ICAR AIEEA PG 2025 (Agri Business Management) Question Paper with Solutions

Time Allowed : 120 Minutes	**Maximum Marks :** 480	**Total Questions :** 120

General Instructions

Read the following general instructions carefully and adhere to them strictly:

1. Duration of the Exam: The total duration of the examination is 2 hours and 30 minutes.
2. Total Marks: The question paper carries a total of 480 marks.
3. Number of Questions: The paper contains 120 multiple-choice questions (MCQs)
4. Question Paper Format:
   - All questions are compulsory unless otherwise instructed.
   - Each question has four options, out of which only one is correct.
5. Mode of Examination: The examination is conducted in online mode (Computer-Based Test).
6. Marking Scheme:
   - Each correct answer carries 4 marks.
   - 1 mark will be deducted for each incorrect answer.
   - Nomarks will be awarded or deducted for unattempted questions.
7. Medium of Paper: The question paper will be bilingual (English and Hindi), except for the language section (if applicable).
8. Electronic Devices: Use of calculators, mobile phones, smartwatches or any electronic gadgets is strictly prohibited.

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1. Which of the following is a primary function of management in agribusiness?
(A) Marketing
(B) Planning
(C) Financing
(D) Auditing

Correct Answer: (B) Planning

Solution:

Step 1: Understanding the Concept:
The primary functions of management are the fundamental activities that managers perform to achieve organizational goals.
These are universally accepted as Planning, Organizing, Leading (or Directing), and Controlling (POLC).
Agribusiness, like any other business, requires these core management functions to operate effectively.
Step 2: Detailed Explanation:
Let's analyze the options in the context of primary management functions:

- **(A) Marketing:** Marketing is a crucial business function, but it is a specific operational area that is managed. It falls under the broader scope of the primary management functions. For example, managers must *plan* marketing strategies.
- **(B) Planning:** Planning is the most fundamental function of management. It involves setting objectives, determining the course of action to achieve those objectives, and deciding in advance what to do, how to do it, when to do it, and who is to do it. All other management functions depend on planning.
- **(C) Financing:** Financing is another specialized business function concerned with acquiring and managing funds. Like marketing, it is an area that requires management, but it is not a primary function of management itself.
- **(D) Auditing:** Auditing is a process of examination and verification of a company's financial records. It is a part of the 'Controlling' function but is not a primary function on its own.

Therefore, among the given choices, Planning is the most accurate answer as a primary function of management.
Step 3: Final Answer:
Based on the analysis, Planning is a core and primary function of management that is essential for guiding an agribusiness toward its goals.

> Quick Tip
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> Remember the acronym **POLC**: **P**lanning, **O**rganizing, **L**eading, and **C**ontrolling. These are the four primary functions of management. Any question asking for a primary function will likely have one of these as the correct answer.

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2. In the context of agribusiness, SWOT analysis is used to assess:
(A) Financial statements
(B) Market share
(C) Internal and external factors
(D) Employee performance

Correct Answer: (C) Internal and external factors

Solution:

Step 1: Understanding the Concept:
SWOT analysis is a strategic planning technique used to help an organization identify its key strengths, weaknesses, opportunities, and threats related to business competition or project planning.
Step 2: Detailed Explanation:
The acronym SWOT stands for:

- **S**trengths: Internal attributes of the organization that are helpful to achieving the objective.
- **W**eaknesses: Internal attributes of the organization that are harmful to achieving the objective.
- **O**pportunities: External conditions that are helpful to achieving the objective.
- **T**hreats: External conditions which could do damage to the objective.

As seen from the breakdown, Strengths and Weaknesses are **internal factors**, while Opportunities and Threats are **external factors**.
Therefore, the core purpose of a SWOT analysis is to assess this combination of internal and external factors to formulate a strategy.
Options (A), (B), and (D) are specific metrics or areas that might be considered *within* a SWOT analysis (e.g., strong financial statements could be a Strength, declining market share a Weakness), but the overall purpose of the analysis is to assess the broader internal and external landscape.
Step 3: Final Answer:
SWOT analysis provides a comprehensive framework for evaluating a company's strategic position by assessing both internal and external factors.

> Quick Tip
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> To easily remember what SWOT assesses, break it down: **SW** (Strengths, Weaknesses) = **Internal** factors you can control. **OT** (Opportunities, Threats) = **External** factors you cannot control but can react to.

