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CA Pre-Requisite Competencies (PRC) Preparation Book 2026

A full model paper in the real CA PRC pattern, with answer key



100 MCQs

Real CA PRC subject split

Answer key + online explanations

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1. Sit each model paper in one go, in 90 minutes, with a pen and the answer sheet of your choice.
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What is in this book

100 MCQs across one paper, each drawn in the same subject split as the real CA PRC paper:

- Business Writing and Comprehension: 20 MCQs per paper
- Quantitative Methods: 20 MCQs per paper
- Economics: 20 MCQs per paper
- Accounting: 20 MCQs per paper
- Introduction to Business: 20 MCQs per paper



MODEL PAPER 1 OF 1

CA Pre-Requisite Competencies (PRC)

100 MCQs · 90 minutes · answer key at the back



Business Writing and Comprehension

20 MCQs

1. Read the passage and answer the question: "A farmer who depends on one crop may earn a large profit in a favourable year. However, a disease affecting that crop can destroy the entire harvest. Growing several crops may produce less profit in the best years, but it protects the farmer from complete failure." What does the passage identify as the main advantage of growing several crops?

- ☐ A It guarantees the highest profit every year.
- ☐ B It removes the need for agricultural labour.
- ☐ C It reduces the risk of total financial loss.
- ☐ D It prevents every disease from spreading.

2. Which statement best describes a feasibility report?

- ☐ A It assesses whether a proposed plan is practical.
- ☐ B It announces that a completed plan was successful.
- ☐ C It records the minutes of a committee meeting.
- ☐ D It gives employees routine administrative instructions.

3. Which revision best removes redundancy from a précis?

- ☐ A The plan is new and innovative
- ☐ B The plan is innovative
- ☐ C The plan is new and also innovative
- ☐ D The plan is a new plan with innovation

4. What does "ambivalent" most nearly mean?

- ☐ A Having mixed or conflicting feelings
- ☐ B Showing complete confidence in a decision
- ☐ C Being unable to understand a simple issue
- ☐ D Refusing to consider an opposing view

5. Choose the correct verb: The list of approved vendors _____ on the procurement officer's desk.

- | | |
|-----------------------------|-----------------------------------|
| ☐ A are | ☐ B were |
| ☐ C is | ☐ D have been |

6. Which sentence works best as a thesis statement for an essay on reducing examination stress?

- (A) Examination stress affects many university students.
- (B) Students experience stress before important examinations.
- (C) Universities can reduce examination stress through counselling, planning workshops, and fair scheduling.
- (D) This essay discusses examinations and student life.

7. Which visual is most suitable for comparing the amounts spent by four departments in one financial year?

- (A) Bar chart
- (B) Flowchart
- (C) Timeline
- (D) Organisational chart

8. Which practice best improves the clarity of a lengthy business email?

- (A) Writing one paragraph for the entire message
- (B) Using headings and short paragraphs
- (C) Repeating the main request several times
- (D) Adding informal jokes between key points

9. Read the passage and answer the question: "Nadia submitted her application before the deadline, but one required certificate was missing. The office allowed her to provide the certificate within three days. She submitted it the next morning, and her application was then recorded as complete." What happened after Nadia submitted the missing certificate?

- (A) Her application was recorded as complete
- (B) Her application was rejected for late submission
- (C) The office extended the original deadline
- (D) She withdrew her application from consideration

10. What is the main function of an executive summary in a report?

- (A) To give a brief account of the report's main findings
- (B) To list every source consulted during the research
- (C) To provide detailed calculations for each result
- (D) To introduce the writer's personal career history

11. Why should a précis writer check the completed draft against the original passage?

- (A) To copy sentences that sound impressive
- (B) To verify accuracy, emphasis, and proportion
- (C) To increase the précis to the original length
- (D) To replace difficult ideas with personal views

12. Which sentence correctly uses "farther" and "further"?

- (A) The village is farther from Lahore, and further negotiations are needed.
- (B) The village is further from Lahore, and farther negotiations are needed.
- (C) The village is farther from Lahore, and farther negotiations are needed.
- (D) The village is further from Lahore, and further negotiations are needed.

