

RBI Grade B 2021

PHASE 2 PAPER

Solution & Analysis

Finance and Management



Para 1. A passage on Organizational Behavior was given which was followed by 3 questions i.e Q. 1-3

The economic, political, and social frameworks that each society has - its laws, institutions, policies, etc. - result in different distributions of benefits and burdens across members of the society. These frameworks are the result of human political processes and they constantly change both across societies and within societies over time. The structure of these frameworks is important because the distributions of benefits and burdens resulting from them fundamentally affect people's lives.

(This is a recreated passage and not the exact one asked in the exam)

Q.1) Which type of justice relates to employees input to appropriate Rewards/Output? (2 marks)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **MOTIVATION**

Options:

- (a) Distributive Justice
- (b) Integrative Justice
- (c) Procedural Justice
- (d) Social Justice
- (e) Economic Justice

Answer: Distributive Justice

Explanation:

Distributive justice is conceptualized as the fairness associated with decision outcomes and distribution of resources. The outcomes or resources distributed may be tangible (e.g., pay) or intangible (e.g., praise). Perceptions of distributive justice can be fostered when outcomes are perceived to be equally applied.

Also, distributive justice can be viewed as capitalist justice: **ratio of one's inputs to one's outcomes.**

Distributive justice is composed of three main component: Equity, Equality and need. Equity focus more on rewarding employees based on their contribution. Equality on the other hand provide each employee with the same compensation. Finally, need is providing a benefit based on one's personal requirement.

Q.2) Which of the following will involve the study of psychological aspects? (2 marks)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **ORGANIZATIONAL BEHAVIOUR**

Options:

- (a) Personality and Motivation
- (b) Mental Intelligence
- (c) Merit Rating
- (d) 360-degree appraisal
- (e) None of Above

Answer: (a) Personality and Motivation

Explanation:

Personality and Motivation are related with the behavioral aspect of an Individual and thus the study of both will involve the psychological aspects.

Q.3) Which subject deals with formation and management of team? (2 marks)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKS**
Finance or Management – **MANAGEMENT**
Difficulty Level – **MODERATE**
Topic – **ORGANIZATIONAL BEHAVIOUR**

Options:

- (a) Sociology
- (b) Anthropology
- (c) Psychology
- (d) Archaeology
- (e) None of Above

Answer: (a) Sociology

Explanation:

Sociology investigates the structure of groups, organizations, and societies, and how people interact within these contexts.

Para 2. A passage on Electronic Toll Collection was given which was followed by 2 questions i.e Q. 4-5.

_____ has developed the _____ program to meet the electronic tolling requirements of the Indian market. It offers an interoperable nationwide toll payment solution including clearing house services for settlement and dispute management. Interoperability, as it applies to _____ system, encompasses a common set of processes, business rules and technical specifications which enable a customer to use their _____ accounts as payment mode on any of the toll plazas irrespective of who has acquired the toll plaza.

(This is a recreated passage and not the exact one asked in the exam)

Q.4) The paragraph is talking about the _____ system and _____ account (2 marks)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **2 MARKS**

Finance or Management – **FINANCE**

Difficulty Level – **MODERATE**

Topic – **FINTECH**

Options:

- a) NFS; Bank
- b) NETC; FASTag
- c) NHAI; Bank
- d) NFS; FASTag
- e) None of the above

Answer: b) NETC; FASTag

Explanation:

The paragraph was discussing about Nation E-toll Collection system (NETC).

National Payments Corporation of India (NPCI) has developed the National Electronic Toll Collection (NETC) program to meet the electronic tolling requirements of the Indian

market. It offers an interoperable nationwide toll payment solution including clearing house services for settlement and dispute management.

Q.5) Who introduced National E-Toll Collection (NETC) system to meet the electronic tolling requirements of the Indian market? (2 marks)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **MODERATE**

Topic – **FINTECH**

Options:

- a) RBI
- b) NPCI
- c) SEBI
- d) SBI
- e) SIDBI

Answer: (a) NPCI

PUBLICATIONS

 (344 kb)

Date : Mar 25, 2021

Certificates of Authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007 for Setting up and Operating Payment System in India

2. National Payments Corporation of India	The Chief Executive Officer, National Payments Corporation of India, 1001A, B wing, 10th Floor, The Capital, Bandra – Kurla Complex, Bandra (East), Mumbai-400 051.	i. National Financial Switch (NFS) ii. Immediate Payment System (IMPS) iii. Affiliation of RuPay Cards (debit cards/ prepaid cards) issued by banks and co- branded credit cards issued by non- banking financial companies (NBFCs) or any other entity approved by the RBI. iv. National Automatic Clearing House (NACH) v. Aadhar Enabled Payments System (AEPS) vi. Operation of Cheque Truncation System vii. Unified Payments Interface viii. National Electronic Toll Collection (NETC)
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Para 3. A passage on Capital Market was given which was followed by the following 3 questions i.e Q. 6-8.

Q.6) Which of the following is true? (2 marks)

- I. SEBI is the regulator of commodity markets**
- II. RBI is the regulator of NBFCs**
- III. SEBI is the regulator of Capital Market**

Static or Current – **STATIC**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **PRIMARY AND SECONDARY MARKET**

Options:

- (a) Only I
- (b) I and III only
- (c) I, II and III
- (d) II and III only
- (e) None of the above

Answer: (c) I, II and III

Explanation:

On 28 September 2015, the FMC was merged with the Securities and Exchange Board of India (SEBI) to make the regulation of commodity market strong. SEBI is also the regulator of Capital Market in India.

RBI regulates the NBFC registered within the framework of the Reserve Bank of India Act, 1934 (Chapter III-B) and the directions issued by it.

Q.7) According to a circular released by SEBI in 2018, apart from ASBA process, applicants can also apply for an IPO through _____. (2 marks)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **MODERATE**

Topic – **PRIMARY AND SECONDARY MARKET – EQUITY MARKET**

Options:

- (a) UPI
- (b) NACH
- (c) IMPS
- (d) NEFT
- (e) NONE OF THE ABOVE

Answer: (a) UPI

Explanation:



SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M

March 16, 2021

To

Registered Merchant Bankers

Recognized Stock Exchanges

Registered Registrars to an Issue and Share Transfer Agents

Self-Certified Syndicate Banks

Dear Sir / Madam,

Sub: Streamlining the process of IPOs with UPI in ASBA and redressal of investor grievances

Though the applicants can make an application via UPI since 2018, but news is part of current affairs as recently SEBI has issued a circular regarding Streamlining the process of IPOs with UPI in ASBA and redressal of investors grievances.

Q.8) ASBA applications can be made through _____ (2 marks)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **MODERATE**

Topic – **PRIMARY AND SECONDARY MARKET – EQUITY MARKET**

Options:

- (a) POST OFFICE
- (b) SCSBs
- (c) Any Commercial Bank
- (d) Only through RBI
- (e) None of the above

Answer: (b) SCSBs

Explanation:

ASBA means “Application Supported by Blocked Amount”. ASBA is an application by an investor containing an authorization to Self-Certified Syndicate Bank (SCSB) to block the application money in the bank account, for subscribing to an issue. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized.

Para 4. A passage on Infrastructure and PPP was given which was followed by 3 questions i.e Q. 9-11.

Introduced in January 2016 to revive investments in road infrastructure projects, ____ has seen good initial success. It is a mix of the EPC (engineering, procurement, and construction) and BOT (build, operate, transfer) models. Under the EPC model, NHAI pays private players to lay roads. The private player has no role in the road’s ownership, toll collection or maintenance (it is taken care of by the government). Under the BOT model though, private players have an active role — they build, operate, and maintain the road for a specified number of years — say 10-15 years — before transferring the asset back to the government.

