

Class : SYBFM SEM : IV

Subject: Corporate Finance

Sample Questions

The most important goal of financial management is _____

- Corporate social responsibility
- Using business assets effectively
- Matching income and expenditure
- Wealth maximization

Corporate Finance Caters to the interest of _____

- All Shareholders
- All Customers
- All Suppliers
- All Stakeholder

Shareholders wealth in a firm is represented by _____

- The number of people employed in the firm
- The book value of firm's assets and liabilities
- The amount of salary paid to its employees
- The market price per share

The cost of _____ capital is highest

- Equity
- Preference
- Debt
- International

In the long run all costs are _____

- Fixed
- Variable
- Semi Variable
- Semi Fixed

A portion of profits which a company distributes among its shareholders, is known as: _____

- Dividend
- Retained earnings
- Capital Gains
- Interest

Actual sales - BEP Sales is _____

- Margin of Safety
- P/V Ratio
- Actual Sales
- Break Even Point

EPS stands for _____

- Expected Profit on sales
- Expected Price of share
- Earnings Per share
- Earning profit on sales

The cost of _____ capital is the fixed

- Owned
- Borrowed
- Equity
- Hybrid

If Income tax rate is 35% then post tax profit is _____ % of pre-tax profit

- 35
- 65
- 85
- 100

_____ refers to the mix of a company debt and equity.

- capital structure
- capital budgeting

- capital stock
- capital asset

_____ is an example of traditional method of capital budgeting

- Net present value
- Accounting rate of return
- Internal rate of return
- Profitability index

Debentures is a _____ security

- ownership
- government
- creditorship
- Hybrid

Decision involving purchase of fixed assets are also termed as: _____

- capital structure decisions
- capital budgeting
- capital restructuring
- capital mix decisions

Leasing of machinery can be categorized as _____

- Fixed asset
- Investment decision
- Financing decision
- Capital budgeting decision

Listed companies can be valued at _____

- Book Value
- Market value
- Salvage value
- Liquidation value

A project whose acceptance precludes the acceptance of one or more alternative projects is referred to as _____

- a mutually exclusive project
- an independent project.
- a dependent project.
- a contingent project.

In marginal costing profitability of each product is measured on the basis of its _____

- Cost
- Profit
- Contribution
- Fixed Cost

The span of time within which the investment made for the project will be recovered by the net returns of the project is known as _____

- Period of return
- Payback period
- Span of return
- Life Cycle

The project can be selected if its profitability index is more than _____

- 10%.
- 3%.
- 5%.
- 1%.

_____ has to be financed for short term sources of funds

- Working capital
- Preference shares
- Debentures
- Bonds

A capital investment is one that _____

- Has the prospect of short term benefit
- Is only undertaken by large corporations

- Applies only to investment in fixed assets
- Has the prospect of long term benefit

Which one of the following is a capital structure decision?

- determining which one of two projects to accept
- determining how to allocate investment funds to multiple projects
- determining the amount of funds needed to finance customer purchases of a new product.
- determining how much debt should be assumed to fund a project.

Capital Budgeting Decisions are based on:

- Incremental Profit
- Incremental Cash Flows
- Incremental Assets
- Incremental Capital

Break-even indicates _____

- Revenues are more than cost
- Revenues and cost are equal
- Costs are more than revenue
- Cost is zero

Financial decisions are based on _____

- Fixed assets
- Capital
- Cost of capital
- Long term liabilities

Financial goals are _____

- Qualitative
- Subjective
- Quantitative
- Objective

An improper NPV analysis leads to the _____ of projects

- Wrong selection
- Timely selection
- Right selection
- Accurate selection

Dividend on equity capital is always_____

- Fixed
- Fluctuating
- Semi fixed
- semi variable

35. How is the P/E ratio calculated?

- Market value/quick ratio
- Earnings per share/market capitalization
- Market value per share/earnings per share
- Earning Per share/ Face value per share

If total cost of 100 units is Rs 5000 and those of 101 units is Rs 5030 then increase of Rs 30 in total cost is_____

- Prime Cost
- Marginal cost
- All variable overheads
- Fixed Cost

What is the overall (weighted average) cost of capital in the following situation. Long-term debt 2000000, Equity 2000000. The after-tax cost for debt 8% and equity 15%.

- 10.40%
- 11.50%
- 9.30%
- 10.90%

Given production is 1,00,000 units, fixed costs is Rs 2,00,000 Selling price is Rs 10 per unit and variable cost is Rs 6 per unit. Determine profit using technique of marginal costing.

- 220000
- 600000

- 800000
- 200000

Calculate the EPS of the following: Earnings = Rs 9,00,000 ; Face Value of Equity share = Rs 10 per share ; No of Equity Shares = 3,00,000

- 90000
- 30000
- 3
- 3%

Net worth includes _____ and _____

- Higher Operating Profitability, Lower Operating Profitability
- Share Capital, Reserves & Surplus
- Trading Profitability, Share Capital
- Asset and Liabilities

Which one of the following statements is correct concerning the weighted average cost of capital (WACC)?

- When computing the WACC, the weight assigned to the preferred stock is based on the coupon rate multiplied by the par value of the stock.
- A firm's WACC will decrease as the corporate tax rate decreases.
- The WACC will remain constant unless a firm retires some of its debt
- The WACC may decrease as a firm's debt-equity ratio increases.

Calculate BEP (in Rs.) from following information: P/V Ratio 40% Fixed Cost 100000

- 200000
- 400000
- 250000
- 40000

Project costing Rs.800000 and a life of 5 years is expected to bring cash inflows of Rs.200000 p.a. What is the payback period?

- 5 years
- 4 years
- 3 years
- 2.5 years

Which of the following statements is correct?

- If $PI < 1$, its NPV is less than zero
- If $PI = 0$, its NPV is greater than zero
- If $PI = 0$, its NPV is less than zero
- If $PI < 1$, its NPV is greater than zero

If Sales is Rs.500000, Variable cost 60% of sales. Calculate P/V Ratio.

- 60%
- 40%
- 100%
- 50%

1 Fixed income securities are _____ claims with promised cash flows of known fixed amount paid at fixed dates.

- a) Financial
- b) Non-Financial
- c) Securities
- d) Debt

2 Fixed-income securities are investment where the cash flows are according to predetermined amount of interest, paid on fixed schedule popularly known as ___.

- a) Hedge Fund
- b) Debt instrument
- c) Cheques
- d) Depositories

3 In return for the loan, the borrower promises to pay the investor a specified rate of interest (or coupon) during the life of the bond and to repay the face value of the bond (the 'par' value) when it _____.

- a) Declines
- b) Refuses
- c) Matures
- d) Retires

4 If you purchase the stock in 2005 @ ₹200 Per share and it is trading duty @ ₹1000 a share, you would know that you had made a _____ profit on your investment.

- a) 200%
- b) 500%
- c) 50%

d) 100%

5 Over a broad portfolio of bonds, these coupon payments constitute a reliable stream of income for investors in _____.

- a) Capital Market
- b) Debt Funds
- c) Fixed income securities
- d) Bonds

6 By definition, principle is to be repaid to investors upon which quality of the instrument, and when this is combined with the strong credit worthiness of many fixed-income issuers, it provides an effective form of _____ preservation.