13. Which revision removes the pronoun ambiguity in this business sentence? The manager informed the assistant that she needed to update the invoice.

- (A) The manager informed the assistant that she needed to update the invoice.
- (B) The manager informed the assistant about updating the invoice.
- (C) The manager told the assistant, "You need to update the invoice."
- (D) The manager informed the assistant that the invoice needed her.

14. Which arrangement creates the most logical paragraph? 1. Finally, the committee announced its recommendations. 2. First, it reviewed the available evidence. 3. Next, it consulted the affected departments. 4. The committee was formed to examine the proposed policy.

- (A) 4, 2, 3, 1
- (B) 2, 4, 3, 1
- (C) 4, 3, 2, 1
- (D) 1, 2, 3, 4

15. How does a handout differ most clearly from a presentation slide?

- (A) A handout can contain fuller detail for later reference
- (B) A handout must contain only images and headings
- (C) A handout is used exclusively before a meeting
- (D) A handout cannot include figures or explanatory notes

16. In a formal business letter, what is the usual purpose of a reference line?

- (A) To identify a related file, case, or previous communication
- (B) To provide the writer's private opinion about the recipient
- (C) To replace the body of the letter with a brief summary
- (D) To show that the letter has already been answered

17. Read the passage and answer the question: "Many cities plant trees along roads to provide shade and reduce heat. However, trees also need careful planning. Their roots can damage pavements, and branches may interfere with power lines. Therefore, urban tree planting succeeds only when environmental benefits are balanced with proper maintenance." What is the main idea of the passage?

- (A) Urban trees provide no practical benefit to cities.
- (B) City trees require planning as well as environmental awareness.
- (C) Power lines are the main cause of urban pollution.
- (D) Roads should be replaced with parks in large cities.

18. In a report, what does a recommendation normally do?

- (A) Presents raw data without comment
- (B) Suggests an action based on the findings
- (C) Records the date of document preparation
- (D) Identifies every person who read the report

19. When a passage contains a rhetorical question used to challenge the reader, how should it usually appear in a précis?

- (A) As the same question with added emphasis
- (B) As a clear statement of the implied point
- (C) As a personal answer from the summariser
- (D) As several new questions on the topic

20. Which sentence uses "complement" correctly?

- (A) The blue tie complements his grey suit.
- (B) The blue tie compliments his grey suit.
- (C) The blue tie complements him for his honesty.
- (D) The blue tie compliments him for his honesty.



Quantitative Methods

20 MCQs

21. The Marshall-Edgeworth price index uses which quantities as weights?

- (A) Only base-period quantities
- (B) Only current-period quantities
- (C) The average of base and current quantities
- (D) The difference between the two quantities

22. If $f'(1) = 0$ and $f''(1) = 0$, what conclusion follows from the second derivative test?

- (A) A local maximum is certain
- (B) A local minimum is certain
- (C) The test gives no definite classification
- (D) An inflection point is certain

23. A regression slope of 2.5 for predicting monthly income in rupees from years of experience means that:

- (A) Income rises by 2.5 rupees per year
- (B) Experience rises by 2.5 years per rupee
- (C) Predicted income rises by 2.5 units per extra year
- (D) Income and experience have correlation 2.5

24. In systematic sampling, after selecting a starting unit, the researcher selects:

- ☐ A Every kth unit
- ☐ B Only volunteer units
- ☐ C One unit from each stratum
- ☐ D All units in one area

25. Which condition is required for a binomial probability model?

- ☐ A The number of trials is random
- ☐ B Each trial has more than two outcomes
- ☐ C The success probability changes each trial
- ☐ D The trials are independent with fixed success probability

26. For a 2×2 matrix $\begin{bmatrix} a & b \\ c & d \end{bmatrix}$, which expression represents its inverse when $ad - bc$ is nonzero?