(This is a recreated passage and not the exact one asked in the exam)

Q.9) Which model is described in the passage? (2 marks)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **FINANCE**
Difficulty Level – **EASY**
Topic – **PUBLIC PRIVATE PARTNERSHIP**

Options:

- (a) BOT
- (b) BOOT
- (c) DBFO
- (d) HAM
- (e) NONE OF THE ABOVE

Answer: (d) HAM

Explanation:

Taking into account the struggle of various types of PPP projects especially in highway construction, the Union Government in 2016 approved hybrid annuity model (HAM) to fast-track highway projects, revive the Public-Private-Partnership (PPP) mode and attract more investments in the sector.

Hybrid Annuity Model is a mix of the EPC and BOT models. The government will contribute to 40% of the project cost in the first five years through annual payments (annuity). The balance 60 per cent is arranged by the developer and is recovered as variable annuity amount after the completion of the project from NHA which collects revenue.

Q.10) In the above model the support provided by the govt during the construction phase and later in annuities during the operation phase will be in the ratio of _____. What will come in the place of the blank? (2 marks)

Static or Current – **STATIC**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **PUBLIC PRIVATE PARTNERSHIP**

Options:

- (a) 20:80
- (b) 50:50
- (c) 40:60
- (d) 70:30
- (e) 10:90

Answer: (c) 40:60

Explanation:

Hybrid Annuity Model is a mix of the EPC and BOT models. The government will contribute to 40% of the project cost in the first five years through annual payments (annuity). The balance 60 per cent is arranged by the developer and is recovered as variable annuity amount after the completion of the project from NHA which collects revenue.

Q.11) In which sector the PPP model is majorly used? (2 mark)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **FINANCE**
Difficulty Level – **EASY**
Topic – **PUBLIC PRIVATE PARTNERSHIP**

Options:

- (a) Manufacturing
- (b) Infrastructure
- (c) Textiles
- (d) Food Processing
- (e) None of the above

Answer: (b) Infrastructure

Explanation:

Infrastructure is the major sector that majorly involve the PPP model. From Railways to roads to construction of ports, PPP plays a dominant role in the Infrastructure sector.

Para 5. A passage on Organizational change was given which was followed by 2 questions i.e., Q. 12-13.

_____ refers to the actions in which a company or business alters a major component of its organization, such as its culture, the underlying technologies or infrastructure it uses to operate, or its internal processes.

(This is a recreated passage and not the exact one asked in the exam)

Q.12) What the paragraph is talking about? (2 mark)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **ORGANIZATIONAL CHANGE**

Options:

- (a) Organizational Change
- (b) Organizational Structure
- (c) Organizational Conflict

- (d) Organizational Justice
- (e) None of the above

Answer: (a) Organizational Change

Explanation:

Organizational change refers to the actions in which a company or business alters a major component of its organization, such as its culture, the underlying technologies or infrastructure it uses to operate, or its internal processes.

Q.13) What is the name of the second stage of the Lewin Model? (2 mark)

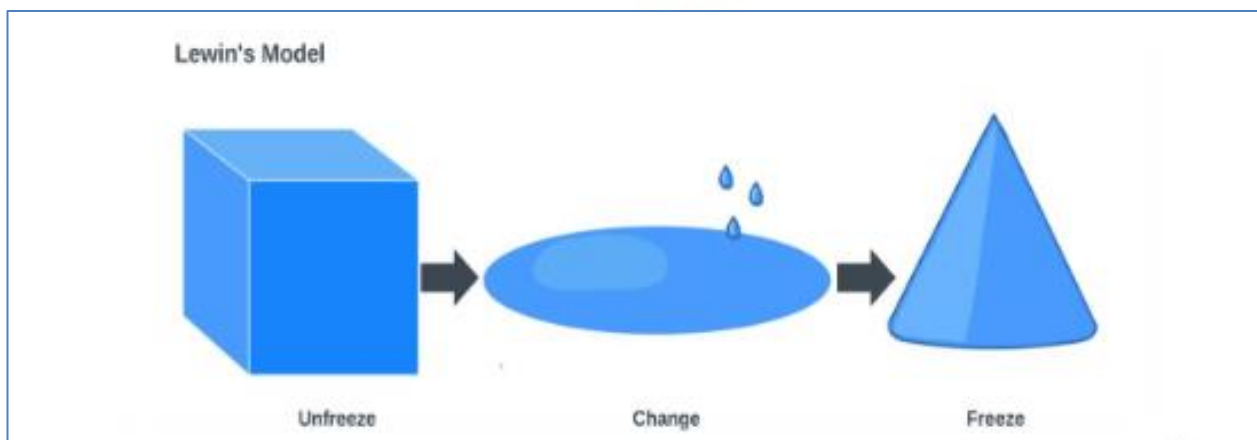
Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **ORGANIZATIONAL CHANGE**

Options:

- (a) Change
- (b) Development
- (c) Resistance
- (d) Compliance
- (e) None of the above

Answer: (a) Change

Explanation:



Hence the second stage in Lewin Model is Change.

Para 6. A passage on Financial Markets was given which was followed by the following 3 questions i.e Q. 14-16.

Q.14) Which of the following is the regulator of Capital Market? (2 marks)

Static or Current – **STATIC**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **PRIMARY AND SECONDARY MARKET**

Options:

- (a) SEBI
- (b) RBI
- (c) NPCI
- (d) SBI
- (e) NSE

Answer: (a) SEBI

Q.15) Which of the following are depositories? (2 marks)

I. NSDL

II. CDSL

III. CCIL

IV. CRISIL

Static or Current – **STATIC**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **PRIMARY AND SECONDARY MARKET**

Options:

- (a) I and II only
- (b) I, II and III only
- (c) II and III only
- (d) III and IV only
- (e) All of the above

Answer: (a) I and II only

Explanation:

Depositories may be organizations, banks, or institutions that hold securities and assist in the trading of securities. Currently there are two depositories operational in India.

- 1) Central Depository Services Ltd. (CDSL)
- 2) National Securities Depository Ltd (NSDL)

Q.16) Name of the Payment Regulator formed in 2007? (2 marks)

Static or Current – **STATIC**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **PRIMARY AND SECONDARY MARKET**

Options:

- (a) NPCI
- (b) CCIL
- (c) Paytm
- (d) BBPS
- (e) None of the above

Answer: (a) NPCI

Explanation:

An initiative of RBI and IBA under the provisions of the Payment and Settlement Systems Act, 2007, NPCI was initiated for creating a robust payment and settlement infrastructure in the country.

Para 7. A passage on language translation was given which was followed by 3 questions i.e., Q. 17-19.

Bhashantra, an event addressing Indian Languages was organized by FICCI, Technology Development for Indian Languages (TDIL), Ministry of Electronics and IT, Govt. of India, and Indian Cellular Association (ICA) in New Delhi under the joint sponsorship of Google and Devnagri. The event took place on 30th July 2018 and it had a direct concern about the Indian language usage and its real-time translation for Indic Lingula's.

Moving a step ahead the IT ministry introduced _____, a software that can make editing of text printed on scanned documents happen. The software was made free for Indian language users, they can format the text & can keep it in a separate file as well.