- a) Capital
- b) FDI
- c) Debt
- d) Mortgage

7 Consider government bonds, which are backed by the full faith and credit of _____ government.

- a) Republic
- b) Democratic
- c) Sovereign
- d) Capitalist

8 Lower _____ than other asset classes providing stable returns.

- a) Durability
- b) Maturity

- c) Stability
- d) Volatility

9 Predictable and stable returns of a hedge against the volatility and risk of equity investments, and does allow an investor to create a ____ portfolio.

- a) Individual
- b) Wealth
- c) Traditional
- d) Diversified

10 Investors money is locked for full maturity period unless the security is traded in the ____ market.

- a) Money
- b) Capital
- c) Primary
- d) Secondary

11 Fixed income securities as an asset class principally provides ____ income liquidity and high levels of capital stability.

- a) Sodexos
- b) Coupon
- c) Yield
- d) Retrun

12 The coupon interest payments that accrue to many classes of _____ constitute an important source of income investors.

- a) Capital Market

- b) Debt Funds
- c) Fixed income securities
- d) Bonds

13 Mostly Indian banks were nationalised in ____ and today approximately 75% of loans are from public sector banks.

- a) 1985
- b) 1991
- c) 1947
- d) 1969

14 In order to finance its fiscal deficit, the government floats fixed income instruments and borrows money by issuing G-Secs that are sovereign securities issued by the ____ on behalf of the Government of India.

- a) SEBI
- b) IRDA
- c) NSDL
- d) RBI

15 The debt market in India consists of mainly two categories the _____ markets comprising central government and state government securities.

- a) T - Sec
- b) G - Sec
- c) I - Sec
- d) J - Sec

16 A critical positive is that the turnover in the Indian bond market is second only to _____.

- a) Russia
- b) China
- c) USA
- d) Japan

17 _____ and residuals are instruments purchased at a discount that mature at par (100).

- a) Flip Coupons
- b) Bond Coupons
- c) Strip Coupons
- d) No Coupons

18 In the case of a debt obligation, the issuer is called the _____. The investor who purchases such a fixed income security is said to be the lender or creditor.

- a) Trader
- b) Seller
- c) Borrower
- d) Negotiator

19 In contrast to a fixed income security that represents a _____, preferred stock represents an ownership interest in a corporation.

- a) Bond Maturity
- b) Debt obligation
- c) Fixed Income Securities
- d) Capital Income

20 The _____ market is a very useful instrument in the absence of stock index futures.

- a) Calf and cow
- b) Bulbul and cuckoo
- c) Bull and bear
- d) Cats and dogs

21 _____ securities are a good way to introduce diversification into an investment portfolio because their regular income stream generally provides more stable returns.

- a) Hybrid
- b) Mixed
- c) Fixed
- d) Individual

22 If a bond price is 5000 and pays 7% coupon annually with interest rate of 9% having maturity of 6 years.

- a) 530
- b) 350
- c) 450
- d) 200

23 _____, which is a measure of the curvature of the changes in the price of a bond in relation to changes in interest rates is used to address this error.

- a) Convexity
- b) Volatility
- c) Maturity
- d) Durability

24 _____ = Initial price - price if yield is changed by 1 basis point.

- a) PVBP
- b) FVBP
- c) TVBO
- d) YTRO

25 Identify the last year and start solving from that year considering it as a base year, the entire process is reverse so it is said as _____ induction.

- a) Forward
- b) Backward
- c) Ahead
- d) Below

26 By contrast, coincident indicators are characterized by the fact that they develop mostly parallel to the _____ cycle.

- a) Financial
- b) Demographic
- c) Economic
- d) Geographic

27 The turning points of the _____ indicators lead the turning points of the coincident indicators by months. The lead time is about 12-24 months.

- a) Lagging
- b) Loading
- c) Collateral
- d) Leading

28 The ____ has historically been of the most well known and well used indicators for deciphering manufacturing activity in the country.

- a) IIFM
- b) IIP
- c) IIT
- d) IIM

29 ____ is a financial term that denotes financial institutions providing credit to borrowers deemed sub-prime (sometimes referred as under-banked).

- a) Prime
- b) Sub-prime
- c) Over-prime
- d) Under-prime

30 The boom in housing sector made both banks and home buyers believe that the price of a ____ would keep going up.

- a) Real estate
- b) Infrastructural
- c) Commercial
- d) Buildings

31 Under new system of securitisation, investment firms, banks repackaged mortgage securities (MBS) into innovative financial products called CDO's (collateral debt obligation), that promise to boost the return for investors. The CEOs were further divided into small financial units called ____.

- a) Branches
- b) Ponds

- c) Stems
- d) Tranches

32 _____ management is often a segment of the investment process that many individuals miss, but although overlooked, it can often mean the difference between success and failure in the long road of investing.

- a) Equity
- b) Debt
- c) Portfolio
- d) Relativity

33 Coupon risk is the exposure of the securities in the _____ index to different coupon rate.

- a) Negotiable
- b) Deliverable
- c) Benchmark
- d) Trademark

34 A _____ strategy is a Portfolio who is duration is allocated to one maturity group.

- a) Transport
- b) Gun
- c) Bike
- d) Bullet

35 A shift in the _____ curve refers to the relative change in the yield for each treasury maturity.

- a) Demand
- b) Supply

- c) Maturity
- d) Yield

36 Of _____ of the yield curve indicates that the yield spread between the yield on a long-term and short-term treasury has decreased.

- a) Diversifying
- b) Flattening
- c) Humped
- d) Steep

37 The other type of non-parallel shift, a change in the humpedness of the yield curve, is referred to as a _____ shift.

- a) Silk
- b) Cotton
- c) Butterfly
- d) Spider

38 _____ bond has higher risk.

- a) Junk
- b) Corporate
- c) Portable
- d) Zero coupon

39 Yields and prices have _____ relationships.

- a) No
- b) Direct
- c) Inverse

d) Weighted average

40 – is a plain vanilla bond.

- a) Straight bond
- b) Zero coupon bond
- c) Callable bonds
- d) Suitable bond

41 – refers to sale and purchase of securities in the money market by the central bank.

- a) Open market operation
- b) Monetary policy
- c) Reverse repo
- d) Money market

42 Portfolio includes ____ stocks bonds with high risk or higher returns.

- a) Aggressive
- b) Passive
- c) Market linked
- d) Neutral

43 And example of leading economic indicators includes ____.

- a) Consumer price index
- b) Consumer expectation
- c) Trade balance
- d) Gross domestic product

44 A callable bond pays an investor or ____ coupon than a non callable bond.

- a) Lower
- b) Higher
- c) Same
- d) Zero

45 Effective duration is a duration calculation for bond that have ____.

- a) Longer maturity
- b) Embedded options
- c) Short-term maturity
- d) No options

46 Hybrid bonds have the features of both ____ and debenture.

- a) Bond
- b) Equity
- c) Options
- d) Futures

47 Bond with ____ gives a bond user the right, but not the obligation.

- a) Put option
- b) Call option
- c) Hybrid bond
- d) No option

48 The reserve bank of India RBI defines ____ as sale or purchase of government securities to or from the market with the objective of adjusting rupee liquidity conditions in the market.