- ☐ A $1/(ad-bc) \begin{bmatrix} a & -b \\ -c & d \end{bmatrix}$
- ☐ B $1/(ad-bc) \begin{bmatrix} d & -b \\ -c & a \end{bmatrix}$
- ☐ C $1/(ad+bc) \begin{bmatrix} d & b \\ c & a \end{bmatrix}$
- ☐ D $1/(ad-bc) \begin{bmatrix} -d & b \\ c & -a \end{bmatrix}$

27. What is the purpose of adding a slack variable to a constraint such as $2x + 3y \leq 12$?

- ☐ A To convert the inequality into an equality
- ☐ B To change a maximization problem into minimization
- ☐ C To remove the non-negativity requirement
- ☐ D To make the objective function nonlinear

28. What is the value of $(1/2)^{-3}$?

- ☐ A -8
- ☐ B $-1/8$
- ☐ C $1/8$
- ☐ D 8

29. Solve the equation $(x + 1)/(x - 2) = 3$, where $x \neq 2$.

- ☐ A $5/2$
- ☐ B 3
- ☐ C $7/2$
- ☐ D 4

30. For a large population, what minimum sample size is required to estimate a population proportion with 95 percent confidence and a margin of error of 0.05 when no prior estimate of the proportion is available?

- ☐ A 196
- ☐ B 256
- ☐ C 385
- ☐ D 400

31. If every observation in a data set is multiplied by -3, what happens to its standard deviation?

- ☐ A It becomes one-third as large
- ☐ B It becomes three times as large
- ☐ C It remains unchanged
- ☐ D It becomes negative three times as large

32. What is the total amount after 2 years if Rs. 10,000 is invested at 10% compound interest annually?

- ☐ A Rs. 12,000
- ☐ B Rs. 12,100
- ☐ C Rs. 12,200
- ☐ D Rs. 12,210

33. Fisher's price index is obtained by taking the:

- ☐ A Arithmetic mean of Laspeyres and Paasche indices
- ☐ B Geometric mean of Laspeyres and Paasche indices
- ☐ C Difference between Laspeyres and Paasche indices
- ☐ D Ratio of Laspeyres to Paasche indices

34. For $f(x) = x^3 - 6x^2 + 9x + 2$, which critical point is a local minimum?

- ☐ A $x = 0$
- ☐ B $x = 1$
- ☐ C $x = 2$
- ☐ D $x = 3$

35. If the two variables are measured in different units, which statement about the regression slope is correct?

- ☐ A Its numerical value is always unit-free
- ☐ B Its units are units of Y divided by units of X
- ☐ C Its units are units of X divided by units of Y
- ☐ D It must lie between zero and one

36. A table that presents data using two characteristics at the same time is called a:

- ☐ A Simple table
- ☐ B Manifold table
- ☐ C Frequency table
- ☐ D Chronological table

37. A continuous random variable is uniformly distributed on the interval from 4 to 10. What is its expected value?

- ☐ A 4
- ☐ B 6
- ☐ C 7
- ☐ D 10

38. If A is a 2×3 matrix and B is a 3×4 matrix, what is the order of the product AB?

- ☐ A 2×4
- ☐ B 3×3
- ☐ C 4×2
- ☐ D 2×3

39. Which assumption of linear programming means that the contribution of each activity is directly proportional to its level?

- ☐ A Proportionality
- ☐ B Divisibility
- ☐ C Certainty
- ☐ D Non-negativity

40. What is the value of $2/5 + 1/10$?

- (A) $3/10$
- (B) $1/2$
- (C) $3/5$
- (D) $7/10$



Economics

20 MCQs

41. The price elasticity of demand is the ?

- (A) ratio of the change in price to the change in quantity demanded.
- (B) ratio of the percentage change in quantity demanded to the percentage change in price.
- (C) ratio of the change in quantity demanded to the change in price.
- (D) ratio of the percentage change in price to the percentage change in quantity demanded.

42. As prices rise, there will be costs of constantly changing price-tags and reprinting price-lists. This is called ?

- (A) real balance effect
- (B) menu costs of inflation
- (C) money illusion.
- (D) cost-push inflation.

43. For year the U.S government levied quotas on inexpensive oil imported from the Middle East. The quotas led to cost increases for U.S consumers totaling \$3 billion for oil products. An apparent justification of this policy was that ?