(This is a recreated passage and not the exact one asked in the exam)

Q.17) The event highlighted in the passage will try to address what type of barrier in communication? (2 marks)

Static or Current – **STATIC**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **COMMUNICATION**

Options:

- (a) Linguistic
- (b) Psychological
- (c) Emotional Barriers.
- (d) Physical Barriers.
- (e) Cultural Barriers

Answer: (a) Linguistic

Explanation:

A language barrier is a figurative phrase used primarily to refer to linguistic barriers to communication, i.e., the difficulties in communication experienced by people or groups originally speaking different languages, or even dialects in some cases.

Q.18 Which of the following is the software as highlighted in above passage, has been launched by the government to overcome the barriers in communication in local languages? (2 Marks)

Static or Current – **CURRENT AFFAIRS**
1 marker or 2 marker – **2 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **DIFFICULT**
Topic – **COMMUNICATION**

Options:

- (a) SWAYAM
- (b) E-ShodhSindhu
- (c) Swayam Prabha

(d) E-aksharayan

(e) E- shiksha

Answer: (d) E-aksharayan

Explanation:

e-Aksharayan is a desktop software for converting scanned printed Indian language documents into a fully editable text format in Unicode encoding.

Q.19 What is the name of the mission announced by the government in the union budget 2021 to provide big boost to regional languages? (2 Marks)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **UNION BUDGET**

Options:

(a) National Language Translation Mission

(b) National Linguistic Mission

(c) National Language Mission

(d) National Mission for Manuscripts

(e) None of Above

Answer: (a) National Language Translation Mission

Explanation:

The National Language Translation Mission, announced in Union Budget 2021-22, will use artificial intelligence, machine learning and speech recognition technologies to build the next generation government apps and websites that will be “conversational” like Amazon's Alexa or Apple’s Siri.

The Mission will work towards creating a “voice-based internet” which will be accessible in popular Indian languages and not be dominated by Hindi or English.

Para 8. A passage on Regulatory Sandbox was given which was followed one question i.e Q. 20.

Q.20 Recently, RBI has released second _____ with the theme “Cross Border Payments” under the _____ for live testing of new products or services in a controlled/test regulatory environment. (2 Marks)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **2 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**


Topic – **FINTECH**

Options:

- (a) Cohort, Regulatory Sandbox
- (b) Seminar, Regulatory Sanddunes
- (c) Coverage, Reserve Box
- (d) Statement, Reserve Platform
- (e) None of the above

Answer: (a) Cohort, Regulatory Sandbox

Explanation:

 (368 kb)	Date : Dec 16, 2020
Reserve Bank announces opening of Second Cohort under the Regulatory Sandbox	
Post announcement of commencement of Test Phase under the First Cohort on Retail Payments vide Press Release dated November 17, 2020 , the Reserve Bank now announces opening of Second Cohort under the Regulatory Sandbox (RS) with 'Cross Border Payments,' as its theme.	

Regulatory sandbox refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may permit certain relaxations for the limited purpose of the testing.

The RS allows the regulator, innovators, financial service providers and customers to conduct field tests to collect evidence on the benefits and risks of new products and systems.

-----X-----X-----X-----X-----

Q.21) Which of the following is a Revenue expenditure? (1 mark)

I. Subsidies

II. Interest Payments

III. Loan to State Government

Static or Current – **STATIC**

1 marker or 2 marker – **1 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **EASY**

Topic – **UNION BUDGET**

Options:

- (a) Only I
- (b) Only II
- (c) Only II and III
- (d) Only I and II
- (e) All of the above

Answer: (d) Only I and II

Explanation:

Revenue Expenditure is that part of government expenditure that does not result in the creation of assets. Payment of salaries, wages, pensions, subsidies and interest fall in this category as revenue expenditure examples.

Q.22) Which type of perceptual error sees an Individual as a part of a group? (1 mark)

Static or Current – **STATIC**

1 marker or 2 marker – **1 MARKER**

Finance or Management – **MANAGEMENT**

Difficulty Level – **EASY**

Topic – **PERSONALITY AND PERCEPTION**

Options:

- (a) Stereotyping
- (b) Illusion
- (c) Hallucination
- (d) Halo Effect
- (e) None of the above

Answer: (a) Stereotyping

Explanation:

In social psychology, a **stereotype** is any thought widely adopted about specific types of individuals or certain ways of behaving intended to represent the entire group of those individuals or behaviors as a whole. These thoughts or beliefs may or may not accurately reflect reality.

Q.23) Which of the following is a process theory? (1 mark)

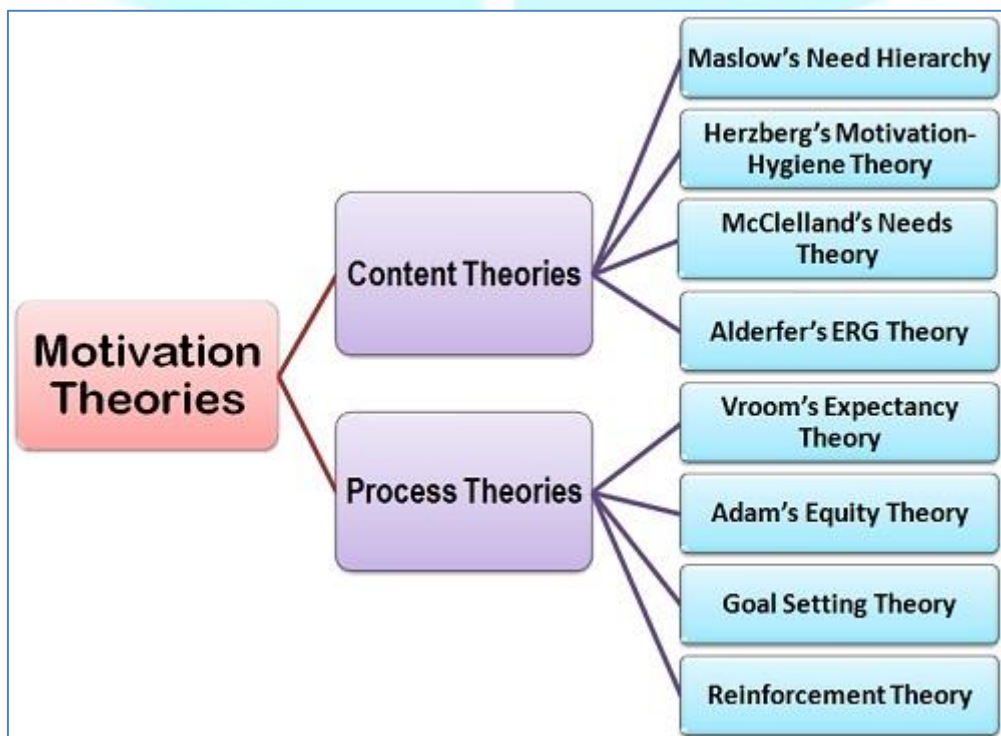
Static or Current – **STATIC**
1 marker or 2 marker – **1 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **MOTIVATION**

Options:

- (a) Maslow’s hierarchy of Needs
- (b) McClelland theory of Learned Needs
- (c) Theory X and Theory Y
- (d) Vroom’s Expectancy theory
- (e) None of the above

Answer: (d) Vroom’s Expectancy theory

Explanation:



Q.24) According to Johari Window, Quadrant known to self but not known to others is called as_____ (1 mark)