- a) OMO
- b) PMO
- c) TMO
- d) PTO

49 Securities traded in ____ have maturity period of one or more than one year.

- a) Debt market
- b) Commercial paper
- c) Capital market
- d) Foreign market

50 Successful ____ are those who have a bid at or above the cut-off price.

- a) Traders
- b) Dealers
- c) Bidders
- d) Controllers

SAMPLE QUESTIONS MERCHANT BANKING SYBFM

Q.1 In India Merchant Banker is also called _____	
a.	Product Manager
b.	Zonal Manager
c.	Lead Manager
d.	Investment Manager
Q.2 _____ is one of the services of Merchant Banking	
a.	Cash Deposits
b.	Fixed Deposits
c.	Hire Purchase
d.	Net Banking
Q.3 _____ is one of the importance of merchant Banking	
a.	Electing Government
b.	Advisory Services
c.	Awaking Financial Literacy
d.	Infrastructure Development
Q.4 In _____ refers to investment in different kind of securities such as shares , debenture, bonds is known as _____	
a.	Underwriting
b.	Issue Management
c.	Merger and Acquisition
d.	Portfolio Management
Q.5 IPO stands for _____	
a.	Initial Public Offshore
b.	Initial Public Offer
c.	Initial Public Office
d.	Initial Public Order
Q.6 Hire Purchase by merchant banker is _____ Services	
a.	Fund based
b.	Fee Based
c.	Free Based
d.	Discount Based
Q.7 Finalising different Agencies is _____	
a.	Pre-Issue
b.	Post – Issue
c.	Par- Issue
d.	Regular-Issue

Q.8 Underwriters is refers as _____	
a.	gives the assurance given to take up whole or a part of the issues of securities if fully subscribed by the public
b.	gives the oral promise given to take up whole or a part of the issues of securities if not subscribed by the public
c.	gives the Financial assistance to become partner of the company
d.	gives the assurance to share profit ratio wise
Unit 2	
Q.9 RII stands for _____	
a.	Retail Institutional Investor
b.	Regional Institutional Investor
c.	Retail Individual Investor
d.	Retail Individual Income
Q.10 ASBA stands for	
a.	Application Supported by Borrowed Amount
b.	Application Supported by Bail Amount
c.	Application Supported by Blocked Amount
d.	Application Supported by Base Amount
Q.11 _____ document is a document which contains all the relevant information about the company, promoters, projects.	
a.	Secret
b.	Offer
c.	Law
d.	Agreement
Q.12 DRHP stands for	
a.	Draft Red Herring Prospectus
b.	Draft Read Herring Prospectus
c.	Drag Read Herring Prospectus
d.	Draft Red Hiring Prospectus
Q.13 _____ shares are given preference to the existing shareholders	
a.	Bonus
b.	Preference
c.	Right Issue
d.	Equity
Q.14 The basis of _____ is decided with in two weeks of the date of closure in book built process	
a.	Subscription
b.	Allotment
c.	Borrowing
d.	Under subscription

Q.15 Depository Receipt is denominated in a _____ currency	
a.	Non Reedemable
b.	Convertible
c.	Non Convertible
d.	Transferable
Q.16 GDR are traded on Stock Exchange of _____ and _____	
a.	Europe , USA
b.	Europe , India
c.	USA , India
d.	India, Indonesia
Q.17 Depository Bank__	
a.	_____ are responsible to provide notice related depository receipts issues, Finance holder meeting
b.	_____ are responsible to provide notice related depository receipts issues, meeting , public meeting, Advertising
c.	_____ are responsible to provide notice related depository receipts issues, share holders meeting
d.	_____ are responsible to provide notice related depository receipts issues, promoter holders meeting
Q.18 ADR is a security issued by a US depository bank to _____ buyers	
a.	International
b.	Domestic
c.	Both International & Domestic
d.	Only Local people
Q.19 Commercial Paper is issued for maturities ranging from _____	
a.	3 days to 1 year
b.	5 days to 1 year
c.	7 days to 1 year
d.	15 days to 1 year
Q.20 A Standby Credit Facility is _____	
a.	Unconditional and irrevocable and is available under all circumstances to meet the obligation on the issue.
b.	Conditional and Revocable and is available under all circumstances to meet the obligation on the issue.
c.	Unconditional and Revocable and is available under all circumstances to meet the obligation on the issue.
d.	Unconditional and irrevocable and is not available under some circumstances to meet the obligation on the issue.

Q.21 Debenture which payable after certain period of time as per the terms of the issuer	
a.	Irredeemable
b.	Redeemable
c.	Convertible
d.	Non Convertible

Q.22		a) Issued at Par	i) Debenture issued at less than nominal value
		b) Issued at discount	ii) debenture issued more than its nominal value
		c) Issued at premium	iii) Debenture issued at equal to face value
a.	a- i , b- ii , c-iii		
b.	a- iii , b- i , c-ii		
c.	a- ii , b- i , c-iii		
d.			

Q.23 In _____ bonds the issuer is allowed to redeem the bond before its maturity date.	
a.	Coupon
b.	Junk
c.	Callable
d.	Floating

Q.24 Naked Debentures are _____ Debentures	
a.	Exchangeable
b.	Callable
c.	Unsecured
d.	Zero Coupon

Q.25 FCCB stands for	
a.	Foreign Currency Convertible Bonds
b.	Foreign Cash Convertible Bonds
c.	Foreign Current Convertible Bonds
d.	Foreign Capital Convertible Bonds

Q.26. Bought out deal refers to	
a.	is a deal in which the Public sell its shares to an agent or a merchant banker.
b.	is a deal in which the company sell its shares to an agent or a merchant banker.
c.	is a deal in which the Merchant banker sell its shares to an agent or a Company.
d.	is a deal in which the company sell its shares to Retail Investors.