- (A) U.S oil companies and workers deserved higher incomes
- (B) U.S oil was of superior quality and merited higher prices
- (C) one should not be too dependent on foreign suppliers of crucial resources
- (D) The U.S government needed the quota revenue to balance its budget

44. The length of a business cycle would be measured from ?

- (A) the slump to the expansion
- (B) peak to peak
- (C) peak to trough
- (D) trough to peak

45. Total surplus is the area _____ ?

- (A) above the supply curve and below the price
- (B) below the demand curve and above the price
- (C) below the demand curve and above the supply curve
- (D) below the supply curve and above the price
- (E) above the demand curve and below the price

46. When investment is assumed to autonomous the slope of the AD schedule is determined by the ?

- (A) marginal propensity to invest
- (B) disposable incomes
- (C) marginal propensity to consume
- (D) average propensity to consume

47. Which of the following is not part of a worker's human capital ?

- ☐ A education
- ☐ B experience
- ☐ C all of these answers are parts of a worker's human capital
- ☐ D effort
- ☐ E on the job training

48. Suppose the price level falls but because of fixed nominal wage contracts the real wage rises and firms cut back on production This is a demonstration of the ?

- ☐ A sticky-wage theory of the short-run aggregate supply curve
- ☐ B classical dichotomy theory of the short-run aggregate supply curve
- ☐ C misperceptions theory of the short-run aggregate supply curve
- ☐ D sticky-price theory of the short run aggregate supply curve

49. Burning your neighbor's house down is considered a serious offense It is a violation of _____?

- ☐ A folkways
- ☐ B mores
- ☐ C table manners
- ☐ D taboos

50. An example of an expansionary monetary policy is ?

- ☐ A a reduction in the taxes banks pay on their profits.
- ☐ B an increase in the required reserve ratio
- ☐ C an increase in the discount rate
- ☐ D the Central bank buying government securities in the open market

51. In monopolistic competition firms achieve some degree of market power ?

- ☐ A by producing differentiated products
- ☐ B because of barriers to exit from the industry
- ☐ C by virtue of size alone
- ☐ D because of barriers to entry into the industry

52. The essential feature of a _____ is that it immediately fixed the rate at which a specified amount of one currency is to be delivered in exchange for a specific amount of another at a future date ?

- ☐ A forward contract
- ☐ B spot contract
- ☐ C money contract
- ☐ D bid contract

53. The group way of life characteristic of humans may be traced to _____?

- ☐ A our human ancestors way of life in trees
- ☐ B the fact that human infants are helpless for a long period of time
- ☐ C a faulty genetic development
- ☐ D the small size of humans relative to other animals

54. Public opinion is associated with _____?

- ☐ A mass society
- ☐ B primary groups
- ☐ C face-to-face-communication
- ☐ D emergent norms

55. A free rider is a person who ?

- ☐ A receives the benefits of a good but avoids paying for it.
- ☐ B pays for a good but fails to receive any benefit from the good
- ☐ C fails to produce goods but is allowed to consume goods.
- ☐ D produces a good but fails to receive payment for the good

56. In national income accounting, national income is traditionally measured as

- ☐ A Net national product at factor cost
- ☐ B Gross domestic product at market prices
- ☐ C Net domestic product at market prices
- ☐ D Gross national product at factor cost

57. A situation in which oligopolists interacting with one another each choose their best strategy given the strategies that all the other oligopolists have chosen is known as a ?

- ☐ A Nash equilibrium
- ☐ B dominant strategy.
- ☐ C cartel
- ☐ D collusion solution

58. Another term for nationalism might be _____?

- ☐ A racism
- ☐ B imperialism
- ☐ C colonialism
- ☐ D national ethnocentrism

59. Anger is _____?

- ☐ A an innate human response to deprivation and frustration
- ☐ B a definite sharply defined emotion
- ☐ C subject to manipulation
- ☐ D all of the above

60. Goodhart's Law suggests that ?

- ☐ A bad money drives out good
- ☐ B monetary policy can only be effective if it is a long-term policy
- ☐ C controlling one part of the money supply will merely result in that item becoming less important
- ☐ D the money supply must only expand at the rate of growth of real national income

**Accounting**

20 MCQs

61. In partnership accounts, a partner's salary is generally treated as which type of item?

- ☐ A A charge against gross profit
- ☐ B An appropriation of net profit
- ☐ C A liability to outside creditors
- ☐ D A deduction from fixed capital

62. If an impairment loss on a non-revalued machine is later reversed under IAS 36, what is the maximum carrying amount after reversal?