Static or Current – **STATIC**

1 marker or 2 marker – **1 MARKER**

Finance or Management – **MANAGEMENT**

Difficulty Level – **EASY**

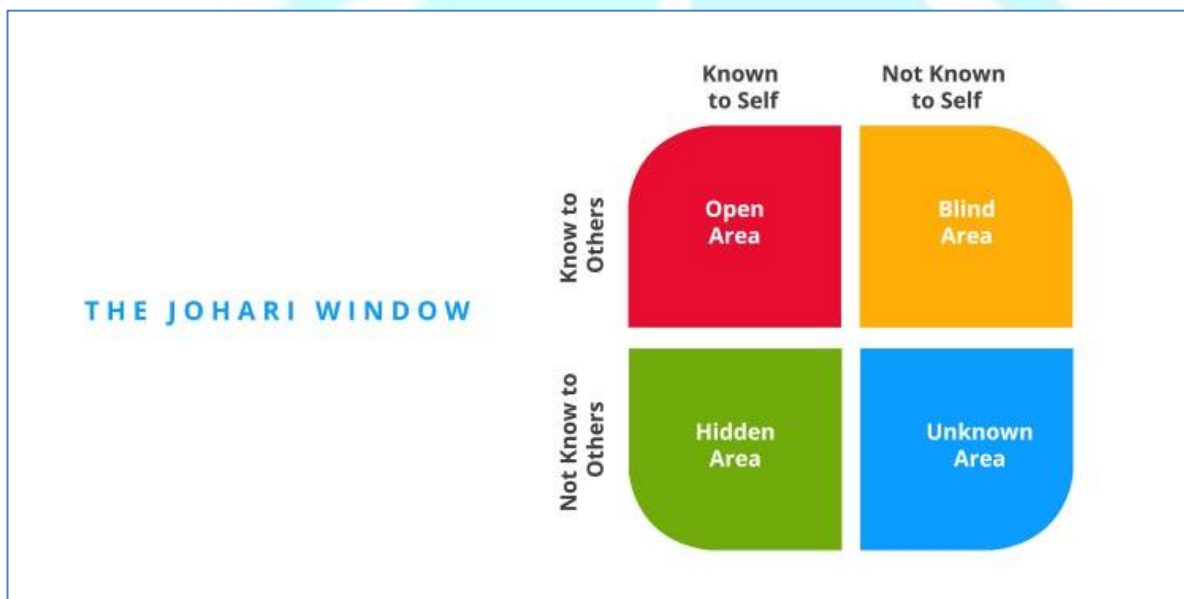
Topic – **EMOTIONAL INTELLIGENCE AND INTERPERSONAL BEHAVIOUR**

Options:

- (a) Open
- (b) Blind
- (c) Hidden
- (d) Unknown
- (e) None of above

Answer: (c) Hidden

Explanation:



Q.25) What is maximum limit of FDI in under government approved mechanism in Public Sector Banks, Maximum permissible FDI in Private Banks and maximum individual stake in bank? (1 mark)

Static or Current – **CURRENT AFFAIRS**

1 marker or 2 marker – **1 MARKER**

Finance or Management – **FINANCE**

Difficulty Level – **MODERATE**

Topic – **CHANGING LANDSCAPE IN BANKING SECTOR**

Options:

- (a) 40:100:10
- (b) 20:74:10
- (c) 26:49:26
- (d) 74:100:26
- (e) None of Above

Answer: (b) 20:74:10

Explanation:

**Department for Promotion of Industry and Internal Trade
Ministry of Commerce and Industry
Government of India**

**Consolidated FDI Policy
(Effective from October 15, 2020)**

5.2.18 BANKING- PRIVATE SECTOR			5.2.19 BANKING- PUBLIC SECTOR		
Sector/Activity	% of Equity FDI Cap	Entry Route	Sector/Activity	% of Equity/ FDI Cap	Entry Route
5.2.18.1 Banking- Private Sector	74%	Automatic up to 49% Government route beyond 49% and up to 74%.	5.2.19.1 Banking- Public Sector subject to Banking Companies (Acquisition & Transfer of Undertakings) Acts 1970/80. This ceiling (20%) is	20%	Government

FREQUENTLY ASKED QUESTIONS

Clarifications to Queries on Guidelines for Licensing of New Banks in the Private Sector

A.(1 to 4) It is not necessary that individual alongwith his related parties have shareholding in the NOFHC. However, if any individual belonging to the Promoter Group chooses to become a promoter of the NOFHC, he along with his relatives (as defined in Section 6 of the Companies Act 1956) and along with entities in which he and / or his relatives hold not less than 50 per cent of the voting equity shares can hold voting equity shares not exceeding **10 per cent** of the total voting equity shares of the NOFHC. [para 2 (C) (ii) (a) of the guidelines]

Q.26) Two banks Fuddy and Guddy has the same number of outstanding shares, equity capital, dividend and earning. But the Market price of Fuddy is 1800 and of Guddy is 600. Which of the following is true? (1 mark)

Static or Current – **STATIC**
1 marker or 2 marker – **1 MARKER**
Finance or Management – **FINANCE**
Difficulty Level – **MODERATE**
Topic – **PRIMARY AND SECONDARY MARKET**

Options:

- (a) P/E of one is Higher than the other
- (b) EPS of one is Higher than other
- (c) Book value of one is Higher than other
- (d) Dividend of one is Higher than other

(e) None of the above

Answer: (a) P/E of one is Higher than the other

Explanation:

- The price-earnings ratio (P/E ratio) relates a company's share price to its earnings per share.
- In the question, Earning per share (E) is same for both the banks and Fuddy has a price of each share (P) as Rs 1800 and Guddy has a price of each share as Rs 600.
- Therefore, P/E for Fuddy is higher than P/E of Guddy. Hence answer (a) is correct.

Q.27) If a translator is not proficient in 2 language, what type of barrier it creates in communication? (1 mark)

Static or Current – **STATIC**
1 marker or 2 marker – **1 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **COMMUNICATION**

Options:

- (a) Physical
- (b) Semantic
- (c) System
- (d) Psychological
- (e) None of Above

Answer: (b) Semantic

Explanation:

The Semantic Barriers refers to the misunderstanding between the sender and receiver arising due to the different meanings of words, and other symbols used in the communication. Hence, If a translator is not proficient in 2 language, barrier it creates is Semantic barrier.

Q.28) Which of the following theory suggests making communication in an organization based on Hierarchy, highly structured, and formalized? (1 mark)

Static or Current – **STATIC**
1 marker or 2 marker – **1 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **GENERAL MANAGEMENT**

Options:

- (a) Frederick Taylor – Theory of Scientific Management.
- (b) Henri Fayol – Administrative Management Theory.
- (c) Max Weber - Bureaucratic Theory of Management.
- (d) Elton Mayo – Behavioral Theory of Management
- (e) None of the above

Answer: (c) Max Weber - Bureaucratic Theory of Management.

Explanation:

Max Weber, a German scientist, defines **bureaucracy** as a **highly structured, formalized, and also an impersonal organization**. He also instituted the belief that an organization must have a defined hierarchical structure and clear rules, regulations, and lines of authority which govern it.

Q.29) During Merger and Acquisitions, which of the following are relevant to Change Management: (1 mark)

- I. Digital Transformation**
- II. Smooth Transition**
- III. Restructuring**

Static or Current – **STATIC**
1 marker or 2 marker – **1 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **MODERATE**
Topic – **ORGANIZATIONAL CHANGE**

Options:

- (a) I only
- (b) II only
- (c) III only
- (d) II and III only
- (e) All of the above

Answer: (a) All of the above

Explanation:

Planned change (Merger and acquisition) involves preparing the total organization or a major portion of it, to adapt to significant changes in the organization's goals and way of

its working. In such changes, alterations are made in **structure, technology, task, and people of the organization.**

Merger and acquisition may require alteration with technology and hence option I i.e., Digital transformation is relevant during change management.

Merger and acquisition may affect people within the organization and thus transition should be smooth. Hence option II is correct.