Q.27 Project Counselling refers to _____	
a.	is the service in which deciding upon the pattern of financing to meet out the time allotted to the project
b.	is the service in which deciding upon the pattern of financing to meet out the cost of the project
c.	is the service in which deciding upon the pattern of Advertising to meet out the cost of the project
d.	is the service in which deciding upon the pattern layout to meet out the challenges of the project
Q.28 Match the Pairs	
	a) SEBI (Merchant Banker) Regulations i) 1998
	b) SEBI (Prohibition of Insider Trading) Regulations ii) 1992
	c) SEBI(Underwriters) Regulations iii)2012
	d) SEBI(Buy-Back of securities) Regulatios iv) 1993
a.	a-i , b-ii , c-iii , d-iv
b.	a-ii , b-i , c-iii , d-iv
c.	a-ii , b-iii , c-iv , d-i
d.	a-i , b-ii , c-iv , d-iii
Q.29 Share Trading on Exchange are more related to _____ market	
a.	Primary
b.	Secondary
c.	Ordinary
d.	Territory
Q.30 Private Placement	
a.	method of issuing shares reduces floatation and issue cost
b.	method of issuing shares Increase floatation and issue cost
c.	method of issuing shares Increases and Reduces floatation and issue cost
d.	method of issuing shares Neither Increases Nor Reduces floatation and issue cost
Q.31 Right Issues.	
a.	Shares are offered in proportion to the capital paid-up on the shares hold by holders.
b.	Shares are offered in choice to the capital paid-up on the shares hold by holders.
c.	Shares are offered in demand base to the capital paid-up on the shares hold by holders.
d.	Shares are offered in aviability base to the capital paid-up on the shares hold by holders.
Q.32 1) Investment Banks tends to focus mainly on large companies in financial services 2) Investment Banks also offers Cooperative Banking Services	
a.	First Statement is Right, second is Wrong
b.	First Statement is Wrong, second is Right
c.	Both the statement are Right
d.	Both the Statement are Wrong

UNIT 2

Q.33 Preferential Issue refers to _____	
a.	An Issue of specified securities by a unlisted issuer to any selected group
b.	An Issue of variable securities by a listed issuer to any random group
c.	An Issue of unlimited securities by a unlisted issuer to any selected group
d.	An Issue of specified securities by a listed issuer to any selected group
Q.34 Institutional Placement	
a.	offer of shares to HNI for the purpose of achieving minimum public shareholdings requirements
b.	offer of shares to RII for the purpose of achieving minimum public shareholdings requirements
c.	offer of shares to NII for the purpose of achieving minimum public shareholdings requirements
d.	offer of shares to QIB for the purpose of achieving minimum public shareholdings requirements
Q.35 _____ means an offer of specified securities by a listed issuer to public	
a.	IPO
b.	Offer for Sale
c.	FPO
d.	Right Issue
Q.36 _____ is one of the process of IPO in India	
a.	FPO
b.	Right Issue
c.	Issue Price determination
d.	Shares Trading
Q.37 Book Building is method through which companies determine _____ of their IPO	
a.	Future
b.	Size
c.	Price
d.	Nature
Q.38 The Issuing company appoints a Lead Merchant Banker as a _____	
a.	Book Building
b.	Book Runner
c.	Book Allotment
d.	Book Price
Q.39 Red Herring Prospectus refers to _____	

a.	is an offer document used in case of a price built public issue
b.	is an offer document used in case of a book built public issue
c.	is an offer document used in case of a Image built public issue
d.	is an offer document used in case of a Structure built public issue

UNIT 3

Q.40 _____ is one of the Mechanism of GDR Issue	
a.	Decide the Pricing
b.	Appointment of Syndicate Members
c.	Preparation of Financial statement
d.	Providing access to the more liquid market
Q.41 For issue of ADR _____ needs to be located in the US	
a.	Merchant bank
b.	Depository Bank
c.	Indian Bank
d.	Payment Bank
Q.42 Commercial Paper is also sold to provide seasonal and _____ for corporations	
a.	Expansion Capital
b.	Growth Capital
c.	Working Capital
d.	Acquisition Capital
Q.43 _____ means holding a mix of different assets classes in you portfolio	
a.	Acquisition
b.	Classification
c.	Diversification
d.	Amalgamation

Q.44 JUNK BONDS refers to _____	
a.	issued by companies with poor financial stability and thus have poor credit quality.
b.	issued by companies with poor financial stability and thus have poor credit quality.

c.	issued by companies with poor financial stability and thus have poor credit quality.
d.	issued by companies with poor financial stability and thus have poor credit quality.
Q.45 Convertible bonds refers to _____	
a.	give the option to the investor to transfer it to equity shares
b.	give the option to the investor to transfer it to equity shares
c.	give the option to the investor to transfer it to equity shares
d.	give the option to the investor to transfer it to equity shares
Q.46 Recent L& T Finance offered shares to its existing share holders is an example of	
a.	Bonus Issue
b.	Public Issue
c.	Right Issue
d.	FPO issue

Equity Market – 2

Sample Questions

Random stock price changes are evidence against the:

- strong form of the EMT.
- weak form of the EMT.
- semi-strong form of the EMT.
- random stock price changes are evidence for all forms of the EMT.

An EMH states in which all public and private information is reflected in the current market price is classified as

- weak form of the EMT.
- strong form of the EMT.
- semi-strong form of the EMT.
- This finding does not provide evidence against any form of the EMT.

Which version of the EMT states that only past price information is reflected in prices?

- Weak form.
- semi-strong form.
- Strong form.
- Weak & strong form

If you can use _____ information to earn abnormal returns consistently, then the market cannot be _____ form efficient.

- private, weak
- public, weak
- public, semi-strong
- private, semi-strong

Listing is mandatory for -----.

- (a) Trading in stock market
- (b) Marketing a new issue
- (c) Trading in international markets
- (d) Declaring dividend

----- is a professional independent broker who deals in securities on his own behalf.

- (a) Arbitrage
- (b) Jobber
- (c) Odd lots
- (d) broker

A person appointed by a stock broker to assist him in the business of securities trading is called -----.

- (a) Sub broker
- (b) Tarawaniwalas
- (c) Authorized clerk
- (d) Broker

----- buy and sell securities on behalf of the investing public.

- (a) Arbitrage
- (b) Commission brokers
- (c) Stock broker
- (d) Sub-broker

----- is the process of admitting securities for trading on a recognized stock exchange.

- (a) Issuing

- (b) Investing
- (c) Listing
- (d) Re listing

In the Indian stock exchange in bull is known as -----.

- (a) Badla
- (b) Tejiwala
- (c) Mandiwala
- (d) Peak

----- is a market where unlisted securities are dealing.

- (a) Grey market
- (b) Kerb market
- (c) Capital markets

----- consists of scrips which are traded on trade to trade basis for market surveillance reasons.

- (a) Group S share
- (b) Group T shares
- (c) Group F shares
- (d) Group G shares

----- consists of scrips which are traded on trade to trade basis for market surveillance reasons.

- (a) Group S share
- (b) Group T shares
- (c) Group F shares
- (d) Group G shares

----- is the first depository in India.

- State of India depository services Ltd
- National securities depository Ltd.
- Central depository services India Ltd.
BSDL

----- refers to the activity of transforming savings into investment.

- (a) Resource development
- (b) Capital formation
- (c) Credit syndication
- (d) Working capital

Whenever a company issues new shares or debentures, it is known as

_____.

- d) Debenture
- b) IPO
- a) FPO
- c) Shares

_____ introduced the screen based trading and settlement system supported by a state of the art technology platform.

- b) NSE
- d) LSE
- a) BSE
- c) NYSE

RBI came into existence on _____.

- c) 1925
- b) 1934
- a) 1924
- d) 1935

_____ is a comprehensive piece of statute converting nearly all aspects of the working of a body corporate in India.

- c) Companies Act
- a) Indian contract Act
- b) SEBI Act
- d) RBI Act

_____ market is broadly classified into Debt market and Equity market.

- b) Money
- a) Capital
- d) Derivative
- c) Commodity

The Securities and Exchange Board of India was not entrusted with the function of _____.

