation.
4. _____ refers to concentration of powers and authorities.
5. _____ refers to volunteering to do the work in an innovative way.
6. Job security minimises employee _____ ratio.
7. Before assigning the work to the available workforce, proper _____ should be done by management.
8. The study of _____ and the steps to reduce it is very important to maintain the operational efficiency of employees.
9. The eight foremen recommended by Taylor to control various aspects of production are categorised into planning level and _____ level.
10. _____ (foreman) ensures that work is done as per the specified standards.

behaviour

responsibility

Direction

Centralisation

Initiative

turnover

work study

fatigue

implementation

Inspector



(G) Select the correct option from the bracket:

1. (Scalar Chain, Union is strength, F. W. Taylor, Repair Boss, Henry Fayol)

Sr. No.	Group 'A'	Group 'B'
1.	Father of Scientific Management	_____
2.	_____	Handles security and maintenance of machine
3.	Esprit de Corps	_____
4.	_____	Hierarchy of authority for communication
5.	General & Industrial Administration	_____

Ans:

Sr. No.	Group 'A'	Group 'B'
1.	Father of Scientific Management (Mar' 22)	F. W. Taylor
2.	Repair Boss	Handles security and maintenance of machine
3.	Esprit de Corps	Union is strength
4.	Scalar Chain	Hierarchy of authority for communication
5.	General & Industrial Administration	Henry Fayol

(H) Answer in one sentence:

1. **What is the meaning of principle? (T)**

Ans: Principle means a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour or for a chain of reasoning.

2. **List any two Henry Fayol's principles of management.**

Ans: The following are two principles of management given by Henry Fayol:

- Principle of Division of Work
- Principle of Unity of Command

3. **What is principle of unity of command? (T)**

Ans: Principle of unity of command is a principle of management which states that each employee in the organisation should receive orders only from one superior.

4. **What is subordination of individual interest to organisational interest? (T)**

Ans: Subordination of individual interest to organisational interest is a principle of management which means that interest of the individual should be given lesser importance as compared to the organisational interest while taking any decision.

5. **What should a leader do as per the Principle of Esprit de Corps?**

Ans: As per the principle of Esprit de Corps, a leader should create a spirit of team work and understanding among employees to achieve organisational goal easily.

6. **According to Taylor's principle of co-operation, how can employees co-operate with the management?**

Ans: Employees can co-operate by resisting themselves from going on strike and making unnecessary demands from the management.

7. **What is the benefit of scientific task setting?**

Ans: By using the technique of scientific task setting, employees will complete the task according to the standard given and management can keep proper control on optimum utilisation of workforce.

8. **How does motion study help the organisation?**

Ans: Motion study is helpful in eliminating unnecessary motions, finding the best method of doing a particular job and in improving the efficiency of the employees.

9. **What is standardisation of tools and equipment? (T)**

Ans: Standardisation of tools and equipment is a technique of management which involves providing good working conditions, tools & equipment in order to reduce spoilage, wastage, cost of production and workers' fatigue.

Page no. **O-1** to **O-82** are purposely left blank.

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Objective Questions:

(A) Select the correct answer from the options given below and rewrite the statements:

1. _____ is related to money and money management. **(T) (Mar' 22)**
a. Production b. Marketing c. Finance
2. Finance is the management of _____ affairs of the company. **(T)**
a. monetary b. marketing c. production
3. Success of any business organisation depends on the efficiency of the generation and use of _____.
a. products b. funds c. personnel
4. Corporate finance deals with the acquisition and use of _____ by business corporation. **(T)**
a. goods b. capital c. land
5. Company has to pay _____ to government. **(T) (Feb' 23)**
a. taxes b. dividend c. interest
6. The firm has to use funds in such a manner that the returns are more than _____.
a. cost of capital b. profits c. cost of production
7. Investment decisions are also known as _____.
a. cost of capital b. capital structure c. capital budgeting
8. _____ refers to any kind of fixed assets. **(T)**
a. Authorised capital b. Issued capital c. Fixed capital
9. The _____ capital remains in business almost permanently. **(Feb' 19)**
a. fixed b. working c. borrowed
10. Manufacturing industries have to invest _____ amount of funds to acquire fixed assets. **(T)**
a. huge b. less c. minimal
11. _____ business may not need huge investments in fixed assets.
a. Manufacturing b. Public utilities c. Trading
12. When the population is increasing at high rate, certain manufacturers find this as an opportunity to _____ business. **(T)**
a. close b. expand c. contract
13. _____ refers to the excess of current assets over current liabilities. **(T)**
a. Working capital b. Paid-up capital c. Subscribed capital
14. Gerstenbergh prefers to call working capital as _____.
a. Net Working Capital b. Circulating capital
c. Gross Working capital
15. The sum of all _____ is gross working capital. **(T)**
a. expenses b. current assets c. current liabilities
16. Firms producing _____ products will require relatively less working capital.
a. essential b. luxury c. durable
17. Trading firms need large amount of _____.
a. fixed capital b. working capital c. trading capital
18. The _____ and size of working capital are directly related to each other.
a. fixed capital b. volume of profits c. volume of sales