Merger and Acquisition might alter the structure of the organization and hence option III Restructuring is correct.

Q.30) Low employee turnover in a company indicates which of the following? (1 mark)

Static or Current – **STATIC**
1 marker or 2 marker – **1 MARKER**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **MOTIVATION**

Options:

- (a) High number of Employees Leaving the Organization
- (b) Employees are committed towards the Organization
- (c) Low Morale of Employees with the Organization
- (d) All of the Above
- (e) None of the above

Answer: (b) Employees are committed towards the Organization

Explanation:

3 Importance of Motivation in an Organization

The importance of motivation in an organization may be summed up as follows:

1) **High Performance Level:** A motivated employee put higher performance as compared to other employees because a motivated employee attempts to use their maximum ability in performing a job while other employees just use a part of their ability. Moreover, a motivated employee increases their ability through learning which further increases their performance.

2) **Low Employee Turnover and Absenteeism:** Motivated employee stay in the organization and lower their absenteeism. High turnover and absenteeism not only affect the productivity of an organization but recruiting and developing large number of new employees take a lot of time and resources. Moreover, high employee turnover also affects the reputation of the organization in a negative way.

3) **Acceptance of Organizational changes:** An organization has to keep changing with the changing environment, but many a times faced with a resistance to change. However, if the employees are properly motivated, they accept, introduce and implement these changes keeping the organization on the right track of progress.

Question Paper Analysis: OBJECTIVE

TABLE 1

Question #	Marks	FINANCE & MANAGEMENT	Topic	Static or Current	Difficulty Level
1	2	MANAGEMENT	MOTIVATION	STATIC	EASY
2	2	MANAGEMENT	ORGANIZATIONAL BEHAVIOUR	STATIC	EASY
3	2	MANAGEMENT	ORGANIZATIONAL BEHAVIOUR	STATIC	EASY
4	2	FINANCE	FINTECH	CURRENT	MODERATE
5	2	FINANCE	FINTECH	CURRENT	EASY
6	2	FINANCE	PRIMARY AND SECONDARY MARKET	STATIC	EASY
7	2	FINANCE	PRIMARY AND SECONDARY MARKET	CURRENT	MODERATE
8	2	FINANCE	PRIMARY AND SECONDARY MARKET	CURRENT	MODERATE
9	2	FINANCE	PUBLIC PRIVATE PARTNERSHIP	STATIC	EASY
10	2	FINANCE	PUBLIC PRIVATE PARTNERSHIP	STATIC	EASY
11	2	FINANCE	PUBLIC PRIVATE PARTNERSHIP	CURRENT	EASY
12	2	MANAGEMENT	ORGANIZATIONAL CHANGE	STATIC	EASY
13	2	MANAGEMENT	ORGANIZATIONAL CHANGE	STATIC	EASY
14	2	FINANCE	PRIMARY AND SECONDARY MARKET	STATIC	EASY
15	2	FINANCE	PRIMARY AND SECONDARY MARKET	STATIC	EASY
16	2	FINANCE	PRIMARY AND SECONDARY MARKET	STATIC	EASY
17	2	MANAGEMENT	COMMUNICATION	STATIC	EASY
18	2	MANAGEMENT	COMMUNICATION	CURRENT	DIFFICULT
19	2	FINANCE	UNION BUDGET	CURRENT	EASY
20	2	FINANCE	FINTECH	CURRENT	EASY
21	1	FINANCE	UNION BUDGET	STATIC	EASY
22	1	MANAGEMENT	PERSONALITY AND PERCEPTION	STATIC	EASY
23	1	MANAGEMENT	MOTIVATION	STATIC	EASY
24	1	MANAGEMENT	EMOTIONAL INTELLIGENCE AND INTERPERSONAL BEHAVIOUR	STATIC	EASY
25	1	FINANCE	CHANGING LANDSCAPE IN BANKING SECTOR	CURRENT	MODERATE
26	1	FINANCE	PRIMARY AND SECONDARY MARKET	STATIC	MODERATE

27	1	MANAGEMENT	COMMUNICATION	STATIC	EASY
28	1	MANAGEMENT	GENERAL MANAGEMENT	STATIC	EASY
29	1	MANAGEMENT	ORGANIZATIONAL CHANGE	STATIC	MODERATE
30	1	MANAGEMENT	MOTIVATION	STATIC	EASY

TABLE 2

SUBJECT	TOTAL NUMBER OF QUESTIONS ASKED	TOTAL MARKS ALLOCATED
FINANCE	16	29
MANAGEMENT	14	21

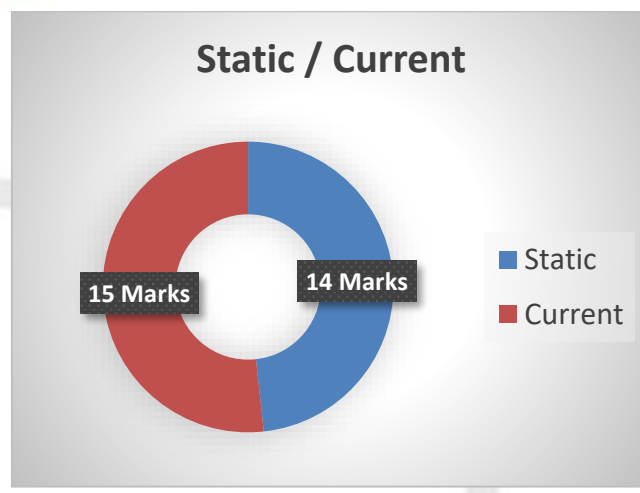
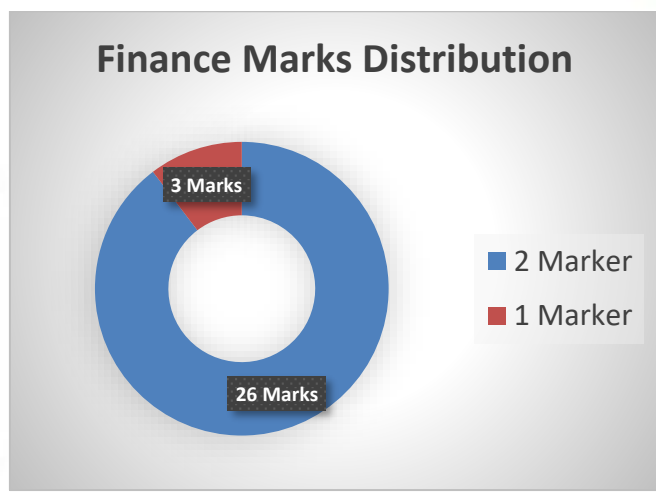
TABLE 3