- b) Ensuring fair practices by companies
- d) Improving the earning of equity holders
- a) Investor protection
- c) Promotion of efficient services by brokers

Which of the following is not function of SEBI?

- a) Protecting the interests of investors
- b) Registration of share brokers
- c) Change in the cash Reserve Ratio
- d) Allow FII to invest in the securities market.

Which of the following might not be a reason for a stock market to lose value suddenly?

- d) A terrorist attack

- b) Fear of a global recession
- c) Family problems
- a) A big company going bankrupt

Which term most accurately describes selling shares at a higher price than the price at which they were bought?

- c) Asset
- a) Loss
- b) Profit
- d) Dividend

The first computerised online stock exchange in world was _____.

- c) BSE
- b) OTCEI
- d) NASDAQ
- a) NSE

Sample Questions
SYBFM SEM IV
Business Law

1. Transmission is effected by _____.
 - a. Sale
 - b. Death
 - c. Insolvency
 - d. Both (b) & (c)

2. Deposits should issued with in _____ weeks from the date of receipt of money.
 - a. 2
 - b. 4
 - c. 6
 - d. 8

3. If minimum subscription is not received application money should be refunded with in _____ days
 - a. 20
 - b. 25
 - c. 30
 - d. 10

4. _____ is a document containing rules and regulations for the administration of the company.
 - a. Memorandum of Association
 - b. Prospectus
 - c. Article of Association
 - d. Minute Book

5. Minimum number of members in case of private company is _____.
 - a. 1
 - b. 2
 - c. 3
 - d. 4

6. Maximum no. of members in case of public company is _____.
 - a. 0
 - b. Unlimited
 - c. 50
 - d. 100

7. Minimum no. of Directors in case of private company is _____.
 - a. 1
 - b. 2
 - c. 3
 - d. 4

8. From a shareholder's point of view, the purchase of shares in a Pty Ltd company may be an attractive option because: _____
- The investor has limited liability.
 - The company has limited liability.
 - Both the investor and the company have limited liability.
 - The shares can be freely traded on a stock market
9. Concerning the management of a company, select the most appropriate statement:
Answers:
- Companies are generally managed by individual directors.
 - Companies are generally managed by the directors collectively.
 - Companies are generally managed by individual shareholders.
 - Companies are generally managed by shareholders collectively
10. Why an invention should be patented?
- It gives protection to a patentable invention.
 - It gives legal recognition to the invention.
 - It makes others aware of the fact as to whom does the invention belong
 - Patenting one's invention make useful data relating to the invention available to other inventions for further research and development.
- Out of four reasons given above, identify the correct reasons:-
- (ii) and (iii)
 - (ii), (iii) and (iv)
 - (i) and (ii)
 - (i), (ii), (iii) and (iv)
11. Which one of the following statements about limited liability partnerships (LLPs) is incorrect?
- An LLP has a legal personality separate from that of its members.
 - The liability of each partner in an LLP is limited.
 - Members of an LLP are taxed as partners.
 - A limited company can convert to an LLP.
12. _____ % of shares should be held by a company in another company so as to become subsidiary
- more than 50
 - more than 40
 - more than 30
 - more than 20
13. In India, the literary work is protected until _____
- Lifetime of author
 - 25 years after the death of author
 - 40 years after the death of author

- d. 60 years after the death of author
14. Ratification means _____
- An act approved by LLP done by a partner with consent
 - An act approved by LLP done by a partner without authority
 - An act done by a partner with consent and also approved by LLP
 - An illegal act done by a partner without authority and approved by LLP.
15. Patent is a form of _____.
- Tangible Property
 - Intellectual Property
 - Industrial property
 - Both (b) and (c)
16. IPC means _____.
- Indian Patent Classification
 - International Panel Code
 - International Patent Classification
 - International Postal Code
17. For work published during the lifetime of the author the term of a Copyright is for the lifetime of the author plus _____
- 70 years
 - 60 years
 - 95 years
 - 75 years
-
18. What protects the intellectual property created by designers?
- copyright
 - geographical indications
 - patents
 - registered designs
19. Intellectual Property Rights (IPR) protect the use of information and ideas that are of
- Ethical value
 - Moral value
 - Social value
 - Commercial value
20. In India, the literary work is protected until _____.
- Lifetime of author
 - 25 years after the death of author
 - 40 years after the death of author
 - 60 years after the death of author
21. A company wishes to ensure that no one else can use their logo.

- (a). Copy rights
 - (b). Trade mark
 - (c). Patent
 - (a). Industrial designs
22. A singer wishes to assign the rights to reproduce a video she has made of her concert.
- (a). Copy rights
 - (b). Trade mark
 - (c). Patent
 - (a). Industrial designs
23. In case of banking business, the maximum number of partners permissible is _____.
- a. 5
 - b. 10
 - c. 15
 - d. 20
24. Under the act, business includes _____.
- a. Every trade and occupation
 - b. Every trade and profession
 - c. Every profession and occupation
 - d. Every trade, occupation and profession
25. What is the time limit within which the secured creditor can initiate an action for enforcement of security:
- a. If the liability is not discharged within 60 days of receipt of notice from the secured creditor
 - b. If the liability is not discharged within 30 days of receipt of notice from the secured creditor
 - c. If the liability is not discharged within 45 days of receipt of notice from the secured creditor
 - d. If the liability is not discharged within 90 days of receipt of notice from the secured creditor
26. Asset reconstruction means _____.
- a. Change of asset
 - b. Sale of asset by Government
 - c. Takeover of asset by RBI
 - d. Acquisition of asset by ARC
27. The court empowered to try cases under SEBI Act shall be _____.
- a. Metropolitan Magistrate
 - b. Judicial Magistrate of the first class
 - c. Judge of High Court
 - d. Metropolitan Magistrate or Judicial Magistrate of the first class

28. Every stock exchange must be recognised by the _____.
- SENSEX
 - State Government
 - Local authority
 - SEBI
29. _____ is the process of conversion of existing assets or future cash flow into a marketable securities.
- Scheme
 - Corporatisation
 - Demutualisation
 - Securitization
30. Which trading individuals has SEBI decided to grant a unified license to operate in commodity derivative and equity markets?
- Clearing Members
 - Brokers
 - NBFCs
 - Only a and b
31. Which financial body has asked intermediaries and companies to make regulatory payments in digital mode?
- SEBI
 - RBI
 - NSE
 - BSE
32. Which section of Companies Act 2013 is related to issue of Shelf Prospectus?
- Section 31
 - Section 32
 - Section 25
 - Section 20
33. The regulatory body for the securities market in India is -----.
- RBI
 - SEBI
 - IRDA
 - Stock exchanges
34. The administrative head office of SEBI is at -----.
- New Delhi
 - Bombay
 - Kolkata
 - Chennai