Finance

monetary

funds

capital

taxes

cost of capital

capital budgeting

Fixed capital

fixed

huge

Trading

expand

Working capital

Circulating capital

current assets

essential

working capital

volume of sales



19. The process of converting raw material into finished goods is called _____.
a. consumer cycle b. production cycle
c. working capital cycle
20. _____ is a factor of credit control.
a. Credit sales b. Cash sales c. Profits
21. Liberal credit policy can increase the possibility of _____.
a. reduced working capital b. bad debts c. profits
22. A firm keeping _____ will require higher levels of working capital.
a. low inventory b. higher inventory c. no inventory
23. _____ means mix up of various sources of funds in desired proportion. **(T)**
(Mar '17)
a. Capital budgeting b. Capital structure c. Capital goods
24. Owned funds include _____.
a. debentures b. equity capital c. bank loans
25. _____ bears the ultimate risk associated with ownership.
a. Equity shareholders b. Preference shareholders
c. Debentures
26. _____ is ploughing back of profits.
a. Debentures b. Retained earnings c. Preference shares
27. _____ carry dividend at a fixed rate.
a. Equity shares b. Preference shares c. Debentures
28. _____ carry a fixed rate of interest.
a. Term loans b. Equity shares c. Preference shares

production cycle

Credit sales

bad debts

higher inventory

Capital structure

equity capital

Equity shareholders

Retained earnings

Preference shares

Term loans

(B) Match the pairs: (T)

1.

Group 'A'		Group 'B'	
1.	Capital Budgeting	a.	Sum of current assets
2.	Fixed capital (Oct' 21, July 17, Mar' 14)	b.	Deals with acquisition and use of capital
3.	Working capital (July 16)	c.	Fixed liabilities
4.	Capital structure	d.	Sum of current liabilities
5.	Corporate finance (Mar' 22)	e.	Fixed assets/ Investment in Fixed assets (July 17, Mar '14)
		f.	Investment decision
		g.	Financing decision
		h.	Deals with acquisition and use of assets
		i.	Mix up of various sources of funds
		j.	Product mix

1 – f

2 – e

3 – a

4 – i

5 – b

(C) Write a word or a term or a phrase which can substitute each of the following statements:

1. A key determinant of success of any business function. **(T)**
2. Raising and using of finance by a corporation.
3. The decision of finance manager which ensures that firm is well capitalised. **(T)**
4. The decision of finance manager to deploy the funds in systematic manner. **(T)**

Finance

Corporate finance

Financing decision

Investment decision



5.	Capital needed to acquire fixed assets which are used for longer period of time. (T)	Fixed capital
6.	The capital which is needed to carry out the day-to-day business activities.	Working capital
7.	The sum of current assets. (T)	Gross Working Capital
8.	The excess of current assets over current liabilities. (T)	Net Working capital
9.	The difference between current assets and current liabilities. (July 18)	Net Working Capital
10.	The boom and recession cycle in the economy. (T)	Business cycle
11.	The process of converting raw material into finished goods. (T)	Production cycle
12.	The policy which controls the volume and terms of credit sale.	Credit Control Policy
13.	The ratio of different sources of funds in the total capital. (T)	Capital structure
14.	The share capital on which dividend is paid at a fluctuating rate.	Equity shares
15.	The shares that carry preferential right to payment of dividend.	Preference shares
16.	The internal source of financing. (T)	Retained Earnings