- ☐ A Its original cost without any depreciation
- ☐ B The carrying amount that would have existed without the impairment
- ☐ C Its current market value in every case
- ☐ D Its original residual value plus the impairment loss

63. A purchase of furniture for Rs. 20,000 is debited to Furniture Account and credited to the supplier's account, but the amount is entered in the books as Rs. 2,000 in both accounts. Which statement is correct?

- ☐ A The trial balance disagrees by Rs. 18,000
- ☐ B The trial balance agrees, but Furniture and the supplier are understated
- ☐ C The trial balance agrees, but Furniture is overstated
- ☐ D The trial balance disagrees by Rs. 20,000

64. When owner withdraw cash for its private use, it is called _____?

- ☐ A Profit
- ☐ B Income
- ☐ C Expense
- ☐ D Drawing

65. How is carriage outward normally treated in the financial statements of a sole trader?

- ☐ A As a selling and distribution expense
- ☐ B As a deduction from sales revenue
- ☐ C As an addition to closing inventory
- ☐ D As a non-current business asset

66. Under IAS 37, a provision is generally not recognized for expected future operating losses because they:

- ☐ A Are always paid in cash
- ☐ B Do not create a present obligation
- ☐ C Are recorded as capital assets
- ☐ D Must be approved by auditors

67. Which transaction is normally recorded in the journal proper rather than a day book?

- ☐ A A credit sale of trading goods
- ☐ B A credit purchase of trading goods
- ☐ C A transfer from one ledger account to another
- ☐ D A return of goods to a supplier

68. The cash book shows a favourable bank balance of Rs. 31,500. Bank charges of Rs. 1,200 and a direct credit of Rs. 4,000 are not yet recorded in the cash book. Unpresented cheques are Rs. 6,500 and deposits in transit are Rs. 3,000. What balance should appear on the bank statement?

- ☐ A Rs. 27,800 favourable
- ☐ B Rs. 30,800 favourable
- ☐ C Rs. 32,800 favourable
- ☐ D Rs. 37,300 favourable

69. Which statement is commonly prepared to find the capital under incomplete records?

- ☐ A Bank reconciliation statement
- ☐ B Statement of affairs
- ☐ C Manufacturing account
- ☐ D Funds flow statement

70. Which error may exist even when a trial balance agrees?

- ☐ A A debit entry posted without any credit entry
- ☐ B A transaction completely omitted from the books
- ☐ C A debit total added more than the credit total
- ☐ D A ledger balance transferred to the wrong side

71. Which item is deducted from the purchase price when determining the cost of inventory under IAS 2?

- ☐ A Trade discounts received from suppliers
- ☐ B Carriage paid on incoming purchases
- ☐ C Import duties paid on purchases
- ☐ D Non-refundable taxes paid on purchases

72. A new partner brings Rs. 80,000 in cash as capital on admission. Which journal entry records this contribution?

- ☐ A New Partner's Capital Account Dr, Cash Account Cr
- ☐ B Cash Account Dr, New Partner's Capital Account Cr
- ☐ C Revaluation Account Dr, Cash Account Cr
- ☐ D Cash Account Dr, Revaluation Account Cr

73. What is the depreciable amount of a non-current asset?

- (A) Its original cost plus accumulated depreciation
- (B) Its cost less its estimated residual value
- (C) Its carrying amount plus impairment losses
- (D) Its residual value less accumulated depreciation

74. A credit purchase invoice for Rs. 11,000 is recorded twice in Purchases Account and in the supplier's account. Which entry rectifies the duplication?