35. What happens when the Debt Recovery Tribunal does not dispose of the case under Section 17 within the prescribed time limit:
- The Appellate Tribunal make take such cases on its own motion and may make an order for expeditious disposal
 - Only the creditor may make an application to Debt Recovery Appellate Tribunal and the Appellate Tribunal may make an order for expeditious disposal
 - Such cases stand transferred to the Appellate Tribunal
 - Any party to the application may make application to Debt Recovery Appellate Tribunal and the Appellate Tribunal may make an order for expeditious disposal
36. What is the time limit within which Chief Metropolitan Magistrate or District Magistrate shall pass an order after receipt of the affidavit from the authorised officer of the secured creditor:
- Within 15 days of receipt of application and within such further period not exceeding in aggregate 30 days
 - Within 30 days of receipt of application and within such further period not exceeding in aggregate 60 days
 - Within 45 days of receipt of application and within such further period not exceeding 90 days
 - Within 60 days of receipt of application and within such further period not exceeding 120 days
37. Public issue means IPO and -----.
- ESOP
 - Rights issue
 - Bonus issue
 - FPO
38. The fraudulent and unfair trade practices relating to securities market regulation in 2003 was passed to prohibit -----.
- Insider trading practices
 - Brokers from illegal trading
 - Foreign institutional investors in the market
 - Manipulation of prices and misleading statements
39. Preferential issue is issue of securities to _____.
- Anybody the company desires
 - Select Group
 - Securities offered through public issue
 - Government
40. ICDR regulations, 2009 replaced _____.
- SEBI
 - SEBI(Disclosure and investor protection) Guidelines, 2000
 - Companies Act, 1956

d. Companies Act, 2013

SYBFM – Foreign Exchange Market

1. _____ can be described as a process that ensures adequate foreign assets are readily available to the authorities for meeting identified liabilities and a defined range of objectives for a country.
 - a. Foreign Currency Reserve Management
 - b. Cash Management
 - c. Fund Management
 - d. Working Capital Management

2. The _____ was set up in 1958 as an association of banks dealing in foreign exchange under section 25 of the Companies Act 1956.
 - a. FEDIA
 - b. FEIAD
 - c. FEIDA
 - d. IEFDA

3. In March 1992, India adopted a dual exchange rate system called _____.
 - a. LERMS
 - b. WORMS
 - c. TERMS
 - d. AERMS

4. _____ risk arises whenever a company has a committed cash flow to be paid or received in a foreign currency.
 - a. Transaction
 - b. Economic
 - c. Pre Settlement
 - d. Post Settlement

5. A _____ is an instrument whose value is derived from the value of one or more basic variables called bases (underlying asset, index, or reference rate) in a contractual manner
 - a. Derivative
 - b. Equity

- c. Debenture
 - d. Stock.
6. _____ are used to hedge or speculate against currencies when exchange controls make it difficult for foreigners to trade in the spot market directly.
- a. Non Deliverable Forwards
 - b. Deliverable Forwards
 - c. Future Forwards
 - d. Current Forwards
7. The _____ is the central bank for the euro and administers monetary policy of the Eurozone, which consists of 18 EU member states and is one of the largest currency areas in the world.
- a. European Central Bank
 - b. England Central Bank
 - c. British Central Bank
 - d. World Central Bank
8. The trading room is also often called the _____
- a. Front Office
 - b. Back Office
 - c. SEBI
 - d. NSE
9. _____ refers to a condition where the relationship between interest rates and the spot and forward currency values of two countries are in equilibrium.
- a. Covered Interest Rate Parity
 - b. Uncovered Interest Rate Parity
 - c. Interest Rate Swap
 - d. Options

10. _____ monetary system in which the standard unit of currency is a fixed quantity of gold or is kept at the value of a fixed quantity of gold.
- a. Gold Standard
 - b. Bretton Wood System
 - c. RBI policy
 - d. Euro Currency
11. Under _____ system, many countries fixed their exchange rates relative to the U.S. dollar and central banks could exchange dollar holdings into gold at the official exchange rate of \$35 per ounce
- a. Bretton Woods
 - b. Gold Standard
 - c. Monetary Policy
 - d. Fiscal Policy
12. The Fixed or _____ rate is a rate the government (central bank) of a country or group of countries sets and maintains as the official exchange rate.
- a. Pegged
 - b. Variable
 - c. Interest
 - d. Currency
13. The _____ of a country is a systematic account, in the form of summarized record, of all economic transactions between residents of a country and non-residents over a given period of time
- a. Budget
 - b. Monetary Policy
 - c. Balance of Payment
 - d. Fiscal Policy
14. The BOP account has three components: Current Account, Capital Account & _____
- a. Reserve Account
 - b. Trading Account
 - c. Financial Account
 - d. P/L Account
15. Deutsche Mark is currency of _____.

- a. Russia b. Sweden c. Korea d. Germany

16. _____ can be defined as an operation which involves simultaneous purchase and sale of equal quantity of assets or currency with the intention of deriving risk-free profit out of imperfect quotations in one or more markets.

- a. Arbitrage b. Hedging c. Speculation d. Trading

17. While representing currency as per ACI convention, the left hand side currency in the pair is called _____

- a. Base Currency b. Variable currency c. Cross Currency d. Vehicle Currency

18. While representing currency as per ACI convention, the right hand side currency in the pair is called

- a. Variable Currency b. Base Currency c. Cross Currency d. Vehicle Currency

19. The _____ represents difference between ASK rate and BID rate

- a. Spread b. Mean Rate c. Inverse Quote d. Direct Quote

20. GBP/USD 1.9835-1.9845. Calculate USD/GBP

- a. 0.5039-0.5042 b. 0.3039-0.3042 c. 0.4039-0.4042 d. 0.6039-0.6042

21. Given: GBP/USD 1.6830-1.6840

Calculate USD/GBP

- a. 0.5938-0.5942 b. 0.5948-0.5952 c. 0.5958-0.5962 d. 0.5918-0.5922

22. Given: USD/CHF 1.2395-05

Calculate CHF/USD

- a. 0.8061-0.8068 b. 0.8051-0.8058 c. 0.7061-0.7068 d. 0.6061-0.6068

23. Given: USD/INR 44.3825-75

GBP/USD 1.6830-40

Calculate GBP/INR Quotation

- a. 74.6957-74.7486 b. 74.6917-74.7426 c. 74.7957-74.8486 d.
75.6957-75.7486

24. At start of every trading day, the value of the domestic currency in each country is locally established against one major universally accepted foreign/international currency. This currency is called _____ currency