(D) State whether the following statements are true or false:

1.	Finance is related to money and money management. (T) (Feb' 23)	True
2.	Corporate finance deals only with acquisition of finance by a company.	False
3.	A firm has multiple choices for sources of financing.	True
4.	Financing decision is also known as capital budgeting.	False
5.	Business firm gives green signal to the project only when it is profitable. (T)	True
6.	Corporate finance brings co-ordination between various business activities. (T)	True
7.	Commercial viability of the business is investigated once the business is set up.	False
8.	It is not possible to go ahead without a financial plan. (Mar' 16, Oct' 15)	True
9.	Fixed capital is also referred as circulating capital. (T)	False
10.	Inventories are an example of fixed assets.	False
11.	Initial planning of fixed capital requirement is made by company's promoters.	True
12.	A business carrying operations on large scale will require less amount of fixed capital.	False
13.	The business will require huge funds, if assets are acquired on lease basis. (T)	False
14.	Capital for financing receivables and payables comes under working capital.	True
15.	Working capital stays in the business almost permanently. (T)	False
16.	Requirement of working capital does not depend upon any factor. (Oct '14)	False
17.	The business dealing in luxurious products will require huge amount of working capital. (T)	True
18.	A firm with large scale operations will require more working capital. (T)	True
19.	If the volume of sales increases, there is decrease in working capital requirement.	False
20.	If the production cycle is longer, then the firm needs lesser amount of working capital.	False
21.	When there is a boom in the economy, more working capital is required.	True
22.	Liberal credit policy creates a problem of bad debts. (T)	True
23.	The firm making credit sales requires less working capital.	False
24.	Financial institutions and banks cater to the working capital requirement of business. (T)	True
25.	A company's capital can consist of owned and borrowed capital.	True
26.	Owned funds include debentures.	False



27. Equity shares are paid dividend before preference shares.
28. Preference shares carry dividend at a fixed rate.
29. Retained earnings are capital invested by shareholders.
30. Term loans carry a fixed rate of interest.

False

True

False

True

(E) Find the odd one:**Note:** Reason is given only for understanding**1. Right amount of capital, Calculate cost of capital, Right combination of debt and equity****Ans:** Calculate cost of capital

Reason: Calculating cost of capital is a part of investment decision while other two relate to financing decision.

2. Land and Building, Plant and Machinery, Cash (T)**Ans:** Cash

Reason: It is not a fixed asset.

3. Debenture Capital, Equity Share Capital, Preference Share Capital (T)**Ans:** Debentures capital

Reason: It is not owned capital but borrowed capital.

4. Fixed Capital, Capital Structure, Working Capital (T)**Ans:** Capital Structure

Reason: It is not a type of capital.

5. Cash, Inventories, Machinery**Ans:** Machinery

Reason: Not a part of working capital.

6. Sub-contract of production, Volume of credit sales, Term of credit sales**Ans:** Sub-contract of production

Reason: Not a factor of credit control policy.

(F) Complete the sentences:

1. The term finance is related to the inflow and outflow of _____.
2. Corporate finance deals with raising and using of finance by a _____.
3. The finance needed by business organisation is termed as _____. (Oct' 21)
4. The finance manager ensures that the capital of a firm has the right combination of _____.
5. _____ decision is also called as capital budgeting.
6. Every decision in the business is needed to be taken keeping in view of its impact on _____.
7. _____ refers to the capital invested in fixed assets.
8. Planning of capital requirement is made by _____. (T)
9. A firm will need _____ capital to maintain sufficient stock of finished goods.
10. _____ prefers to call net working capital as circulating capital.

money

corporation

Capital

debt and equity

Investment

profitability

Fixed capital

Finance manager

working

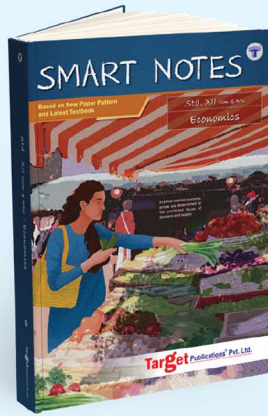
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