DIFFICULTY LEVEL	TOTAL NUMBER OF QUESTIONS ASKED
EASY	23
MODERATE	6
DIFFICULT	1

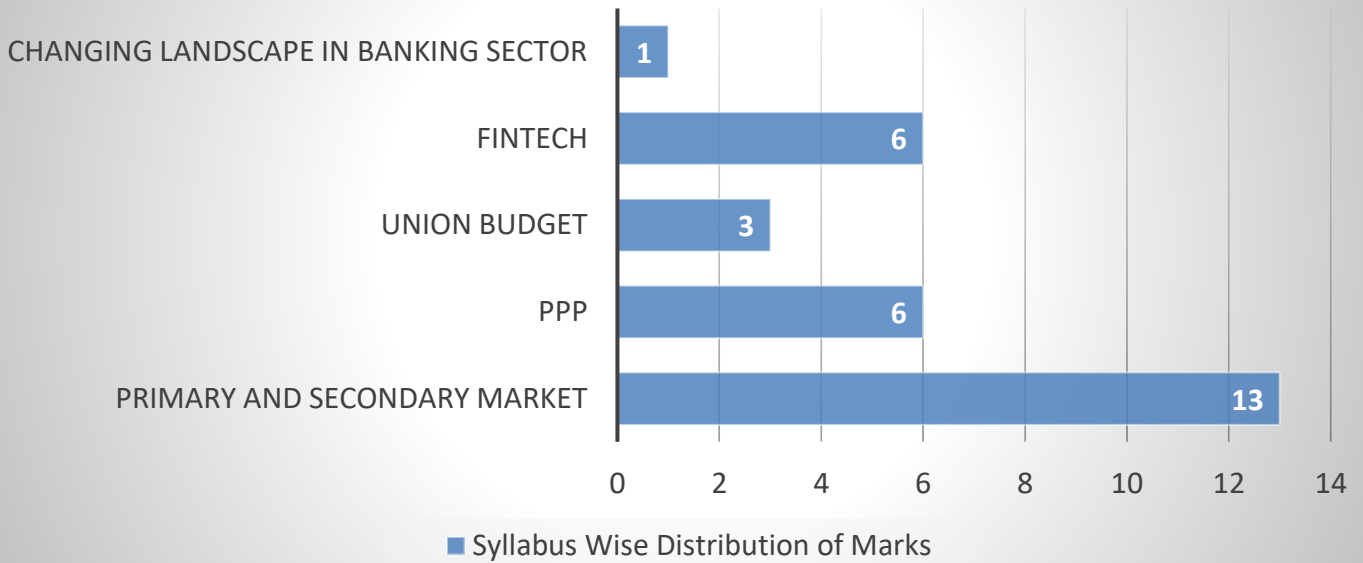
Important take away from Table 1,2 and 3

- ❖ Finance was given more weightage (~60%) than Management (~40%).
- ❖ Overall objective paper was on easier side.

Finance Analysis



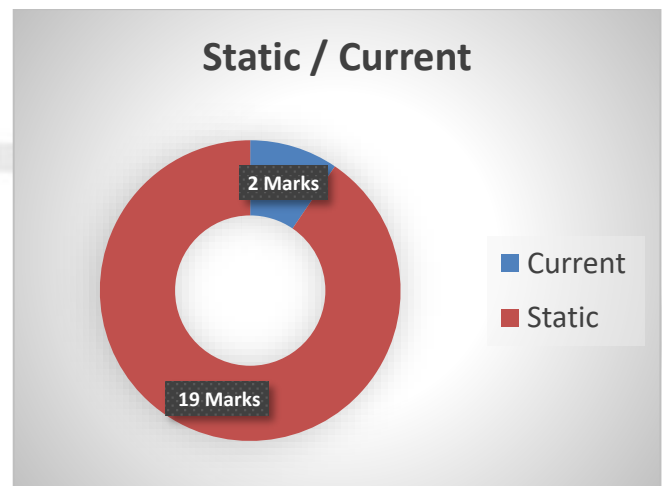
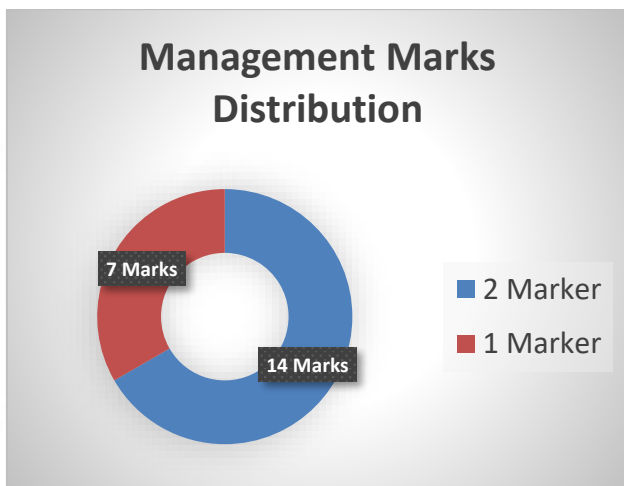
Syllabus Wise Distribution of Marks



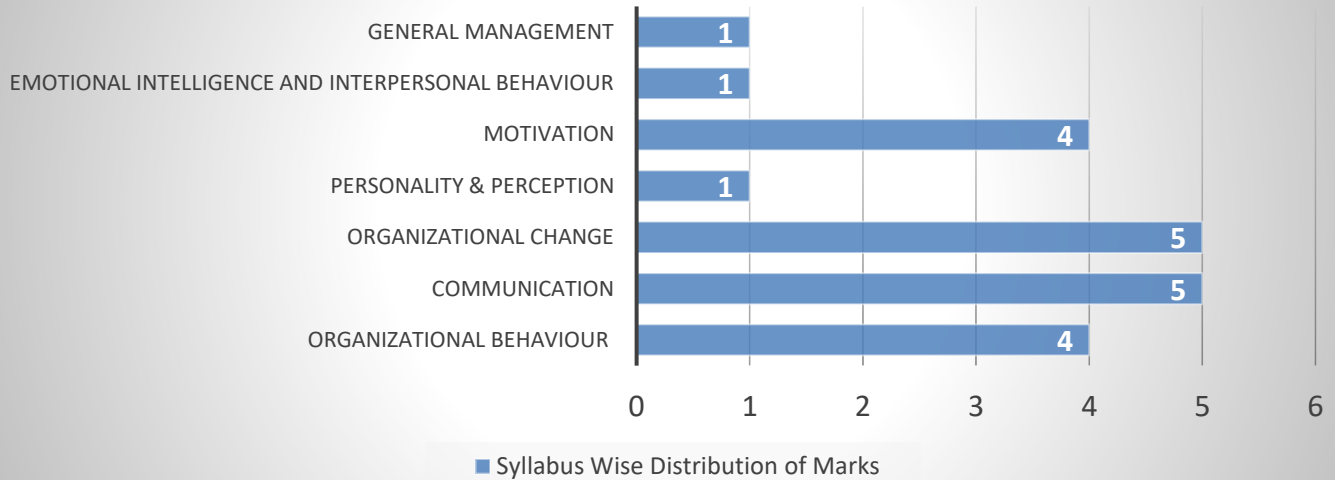
Important take away from Finance Analysis.

- ❖ Current Affairs were given almost equal weightage when compared with Static Syllabus.
- ❖ Current Affairs asked were slightly on different lines when compared to previous year papers.
- ❖ No Numerical asked
- ❖ No questions on newly added topics like Global Financial Crisis, Global Financial Markets and International Banking
- ❖ Static was on easier side.

Management Analysis



Syllabus Wise Distribution of Marks



Important take away from Management Analysis.

- ❖ First time- Current affair related question has been asked.
- ❖ No question on Ethics (One of the most hyped Topic).
- ❖ Management questions were slightly on the application side.

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DESCRIPTIVE TYPE QUESTIONS

Question-1: Discuss 5 announcements of Union Budget 2021? (400 words, 10 marks)

Static or Current – **CURRENT AFFAIRS**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **UNION BUDGET**

Solution: Below mentioned are the different dimensions to be covered in Answer and not the exact answer

Answer could be written based on 5 different pillar of the budget and announcements within each of the pillar.



Highlights of UNION BUDGET 2021-22

This is India's first ever digital Union Budget. The budget was presented by Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman. This year Union Budget is bold and offers not only a direction for growth but also a strong intent for reforms.