- a. Vehicle b. Base c. Variable d. Major

25. GBP/USD 1.5493-03. Calculate Inverse quote

- a. 0.6450-0.6455 b. 0.5450-0.5455 c. 0.7450-0.7455 d. 0.8450-
0.8455

26. GBP/USD 1.5493-03. Calculate spread %

- a. 0.0645% b. 0.0713% c. 0.0112% d. 0.0322%

27.1 USD= INR 54.3340-90. Calculate Inverse Quote

- a. 1.8403-1.8405 b. 1.9403-1.9405 c. 1.7403-1.7405 d. 1.8413-
1.8425\

28.1 USD= INR 54.3340-90. Calculate Spread %

- a. 0.0092% b. 0.0082% c. 0.0072% d. 0.0054%

29. EUR/USD 1.2872-82. Calculate USD/EUR

- a. 0.7763-0.7769 b. 0.7783-0.7789 c. 0.6763-0.6769 d. 0.5763-0.5769

30. AUD/USD 1.0320-30. Calculate USD/AUD

- a. 0.9681-0.9690 b. 0.9671-0.9680 c. 0.8681-0.8690 d. 0.7681-
0.7690

31.1 GBP = USD 1.5392-02. Calculate Inverse Quote

- a. 0.6493-0.6497 b. 0.7493-0.7497 c. 0.8493-0.8497 d. 0.2493-
0.2497

32.1 USD = SEK 6.2435-35. Calculate Inverse Quote

- a. 0.1599-0.1602 b. 0.1699-0.1702 c. 0.1399-0.1402 d. 0.1299-0.1302

33.1 USD = INR 54.2830-80. Calculate Inverse Quote

- a. 1.8420-1.8422 b. 1.7420-1.7422 c. 1.6420-1.6422 d. 1.5420-1.5422

34. Given: USD/INR 44.7250-44.7300

Calculate % spread

- a. 0.0112% b. 0.0312% c. 0.0214% d. 0.0617%

35. Given: USD/CAD 1.1595-1.1605

USD/CHF 1.3690-1.3700

Calculate CAD/CHF quotation

- a. 1.1797-1.1815 b. 1.1777-1.1805 c. 1.2797-1.2815 d. 1.3797-1.3815

36. Given- Bank A quotes GBP/USD 1.9378-1.9388

Bank B quotes GBP/USD 1.9398-1.9404

Identify and Calculate Arbitrage Gain

- a. GBP 515.78 Per GBP 1 million
b. GBP 415.78 Per GBP 1 million
c. GBP 315.78 Per GBP 1 million
d. GBP 615.78 Per GBP 1 million

37. Given: EUR/SGD 1.9210/1.9250

SGD/CHF 0.8550/0.8680

Calculate: EUR/CHF

- A. 1.3425-1.3709 B. 1.5425-1.5709 C. 1.7425-1.7709 D. 1.6425-1.6709

38. Given: EUR/CHF 1.6197-1.6227

EUR/CHF 1.6425 – 1.6709

Identify and Calculate Arbitrage Gain

- A. EUR13,174 per EUR 1 million
B. EUR12,174 per EUR 1 million

- C. EUR14,174 per EUR 1 million
- D. EUR15,174 per EUR 1 million

39.1 USD= NZDS 1.5510/1.5560

Find the inverse quote

- A. 0.6427-0.6447
- B. 0.5427-0.5447
- C. 0.4427-0.4447
- D. 0.3427-0.3447

40.1 USD= NZDS 1.5510/1.5560. Find Spread %

- A. 0.1234%
- B. 0.5432%
- C. 0.3219%
- d. 0.1123%

41. Given: 1 GBP= USD 1.5975/6010

1 EUR = USD 1.2375/90

Find Cross rate GBP/EUR

- A. 1.1893-1.1937
- B. 1.3893-1.3937
- C. 1.4893-1.4937
- D. 1.2893-1.2937

42.1 GBP= EUR 1.2950/65

GBP/EUR 1.2893-1.2937

Identify and Calculate Arbitrage Gain

- A. EUR 976 per EUR 1 Million
- B. EUR 676 per EUR 1 Million
- C. EUR 876 per EUR 1 Million
- D. EUR 576 per EUR 1 Million

43.1 USD = Rs. 44.7250-44.7300

Find % Spread

- A. 0.0112 %
- B. 0.0233%
- C. 0.0433%
- D. 0.0321%

44.1 USD = Rs. 44.7250-44.7300

Calculate Inverse Quote

- A. 2.2356-2.2359
- B. 2.2456-2.2459
- C. 2.2556-2.2559
- D. 2.2656-2.2659

45. _____ represents reduction in value of currency through official action

- A. Devaluation
- B. Depreciation
- C. Taxation
- D. Open Market Operations

46. _____ represents reduction in value of money through market action respectively

- A. Devaluation
- B. Depreciation
- C. Taxation
- D. Open Market Operations

47. USD/CHF 1.3785-1.3795

CAD/CHF 1.1885-1.1895

Calculate USD/CAD

- A. 1.1589-1.1607
- B. 1.2589-1.2607
- C. 1.3589-1.3607
- D. 1.4589-1.4607

48. EUR 1 = USD 1.2596/1.2620

Find Spread %

- A. 0.1904%
- B. 0.1042%
- C. 0.2033%
- D. 0.1123%

49. EUR 1 = USD 1.2596/1.2620

Calculate the inverse quote

- A. 0.7924-0.7939
- B. 0.6924-0.6939
- C. 0.7724-0.7739
- D. 0.5924-0.5939

50. USD/CAD 1.1589-1.1607

USD/CAD 1.1685-1.1695

Identify and Calculate Arbitrage Gain

- A. CAD 6714.21 per CAD 1 Million
- B. CAD 7714.21 per CAD 1 Million
- C. CAD 5714.21 per CAD 1 Million
- D. CAD 4714.21 per CAD 1 Million

Sample Questions

1. The difference between value of output and value added is:

- (a) Depreciation
- (b) Intermediate consumption
- (c) Net indirect taxes
- (d) NFIA

2. Product method of calculating national income is also known as:

- (a) Income method
- (b) Value added method
- (c) Expenditure method
- (d) Distribution method

3. Transfer payments refer to payments, which are made:

- (a) Without any exchange of goods and services
- (b) To workers on transfer from one job to another
- (c) As compensation to employees
- (d) None

4. National Income differs from Net National Product at market price by the amount of:

- (a) Current transfers from rest of the world
- (b) Net Indirect Taxes
- (c) National debt interest
- (d) it does not differ

5. Net national product at factor cost is also known as:

- (a) Net Domestic product
- (b) Gross National product
- (c) National Income
- (d) Personal Income

6. In GNP calculation which of the following should be excluded?

- (a) Rental incomes

- (b) Interest payments
- (c) Dividends
- (d) Government transfer payment

7. Net National Product equals:

- a) Gross National Product adjusted for inflation
- b) Gross Domestic Product adjusted for inflation
- c) Gross Domestic Product plus net property income from abroad
- d) Gross National Product minus depreciation

8. Which of the following statements is true about the circular flow?

- a) Output is greater than income
- b) Income is more than expenditure
- c) Output is less than expenditure
- d) Output equals income equals expenditure

9. To adjust GDP from market prices to factor cost:

- a) Add indirect taxes
- b) Subtract subsidies
- c) Deduct indirect taxes and deduct subsidies
- d) Deduct indirect taxes and add subsidies

10. To adjust from Net National Product to Gross National Product:

- a) Add depreciation
- b) Deduct indirect taxes
- c) Add subsidies
- d) Add inflation

11. An increase in the marginal propensity to consume will:

- a) Lead to the consumption function becoming steeper
- b) Shift the consumption function upwards
- c) Shift the consumption function downwards
- d) Shift the savings function upwards