- (A) Debit Purchases Rs. 11,000 and credit Supplier Rs. 11,000
- (B) Debit Supplier Rs. 11,000 and credit Purchases Rs. 11,000
- (C) Debit Suspense Rs. 11,000 and credit Purchases Rs. 11,000
- (D) Debit Cash Rs. 11,000 and credit Supplier Rs. 11,000

75. Which rule correctly describes the normal effect of a debit entry?

- (A) It increases assets and expenses
- (B) It increases liabilities and income
- (C) It decreases assets and expenses
- (D) It decreases liabilities and capital

76. A sole trader receives a bank loan of Rs. 200,000 directly into the business bank account. What is the immediate accounting effect?

- (A) Assets increase and liabilities increase
- (B) Assets increase and revenue increases
- (C) Expenses increase and liabilities decrease
- (D) Capital increases and revenue decreases

77. A restructuring provision is normally recognized only when the entity has a detailed formal plan and has:

- (A) Announced a general cost-cutting intention
- (B) Created a valid expectation among affected parties
- (C) Collected cash from its customers
- (D) Approved its annual depreciation budget

78. What is the primary purpose of a book of prime entry?

- (A) To record transactions first in chronological order
- (B) To summarise balances after ledger posting
- (C) To calculate the final profit or loss
- (D) To show the financial position at year-end

79. What is the principal purpose of a control account in a general ledger?

- ☐ A To replace the need for a trial balance
- ☐ B To summarize transactions recorded in a subsidiary ledger
- ☐ C To record only cash transactions of the business
- ☐ D To calculate the depreciation of fixed assets

80. If opening stock is understated in a memorandum trading account, what is the likely effect on gross profit?

- ☐ A Gross profit is understated
- ☐ B Gross profit is overstated
- ☐ C Net profit remains unchanged
- ☐ D Closing capital is overstated only



Introduction to Business

20 MCQs

81. Which situation is most likely to support a wider span of management?

- ☐ A Highly routine work with capable employees
- ☐ B Inexperienced staff performing varied tasks
- ☐ C Unclear duties requiring constant supervision
- ☐ D Managers handling many unrelated projects

82. What is the main distinction between raw data and information?

- ☐ A Data is always numerical, but information is always verbal
- ☐ B Data consists of unprocessed facts, while information has meaning after processing
- ☐ C Data is stored electronically, but information is stored only on paper
- ☐ D Data is confidential, while information is always public

83. What is social loafing in a team setting?

- ☐ A Working harder when others are present
- ☐ B Reducing individual effort when group effort is difficult to identify
- ☐ C Avoiding conflict by accepting every proposal
- ☐ D Taking responsibility for another member's work

84. What is the difference between transfer and transmission of shares?

- ☐ A Transfer is voluntary, while transmission occurs by law
- ☐ B Transfer occurs by law, while transmission is always voluntary
- ☐ C Transfer applies only to directors, while transmission applies to auditors
- ☐ D Transfer changes debt into equity, while transmission changes equity into debt

85. In marketing, a customer need is best described as:

- ☐ A A basic human requirement such as food or shelter
- ☐ B A preference shaped by culture and personality
- ☐ C A desire supported by purchasing power
- ☐ D A product feature offered by a seller

86. In the accounting equation, total assets are equal to:

- ☐ A Liabilities minus owner's equity
- ☐ B Liabilities plus owner's equity
- ☐ C Revenue plus drawings
- ☐ D Expenses plus owner's equity

87. Which business environment factor includes changes in interest rates and consumer purchasing power?

- ☐ A Economic factor
- ☐ B Political factor
- ☐ C Cultural factor
- ☐ D Legal factor

88. Why does transparency strengthen corporate governance?

- ☐ A It prevents directors from making any business judgment
- ☐ B It gives stakeholders reliable information for evaluating decisions and performance
- ☐ C It allows managers to keep important risks confidential from the board
- ☐ D It guarantees that a company will never experience financial loss

89. Which factor most directly influences the choice between a partnership and a company?

- ☐ A The colour of the business premises
- ☐ B The desired legal status and capital requirements
- ☐ C The personal hobbies of the owners
- ☐ D The daily weather of the operating area

90. Which is an example of an intrinsic reward?

- ☐ A A sense of achievement from completing meaningful work
- ☐ B A monthly salary paid through the payroll system
- ☐ C A cash bonus awarded for exceeding a target
- ☐ D A medical allowance included in the benefits package

91. In an informal organisation, relationships mainly arise from:

- ☐ A The official organisational chart
- ☐ B Written job descriptions and policies
- ☐ C Social interaction and personal networks
- ☐ D The legal registration of the business

92. Which communication channel is generally most suitable for discussing a sensitive performance problem with an employee?