Pillars of Union Budget 2021-22

1. Health and Wellbeing
2. Physical & Financial Capital, and Infrastructure
3. Inclusive Development for Aspirational India
4. Reinvigorating Human Capital
5. Innovation and R&D
6. Minimum Government and Maximum Governance

Or

Answer could also be written based on Five different Sectors of Economy also.

Health and Sanitation: PM Atma Nirbhar Swasthya Bharat Yojana, Mission POSHAN 2.0, JJM Urban etc.

Education: 100 new Sainik Schools to be set up, 750 Eklavya schools to be set up in tribal areas, A Central University to come up in Ladakh etc.

Infrastructure: Vehicle scrapping policy, Highway and road, National Asset Monetising Pipeline launched, etc.

Tax: No IT filing for people above 75 years, PF etc.

Economy and Finance – Bank Recapitalization, FDI etc.

Question-2: What is Transformational leadership and Transactional Leadership? State difference in transactional leader and transformational leader. (400 words, 10 marks)

Static or Current – **STATIC**
 Finance or Management – **MANAGEMENT**
 Difficulty Level – **EASY**
 Topic – **LEADERSHIP**

Solution: Below mentioned are the different dimensions to be covered in Answer and not the exact answer

About Transactional leadership: Transactional leadership, also known as managerial leadership, focuses on the role of supervision, organization, and group performance. Leaders who implement this style focus on specific tasks and use rewards and punishments to motivate followers.

About Transformational leadership: Transformational leadership is a leadership style that can inspire positive changes in those who follow. Transformational leaders are generally energetic, enthusiastic, and passionate. Not only are these leaders concerned and involved in the process; they are also focused on helping every member of the group succeed as well.

Further Point of difference between both the leadership Styles.

Area	Transactional Leadership	Transformational
Based on Behavioral Pattern		
Basic	Based on exchange relation between Leader and followers	Based on leader’s values, beliefs and needs of followers
Motivation	Linked to immediate performance through rewards and Punishment	Inspirational Motivation which makes them act beyond their scope
Decision Making	Use of Structured Process	Based on Intellectual Stimulation
Follower Development	Through Training and Development programs	Individualized Mentoring and coaching
Influence Process	Traditional process of using authority	Influence through idealized Influence by being a role model
Approach	Passive and Stable	Active and Dynamic
Orientation	Leader follows Task Orientation	Leader follows Goal Orientation
Organizational Growth Perspective	Bottom Line Growth	Top Line Growth
Tackling Issues	Responsive	Proactive and Individualized Consideration
Main Functions of Leaders	Determination of Objectives, clarifying tasks and helping subordinates in achieving objectives	Providing vision and mission, instilling pride, gaining respect and trust, inspiring people
Time Frame	Based on Short term thinking	Long term thinking and relations

Question-3: What is Corporate Governance. Define it's need and Principles. (600 words, 15 marks)

Static or Current – **STATIC**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **CORPORATE GOVERNANCE**

Solution: Below mentioned are the different dimensions to be covered in Answer and not the exact answer

About Corporate Governance: Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed. Corporate governance includes the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment. Corporate Governance is a dynamic practice consisting of internal control provisions and procedures to manage a company.

Its Importance:

- 1) To enhance corporate sustainability
- 2) Shareholders activism is valued and encouraged
- 3) Continuous flow of information and feedback
- 4) Improve gender equity and diversity
- 5) Enhances goodwill of the company

Principles of Corporate Governance:

4. Principles of Corporate Governance

1. **Rights and equitable treatment of shareholders:** Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings.

Example: Normally 51% (majority shareholders) of the shareholders need to vote in favor for any decision to be taken. But recently there has been a voice which says that sometimes the rest of the 49% (minority shareholders) which may be small investors are badly affected by the decision. Hence people have started demanding even among the minority shareholders the voting should be done separately and 51% of the remaining 49% should vote in favor for decision to be taken. Many companies are doing this as part of Corporate governance. This problem where management tries to take decision which might not be in favor of shareholders is an example **principal-agent** problem.

2. **Interests of other stakeholders:** Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

Example: Some companies have made **Corporate Social Responsibility** as part of their **Corporate Governance**. So, they are thinking in interest of **local communities**

3. **Role and responsibilities of the board:** The board needs sufficient relevant skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment.

4. **Integrity and ethical behavior:** Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

Example: Many companies have implemented policies on sexual harassment as part of corporate governance

5. **Disclosure and transparency:** Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of

6. **Environment-Friendly Policies:** An organization should not aim growth at the cost of the environment and human health. It is especially important that policies of the company are environment friendly

7. **Trade-off between Profit and Social Welfare:** Though every organization has profit as one of its motive, but profit shall not be the only motive. Organization shall give back to the society from where it is reaping the profits

8. **Free from Political Interference:** Organization shall be free from any political interference

9. **Independent External Auditors:** External auditors must be independent in the sense that they shall not be in any way related to the company. If an auditor is relative of senior manager then obviously his become might be biased in auditing. Auditors shall be selected on the basis of their qualification and experience

10. **Clear Dividend Policy:** A company shall have clear dividend policy so that investors are aware about the logic on which dividends are being declared

11. **Accountability and Responsibility:** There shall be proper accountability and responsibility for everyone. Proper punishment must be there for every type of aberration

Question-4: Discuss –SIDBI, NHB , NABARD, RRB and EXIM. (600 words, 15 marks)

Static or Current – **STATIC**
Finance or Management – **FINANCE**
Difficulty Level – **EASY**
Topic – **FINANCIAL INSTITUTIONS**

Solution: Below mentioned are the different dimensions to be covered in Answer and not the exact answer

Different dimension to be covered in answer regarding each of the institutions are:

- 1) Introduction about the Financial Institution
- 2) Organizational Structure
- 3) Need and Functions of the Financial Institution

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Question-5: What are Basel Norms? Discuss major pillars of Basel III. (600 words, 15 marks)

Static or Current – **STATIC**
Finance or Management – **FINANCE**
Difficulty Level – **MODERATE**
Topic – **RISK MANAGEMENT IN BANKING SECTOR**

Solution: Below mentioned are the different dimensions to be covered in Answer and not the exact answer

4.4 | Basel Norms

At the end of 1974, the Central Bank Governors of the Group of Ten countries formed a Committee of banking supervisory authorities. As this Committee usually meets at the Bank of International Settlement (BIS) in Basel, Switzerland, this Committee came to be known as the **Basel Committee**. It is also called as BCBS (**Basel Committee on Banking Supervision**)

The Basel committee has introduced three Basel Norms which are known as **Basel Accord**. These Basel Norms are called **Basel 1, Basel 2, and Basel 3**.