12. As national income increases:

- a) The average propensity to consume falls and gets nearer in value to the marginal propensity to consume
- b) The average propensity to consume increases and diverges in value from the marginal propensity to consume
- c) The average propensity to consume stays constant
- d) The average propensity to consume always approaches infinity

13. An increase in consumption at any given level of income is likely to lead to:

- a) Higher aggregate demand
- b) An increase in exports
- c) A fall in taxation revenue
- d) A decrease in import spending

14. Lower interest rates are likely to:

- a) Decrease consumption
- b) Increase cost of borrowing
- c) Encourage saving
- d) Increase borrowing and spending

15. The marginal propensity to consume is equal to:

- a) Total spending / total consumption
- b) Total consumption / total income
- c) Change in consumption / change in income
- d) Change in consumption / change in savings

16. A shift in aggregate supply is likely to:

- a) Reduce the general price level and reduce national income
- b) Reduce the general price level and increase national income
- c) Increase the general price level and reduce national income
- d) Increase the general price level and increase national income

17. Aggregate demand will increase if:

- a) Consumption falls

- b) Investment falls
- c) Exports fall
- d) Imports fall

18. If aggregate supply is totally price inelastic, an increase in aggregate demand will:

- a) Increase price but not output
- b) Increase output but not price
- c) Increase output and price
- d) Decrease output and price

19. Fall in interest rates is a typical feature of

- a. Recovery
- b. Boom
- c. Depression
- d. Peak

20. The marginal propensity to consume (MPC) is computed as the:

- a. change in consumption divided by the change in savings.
- b. change in consumption divided by the change in disposable personal income.
- c. change in consumption divided by the change in GDP.
- d. change in savings divided by Income

21. Speculative motive is influenced by _____

- a) Income
- b) Rate of interest
- c) Consumption
- d) All of the above

23. When prices are falling continuously, the phenomenon is called:

- (a) Inflation
- (b) Stagflation
- (c) Deflation
- (a) Reflation

24. . When too much money chases too few goods, the resulting Inflation is called:

- (a) Deflation
- (b) Demand-pull Inflation
- (c) Cost push inflation
- (a) Stagflation

25. . Stagflation means:

- (a) Inflation with stagnation
- (b) Recession with stagnation
- (c) Inflation galloping like stage
- (d) Inflation & increasing output

26. During recession, RBI will _____ CRR

- a) decrease
- b) increase
- c) keep constant
- d) None of the above

27. Inflation is measured on the basis of:

- (a) Pigou's price index
- (b) Consumer price index
- (c) Marshall's index
- (d) All of these

28. When price increases due to increase in factor prices it is _____.

- (a) Demand pull inflation
- (b) Cost push inflation
- (c) Stagflation
- (d) None of the above.

29. To increase the money supply, the bank central could:

- a. Cut taxes
- b. Purchase bonds in the open-market
- c. Encourage people to held more cash (currency in circulation)

d. Increase the government spending

30. Point out the monetary policy instrument:

- a. An increase in direct taxes
- b. Open-market operations
- c. Freezing pensions
- d. A cut in government purchase of goods and services

31. If money supply in a country decrease:

- A. Prices will rise
- B. Prices will fall
- C. Rate of interest falls
- D. No change in price

32. Quantity Theory of Money explains that:

- A. Value of money depends upon quantity of money
- B. Rate of interest depends upon quantity of money
- C. Quantity of investment depends upon quantity of money
- D. Supply of money depends upon quantity of money

33. Liquidity of a monetary asset means:

- A. Velocity of circulation of money
- B. Easy availability of money
- C. Ready acceptability of monetary asset
- D. The monetary asset has lost its value

34. The following is a characteristic of a direct tax –

- a) Incidence may be shifted
- b) Imposes more burden on poor
- c) The impact and incidence are on the same person
- d) All of the above

35. After levying of a tax, if the price does not rise at all, it means that –

- a) Incidence of the tax remains with producer

- b) Tax has been shifted backward
- c) Shifting has taken place
- d) Any of the above

36. Impact of a tax refers to –

- a) Final money burden
- b) Immediate money burden
- c) Indirect real burden
- d) None of the above

37. Which factor has no role in the shifting of a tax?

- a) Change in prices
- b) Elasticity of demand and supply
- c) Nature of Demand
- d) Income of the consumer

38. The following is not a characteristic of a tax.

1. It is a compulsory payment
2. Every tax involves a sacrifice by tax payer
3. There is a quid-pro-quo between the tax payer and the Government.
4. Refusal to pay tax is a punishable offence.

39. Pick out the factor which is not a feature of indirect taxes.

- a) Convenience
- b) Tax evasion is difficult
- c) Fair to the poor
- d) Powerful tool of economic policy

40. _____ based on the principle 'higher the income, higher the tax'.

- a) Progressive Tax
- b) Proportion Tax
- c) Regressive Tax
- d) Digressive Tax

41. Among the following what causes the market failure

- i. Externalities
- ii. Information Asymmetry
- iii. Perfect Competition
- iv. Inflation

Choose the correct answer from the code given below

- a. i, ii and iii are correct
- b. Only i is correct
- c. i, ii, iii, and iv are correct
- d. ii and iv are correct

42. Which of the following items are included in revenue receipts?

- i. Tax revenue
- ii. Non-tax revenue
- iii. Recovery loans
- iv. Borrowing and other liabilities

Select the correct answer using the codes given below:

- a) i and ii only
- b) i, ii, and iii only
- c) iii and iv only
- d) i, iii, and iv only

43. Which among the following are advantages of international trade?

- i. Export of surplus production
- ii. Import of defence material
- iii. Dependence on foreign countries
- iv. Availability of cheap raw materials

Select the correct answer using the codes given below:

- a) i and ii only
- b) i, ii, and iii only
- c) iii and iv only
- d) i, ii, and iv only

44. Govt. policy about exports and imports is called:

- A. Monetary policy
- B. Fiscal policy
- C. Commercial policy
- D. Finance policy

45. It is drawback of free trade:

- A. Prices of local goods rise
- B. Government loses income from custom duties
- C. National resources are underutilized
- D. Monopolies are not possible

46. This is NOT an advantage of foreign trade:

- A. We can get gold from abroad
- B. New technology comes to the country
- C. We can import goods which are in short supply
- D. We can made best use of natural resources

47. India's foreign exchange rate system is?

- (A) Free float
- (B) Managed float
- (C) Fixed .
- (D) Fixed target of band

48. Flexible exchange rate system is also known as

- a) Pegged Exchange Rate system
- b) Dirty Floating
- c) Floating Exchange Rate
- d) Fixed Exchange Rate

49. Pick the correct option:

Imports of goods and services raises _____ of foreign exchange

- i) Supply
- ii) Demand

- a) Only i
- b) Only ii
- c) Both i and ii
- d) Neither i and ii

50. The exchange rate at which demand for foreign currency becomes equal to its supply, is called

- a. Equal rate of exchange
- b. Mint Parity
- c. Equilibrium exchange rate
- d. Gold Exchange Rate