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3. Which financial statement shows a company's financial position at a specific date?
(A) Income Statement
(B) Balance Sheet
(C) Cash Flow Statement
(D) Retained Earnings Statement

Correct Answer: (B) Balance Sheet

Solution:
Step 1: Understanding the Concept:
Financial statements are formal records of the financial activities and position of a business. Each statement has a distinct purpose and covers a different aspect of financial health. The

key distinction is whether a statement covers a *period of time* or represents a *specific point in time.*

Step 2: Detailed Explanation:

- **(A) Income Statement:** Also known as the Profit and Loss (P&L) statement, it shows a company's financial performance (revenue, expenses, and profit/loss) *over a period of time* (e.g., a quarter or a year).
- **(B) Balance Sheet:** This statement provides a snapshot of a company's financial position at a *single point in time.* It summarizes a company's assets, liabilities, and owners' equity and is based on the fundamental accounting equation: Assets = Liabilities + Equity. The heading of a balance sheet always states "as of [a specific date]".
- **(C) Cash Flow Statement:** This statement shows how cash has moved in and out of the company from operating, investing, and financing activities *over a period of time.*
- **(D) Retained Earnings Statement:** This statement details the changes in a company's retained earnings *over a period of time.*

The only statement that reflects the financial position on a specific date is the Balance Sheet.

Step 3: Final Answer:

The Balance Sheet is the financial statement that presents a company's assets, liabilities, and equity at a specific point in time.

> Quick Tip
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> Think of the Balance Sheet as a **photograph** (a snapshot at one moment) and the Income Statement and Cash Flow Statement as a **video** (showing activity over a period). This analogy helps distinguish their functions.

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4. In marketing, the 4 Ps stand for Product, Price, Place, and:

(A) Promotion
(B) People
(C) Process
(D) Profit

Correct Answer: (A) Promotion

Solution:

Step 1: Understanding the Concept:

The 4 Ps of Marketing, also known as the Marketing Mix, is a foundational model in marketing. It refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market.

Step 2: Detailed Explanation:

The four components of the traditional marketing mix are:

- **Product:** The goods or services offered by the company.
- **Price:** The amount of money customers pay for the product.

- **Place:** The location and channels where a product can be purchased (i.e., distribution).
- **Promotion:** The marketing communications used to make the target audience aware of the product. This includes advertising, public relations, and sales promotions.

Options (B) People and (C) Process are part of the extended marketing mix (the 7 Ps), which is often used for service-based businesses. (D) Profit is the goal of marketing activities, not a component of the marketing mix itself.

Step 3: Final Answer:
The fourth 'P' in the classic 4 Ps of the marketing mix is Promotion.

> Quick Tip
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> To avoid confusion with the extended 7 Ps, focus on the original four: What you sell (**Product**), what you sell it for (**Price**), where you sell it (**Place**), and how you tell people about it (**Promotion**).

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5. Which is NOT a feature of a cooperative society?
(A) Voluntary membership
(B) Profit maximization
(C) Democratic control
(D) Service motive

Correct Answer: (B) Profit maximization

Solution:
Step 1: Understanding the Concept:
A cooperative society is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Its core principles differentiate it from traditional for-profit corporations.
Step 2: Detailed Explanation:
Let's examine the features of a cooperative:

- **(A) Voluntary membership:** Membership is open and voluntary, without artificial restriction or any social, political, or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership. This is a core feature.
- **(C) Democratic control:** Cooperatives are controlled by their members, who actively participate in setting their policies and making decisions. Often, this is on a "one member, one vote" basis. This is a core feature.
- **(D) Service motive:** The primary purpose of a cooperative is to provide services to its members and the community, not to generate profit for investors. While cooperatives may generate a surplus (profit), their driving force is member service. This is a core feature.

- **(B) Profit maximization:** This is the primary goal of a traditional capitalist corporation, where the objective is to maximize returns for shareholders. In a cooperative, the primary motive is service to its members. Any surplus generated is typically reinvested in the cooperative or returned to members as patronage dividends. Therefore, profit maximization is NOT a feature of a cooperative society.

Step 3: Final Answer:
The primary objective of a cooperative is service to its members, not the maximization of profit, which distinguishes it from other business structures.

> Quick Tip
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> Remember that the core idea of a cooperative is "people over profit." This helps to immediately identify that profit maximization is contrary to its fundamental principles.