Pillars of Basel III accord

- Pillar-1 – Enhanced Minimum Capital & Liquidity Requirements
- Pillar-2 – Enhanced Supervisory Review Process for Firm-wide Risk Management and Capital Planning
- Pillar-3 – Enhanced Risk Disclosure and Market Discipline

Question-6: What is Behavioural Reinforcement? Discuss the Positive and negative Behaviour reinforcements in brief. (400 words, 10 marks)

Static or Current – **STATIC**
Finance or Management – **MANAGEMENT**
Difficulty Level – **EASY**
Topic – **CONCEPT OF REINFORCEMENT**

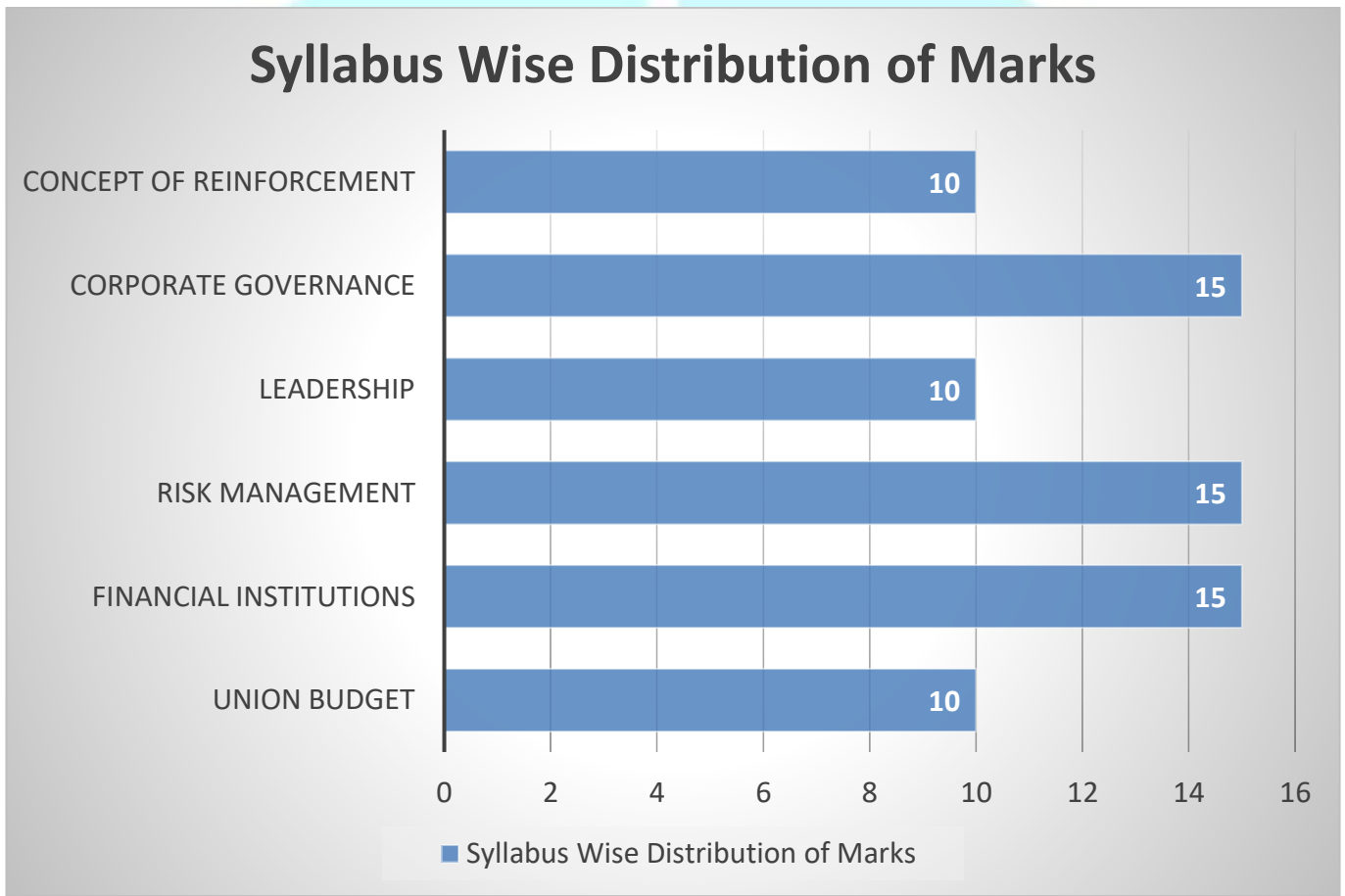
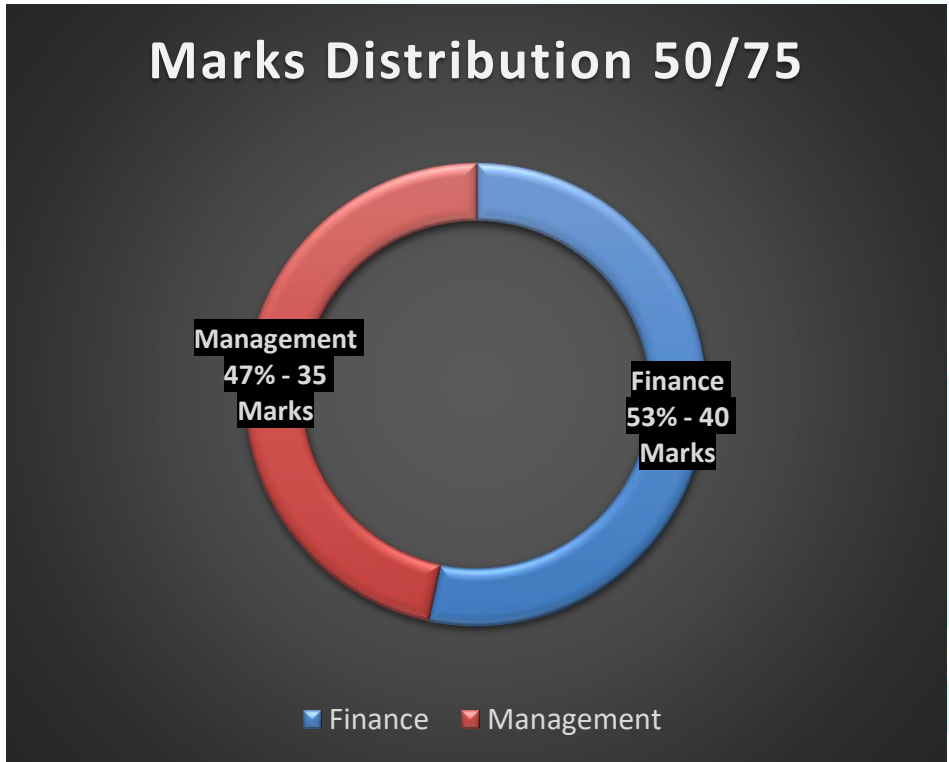
Solution: Below mentioned are the different dimensions to be covered in answer and not the exact answer

About Behavioural Reinforcement: Reinforcement is a fundamental concept of Operant Conditioning, whose major objective is to increase the rate of certain undesired behavior from occurring again. It is a consequence applied that will strengthen an organism's future behavior whenever that behavior is preceded by a specific antecedent stimulus.

About Positive Reinforcement and Negative Reinforcement

Positive Reinforcement	Negative Reinforcement
<ul style="list-style-type: none">• Adding a desirable stimulus to increase the likelihood of a behaviour to reoccur• Stimuli here work as a reward, given for doing something appropriate• It strenghtens the probability of a behaviour to occur again.• It works a motivation.• Example: Going out with friends to watch a movie if you finish your assignment. Thus, increasing the likelihood of you completing assignment.	<ul style="list-style-type: none">• Removing an undesirable stimulus to increase the likelihood of a behaviour to reoccur• Stimuli here work as a penalty, for not doing something• It teaches us to behave in a manner that help us get rid of a nasty responses.• It works as a lesson.• Example: Taking umbrella with you even and using it when it starts to rain. Thus, preventing you from getting wet and teaching you to carry umbrella more often.

Descriptive Type Question Paper Analysis



Important take Away

- ❖ Question asked in the descriptive section were direct and easy.
- ❖ No Current Affairs related question has been asked in Finance except Budget.
- ❖ No question from the newly added topics:
 - Finance: Global Financial Crisis, Global Financial Markets and International Banking
 - Management: Ethics

Important Note for future Aspirants

Being the first paper after the changed pattern, don't consider that the same will be repeated. It is expected that in the future exams, the level of Descriptive paper will increase which might require strong analytical ability and updation from current affairs.

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