

### Financial Services and Capital Markets CA FINAL SPOM SET C P9

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### SPOM SET C P9 MCQ Financial Services and Capital Markets

### 1. Which of the following is NOT a regulator of the financial market?

A) IRDAIB) Mutual FundsC) PFRDAD) SEBI

### 2. Fintech companies working as Online Bond Platform Providers are:

- A) Unregulated entities
- B) RBI-registered entities
- C) SEBI-registered entities
- D) PFRDA-registered entities

#### 3. Which of the following statements is incorrect?

A) The bond market has always been dominated by the commercial paper.

B) Buffett indicator is the ratio of the value of all stocks listed to the GDP of the country.

C) Fintech companies working as online bond platform providers are a SEBI-registered entity.

D) Statistics show that percent stock investors having a holding period of more than 15 years reap positive returns.

### 4. What action can RBI take to arrest the depreciation of the Rupee?

- A) Increase the supply of Rupees in the market.
- B) Sell US Dollars from its reserve to increase the supply of Dollars.
- C) Limit foreign investment in government bonds.
- D) Restrict foreign exchange reserves.

#### 5. What is the primary goal of quantitative easing by a central bank?

- A) To raise long-term interest rates.
- B) To reduce the availability of credit.
- C) To stimulate economic activity by making credit cheaper.
- D) To sell government securities to banks.

### 6. CPI reflects changes in price at retail levels.

- A) Consumer Price Index (CPI)
- B) Wholesale Price Index (WPI)
- C) Index of Industrial Production (IIP)
- D) Producer Price Index (PPI)

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### 7. Includes services like housing and education.

- A) Consumer Price Index (CPI)
- B) Wholesale Price Index (WPI)
- C) Index of Industrial Production (IIP)
- D) Producer Price Index (PPI)

### 8. Heavily influenced by prices of global commodities and manufacturing inputs.

- A) Consumer Price Index (CPI)
- B) Wholesale Price Index (WPI)
- C) Index of Industrial Production (IIP)
- D) Producer Price Index (PPI)

### 9. Price collected at the mandi, factory, and ex-mine levels.

- A) Consumer Price Index (CPI)
- B) Wholesale Price Index (WPI)
- C) Index of Industrial Production (IIP)
- D) Producer Price Index (PPI)

### 10. Which of the following is not a function of the capital market?

- A) Providing a platform for companies to generate capital
- B) Allowing investors to buy or sell shares and securities
- C) Facilitating efficient price discovery
- D) Providing loans directly to individuals for personal use

### 11. Which of the following statement about depository in India is correct?

- A) Depository holds security in physical form.
- B) There is only one depository in India.
- C) Depository holds security in electronic form.
- D) Depository directly deals with investors.

### 12. What is the primary benefit of an American Depository Receipt (ADR)?

A) It allows investors to trade in U.S. government bonds.

B) It allows U.S. investors to trade in foreign companies' shares in U.S. dollars, protecting them from exchange rate risks.

C) It guarantees higher returns than regular stocks.

D) It represents direct ownership in a U.S.-based company.

### 13. What is the key difference between an American Depository Receipt (ADR) and a Global Depository Receipt (GDR)?

A) ADRs are issued in Europe while GDRs are issued in the U.S.

B) ADRs are denominated in U.S. dollars while GDRs can be denominated in U.S. dollars, Euros, or British Pounds.

C) ADRs are listed on Asian Stock Exchange while GDRs are listed on U.S. Stock Exchange. D) ADRs represent shares of U.S. companies while GDRs represent shares of European listed companies.

### 14. What is the key difference between an IPO and an FPO?

A) IPO is open only to existing shareholders, while FPO is open to the public.

B) IPO is for debt security, while FPO is for equity security.

C) IPO is used to raise funds for business expansion, while FPO is used to pay off debts.

D) IPO is the first offer of shares of a company to the public, while FPO is a subsequent offer after the company is already listed.

### 15. Which of the following is not a mandatory disclosure in the offer document for a public issue?

A) Detail about the underwriting of the issue.

B) Name and address of the company's registered office, company secretary, CFO, and auditors.

C) Statements of the board of directors about the bank accounts for shareholders' deposits.

D) A list of potential stock market investors, including FIIs, interested in purchasing shares.

### 16. Which of the following is not an advantage of private placement?

A) Bypassing stringent regulatory requirements of a public offering

B) Reduction in time and cost of issuance

C) Securities should be registered with SEBI

D) Issuance can be negotiated directly with institutional investors

### **17.** In the stock market trading process, which of the following statement is true regarding the settlement of payment?

A) The payment of shares purchased is made directly from the buyers through the sellers.

B) The buyer's payment is made from the funds in their trading account and transferred to sellers via the brokers.

C) The broker is required to pay the client seller within 7 days of the transaction.

D) The settlement of the transaction is completed in T plus 5 days.

### 18. Which of the following is true about the most popular algorithmic trading techniques?

A) They primarily rely on predictive analysis to forecast future prices.