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6. In project appraisal, Net Present Value (NPV) is calculated by:
(A) Subtracting initial investment from total cash inflows
(B) Dividing cash inflows by initial cost
(C) Subtracting present value of outflows from present value of inflows
(D) Adding future inflows without discounting

Correct Answer: (C) Subtracting present value of outflows from present value of inflows

Solution:
Step 1: Understanding the Concept:
Net Present Value (NPV) is a method used in capital budgeting and investment planning to analyze the profitability of a projected investment or project. NPV is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. It accounts for the time value of money, which states that a dollar today is worth more than a dollar tomorrow.
Step 2: Key Formula or Approach:
The formula for NPV is:

$$NPV = \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t} - C_0$$

Where:
CF_t = Cash inflow during the period t
r = Discount rate
t = Number of time periods
C_0 = Initial investment (cash outflow at time 0)
This formula essentially calculates the present value of all future cash inflows and subtracts the present value of all cash outflows (which is primarily the initial investment, C_0).
Step 3: Detailed Explanation:
Let's analyze the options based on this concept:

- **(A) Subtracting initial investment from total cash inflows:** This is incorrect because it ignores the time value of money. It does not discount the future cash inflows.

- **(B) Dividing cash inflows by initial cost:** This describes the Profitability Index (PI), not NPV.
- **(C) Subtracting present value of outflows from present value of inflows:** This is the correct definition. The initial investment is a present value outflow, and future cash flows are discounted to their present value. The difference between the two is the NPV.
- **(D) Adding future inflows without discounting:** This is incorrect as the core principle of NPV is discounting future cash flows to their present value.

Step 4: Final Answer:
The correct method for calculating NPV is to find the present value of all cash inflows and subtract the present value of all cash outflows.

> Quick Tip
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> When you see "Present Value" in a finance question, always think "discounting." NPV is the **Net** of the **Present Values** of all cash flows (inflows and outflows). This helps eliminate options that don't involve discounting.

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7. Which pricing strategy sets a high initial price for a new product?
(A) Penetration pricing
(B) Skimming pricing
(C) Cost-plus pricing
(D) Psychological pricing

Correct Answer: (B) Skimming pricing

Solution:
Step 1: Understanding the Concept:
Pricing strategies are methods companies use to price their products or services. Different strategies are used depending on the product, market conditions, and business objectives.
Step 2: Detailed Explanation:
Let's define each strategy:

- **(A) Penetration pricing:** This strategy involves setting a *low initial price* for a new product to quickly attract a large number of buyers and gain a large market share. The goal is to penetrate the market.
- **(B) Skimming pricing:** This strategy involves setting a *high initial price* for a new, innovative, or unique product. The company "skims" maximum revenue layer by layer from the segments willing to pay the high price (early adopters). The price is often lowered over time.
- **(C) Cost-plus pricing:** This is a simple pricing method where a fixed percentage (markup) is added to the total cost of producing the product. It doesn't focus on the initial price for a new product but on covering costs and achieving a target profit.

- **(D) Psychological pricing:** This strategy uses pricing to influence a customer's perception. Examples include setting prices just below a round number (e.g., $9.99 instead of $10.00) to make it seem cheaper. It's about perception, not necessarily a high or low initial price.

The strategy that specifically involves setting a high initial price is skimming pricing.
Step 3: Final Answer:
Skimming pricing is the strategy of introducing a new product with a high price to maximize revenue from early adopters before lowering the price for a broader market.

> Quick Tip
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> Associate **Skimming** with "skimming cream off the top" – targeting the top of the market who are willing to pay more. Associate **Penetration** with "penetrating" or entering a market quickly with a low price to capture share.

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8. In supply chain management, the Just-In-Time (JIT) system aims to:
(A) Increase stock levels
(B) Reduce inventory holding costs
(C) Delay production
(D) Expand warehouse size

Correct Answer: (B) Reduce inventory holding costs

Solution:
Step 1: Understanding the Concept:
Just-In-Time (JIT) is an inventory management strategy where materials, goods, and labor are scheduled to arrive or be replenished exactly when needed in the production process. The goal is to minimize waste and increase efficiency.
Step 2: Detailed Explanation:
The primary objective of a JIT system is to reduce the amount of inventory held at any given time. By doing so, it achieves several benefits:

- **Reduced Inventory Holding Costs:** Holding inventory incurs costs such as storage, insurance, and the risk of obsolescence. By minimizing inventory, JIT directly reduces these costs.
- **Improved Efficiency:** With less inventory, processes must be highly efficient and coordinated.
- **Waste Reduction:** JIT helps identify and eliminate waste in the production process.