- ☐ A A public notice on the office board
- ☐ B A face-to-face private meeting
- ☐ C A general message on social media
- ☐ D A short advertisement in a newspaper

93. In Tuckman's model of team development, which stage usually involves conflict over roles, responsibilities and procedures?

- ☐ A Forming
- ☐ B Storming
- ☐ C Norming
- ☐ D Performing

94. What is the usual purpose of a company's annual return?

- ☐ A To report updated corporate information
- ☐ B To obtain a bank loan
- ☐ C To appoint the external auditor
- ☐ D To replace the company constitution

95. Which marketing activity mainly involves collecting and analysing information about customers and competitors?

- ☐ A Market research
- ☐ B Personal selling
- ☐ C Product packaging
- ☐ D Sales promotion

96. A bank's capital primarily serves which purpose?

- ☐ A Absorbing unexpected losses
- ☐ B Guaranteeing profits each year
- ☐ C Replacing customer deposits
- ☐ D Increasing currency circulation

97. During an economic recession, which product category usually faces the earliest decline in demand?

- ☐ A Essential medicines
- ☐ B Basic food items
- ☐ C Luxury automobiles
- ☐ D Household electricity

98. According to stakeholder theory, a company should consider the interests of:

- ☐ A Only shareholders who own voting shares
- ☐ B Only senior managers who make strategic decisions
- ☐ C Shareholders and other affected groups such as employees and communities
- ☐ D Only government agencies that issue operating licences

99. Which form of organisation is usually most suitable for a very small business owned and managed by one person?

- ☐ A Sole proprietorship
- ☐ B Public limited company
- ☐ C Cooperative society
- ☐ D Multinational corporation

100. In employee selection, validity refers to the extent to which a selection method:

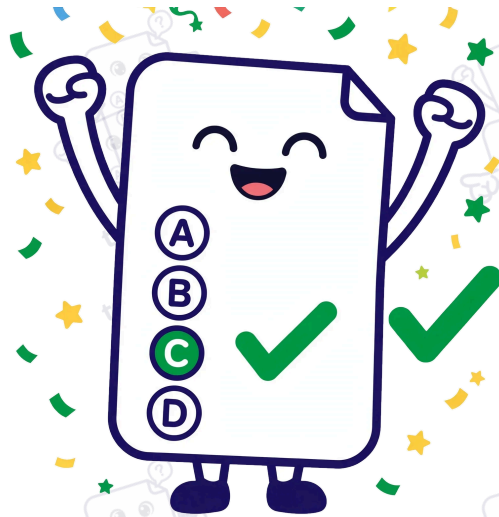
- (A)** Produces the same result repeatedly
- (B)** Measures qualities related to job performance
- (C)** Costs less than other selection methods
- (D)** Can be completed in a short time

Answer key

Tap any answer to open its full explanation on TestUstad.

Model Paper 1

1	C	2	A	3	B	4	A	5	C	6	C	7	A	8	B	9	A	10	A
11	B	12	A	13	C	14	A	15	A	16	A	17	B	18	B	19	B	20	A
21	C	22	C	23	C	24	A	25	D	26	B	27	A	28	D	29	C	30	C
31	B	32	B	33	B	34	D	35	B	36	B	37	C	38	A	39	A	40	B
41	B	42	B	43	C	44	B	45	C	46	C	47	D	48	A	49	B	50	D
51	A	52	A	53	B	54	A	55	A	56	A	57	A	58	D	59	D	60	C
61	B	62	B	63	B	64	D	65	A	66	B	67	C	68	B	69	B	70	B
71	A	72	B	73	B	74	B	75	A	76	A	77	B	78	A	79	B	80	B
81	A	82	B	83	B	84	A	85	A	86	B	87	A	88	B	89	B	90	A
91	C	92	B	93	B	94	A	95	A	96	A	97	C	98	C	99	A	100	B



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