Analyzing the options:

- **(A) Increase stock levels:** This is the opposite of what JIT aims to achieve.
- **(B) Reduce inventory holding costs:** This is the direct financial benefit and a primary goal of implementing JIT.

- **(C) Delay production:** JIT does not aim to delay production; it aims to make it more efficient and responsive to demand.
- **(D) Expand warehouse size:** JIT aims to reduce the need for warehouse space, not expand it.

Step 3: Final Answer:
The main aim of the Just-In-Time (JIT) system is to minimize inventory and the associated holding costs by having supplies arrive exactly when they are needed for production.

> Quick Tip
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> The name says it all: **Just-In-Time**. Materials arrive "just in time" for them to be used. This implies there is no large stockpile of inventory, which means lower storage (holding) costs.

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9. Which is a method of primary data collection in market research?
(A) Company records
(B) Government reports
(C) Literature review
(D) Surveys

Correct Answer: (D) Surveys

Solution:
Step 1: Understanding the Concept:
Market research data can be categorized into two types:

- **Primary Data:** Data collected for the first time by the researcher for the specific research purpose at hand. It is original and directly collected from the source.
- **Secondary Data:** Data that has already been collected by someone else for a different purpose and is publicly available or accessible. The researcher uses this pre-existing data.

Step 2: Detailed Explanation:
Let's classify the given options:

- **(A) Company records:** These are internal records that already exist within the company (e.g., sales data). This is a form of **secondary data**.
- **(B) Government reports:** These are reports published by government agencies (e.g., census data, economic reports). This is a classic example of **secondary data**.
- **(C) Literature review:** This involves analyzing published articles, books, and other sources of existing information. This is a method of gathering **secondary data**.
- **(D) Surveys:** Surveys (including questionnaires, interviews, and focus groups) are conducted to collect new and original information directly from respondents for a specific research question. This is a quintessential method of **primary data** collection.

Step 3: Final Answer:
Surveys are a method of collecting new, firsthand information directly from a sample of individuals, making it a primary data collection method.

> Quick Tip
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> Remember: **Primary = First-hand**. Did you collect it yourself for your specific project? If yes, it's primary. **Secondary = Second-hand**. Are you using data someone else already collected? If yes, it's secondary.

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10. In financial ratios, the Current Ratio is:
(A) Current Assets / Current Liabilities
(B) Current Liabilities / Current Assets
(C) Total Assets / Total Liabilities
(D) Total Liabilities / Total Assets

Correct Answer: (A) Current Assets / Current Liabilities

Solution:
Step 1: Understanding the Concept:
The Current Ratio is a liquidity ratio that measures a company's ability to pay its short-term obligations (those due within one year). It indicates the financial health of a company and its ability to meet its immediate financial commitments.
Step 2: Key Formula or Approach:
The formula for the Current Ratio is defined as:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Where:

- **Current Assets** are all the assets of a company that are expected to be conveniently sold, consumed, used, or exhausted through standard business operations within one year (e.g., cash, accounts receivable, inventory).
- **Current Liabilities** are a company's short-term financial obligations that are due within one year or within a normal operating cycle (e.g., accounts payable, short-term debt).

Step 3: Detailed Explanation:
A higher current ratio (typically > 1) suggests that a company has enough current assets to cover its current liabilities and is in a good position to meet its short-term obligations. Let's look at the options:

- **(A) Current Assets / Current Liabilities:** This is the correct and standard formula for the Current Ratio.
- **(B) Current Liabilities / Current Assets:** This is the inverse of the Current Ratio and is not a standard financial ratio.

- **(C) Total Assets / Total Liabilities:** This relates to the Debt-to-Asset ratio, but is not the formula for it. It measures solvency over the long term, not short-term liquidity.
- **(D) Total Liabilities / Total Assets:** This is the formula for the Debt-to-Asset ratio, which measures leverage, not liquidity.

Step 4: Final Answer:
The correct formula for the Current Ratio is Current Assets divided by Current Liabilities.

> Quick Tip
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> A simple way to remember the Current Ratio is to think about what you have (**Assets**) versus what you owe (**Liabilities**) in the short term. You want to know if what you have can cover what you owe, so Assets go on top (numerator).