B) They depend on fundamental analysis of the company's financials.

C) They require complex algorithms and are difficult to implement.

D) They are based on price-level changes, moving averages, trends, and other technical indicators.

**19.** Company X has a market capitalization of Rs. 5 trillion, of which 60% of the shares are held by the promoters and government entities. Assuming the share price remains constant, which of the following is true regarding true free-float market capitalizations?

A) Rs. 3 trillion B) Rs. 2 trillion C) Rs. 5 trillion D) Rs. 1.5 trillion

### **20.** Which of the following practices is strictly regulated by SEBI to prevent unfair advantages in the market?

A) Money launderingB) Insider tradingC) Market manipulation

D) Predatory pricing

### 21. What is the system called that provides a mechanism to compensate investors in the event of a trade on the NSE and BSE?

- A) Settlement Reserve Fund
- B) Investor Protection Fund
- C) Trade Guarantee Fund
- D) Liquidity Protection Fund

### 22. On the NSE, what is the fund called that it uses to handle failed trades?

- A) Capital Security Funds
- B) Core Settlement Guarantee Fund
- C) Derivative Settlement Fund
- D) Trade Compensation Fund

### **23.** Which of the following segments is covered by the Guarantee Fund for Failed Trades?

- A) Cash Segments
- B) Future and Options
- C) Certificate of Deposit
- D) All of the above

### 24. What happens when a clearing member fails to honour their settlement commitment on the exchange?

- A) The trade is cancelled
- B) The transaction is settled using funds from the guaranteed fund
- C) The investor loses their money
- D) The trade is postponed indefinitely

### 25. What is the primary purpose of the social stock exchange?

- A) To facilitate corporate mergers
- B) To help social enterprises
- C) To trade in commodities
- D) To regulate foreign investments

### 26. Which of the following is not a financial instrument used in the money market?

A) Treasury bills

B) Commercial papers

C) Corporate bonds

D) Certificate of Deposits

### 27. Which of the following statements about the subsidiary general ledger (SGL) account is correct?

A) The subsidiary general ledger account is maintained in the books of the Commercial Bank for Interbank NAPT transactions.

B) Treasury bills and government securities are issued and held in demand form to the credit of the holder in the SGL account maintained by the RBI.

C) Treasury bills and government securities are issued and held in demand form to the credit of the holder in the SGL account maintained by the RBI.

D) The SGL account allows for the issuance of Treasury bills in physical or script form.

### 28. During the notice money market, the maximum duration is for how many days?

A) 7 days

B) 14 days

C) 30 days

D) 60 days

### **29.** Which of the following statements is correct about different types of financial contracts?

A) Forward contracts are publicly traded on exchanges.

B) Future contracts are private agreements and not traded on exchanges.

C) Option contracts give the holder the right but not the obligation to buy or sell an asset at a specified price.

D) Swaps are arrangements to buy or sell an asset at a future date at a price specified today.

# **30.** Which of the following refers to a type of private equity transaction where an investor buys shares from an existing shareholder instead of the company issuing new shares?

- A) Venture capital injectionB) Secondary buyout
- C) Initial public offering
- D) Convertible bond issuance

### 31. What is not a common exit route used by private equity firms?

- A) Initial Public Offering (IPO)
- B) Strategic Sale
- C) Secondary Buyout
- D) Employee Stock Ownership Plan (ESOP)

### 32. Which of the following is not a common method of valuation used in private equity?

- A) Discounted Cash Flow (DCF)
- B) Comparable Company Analysis
- C) Precedent Transaction Analysis
- D) Bond Rating System

### 33. In a dividend syndicate, how do the members handle unsold shares at the close of an issue?

- A) The unsold shares are distributed equally among all members of the syndicate.
- B) The unsold shares are returned to the company issuing the dividend.
- C) The unsold shares are purchased by the lead manager or underwriter.
- D) The unsold shares are transferred to a secondary market for sale.

### V.V.I MCQs

### 1. Which of the following is a major function of financial markets?

- a) Increasing inflation rates
- b) Channelizing savings into productive investments
- c) Eliminating government intervention in the economy
- d) Reducing the GDP of a country

### 2. What is the key characteristic of money market instruments?

- a) They have a maturity period of more than 10 years
- b) They are used for long-term financing
- c) They primarily deal with equity shares
- d) They have a maturity period of less than one year

### 3. Which of the following is an example of a financial derivative?

- a) Treasury Bill
- b) Call Money
- c) Futures Contract
- d) Certificate of Deposit

### 4. Which of the following is NOT a role played by SEBI in the financial market?

- a) Regulating securities exchanges
- b) Issuing Treasury Bills
- c) Prohibiting insider trading
- d) Promoting investor education

### 5. Which market is primarily used by companies to raise long-term capital by issuing equity shares?

- a) Money Market
- b) Derivatives Market
- c) Capital Market
- d) Commodity Market

#### 6. Which of the following statements about bond markets is correct?

- a) Bonds provide ownership rights in a company
- b) Bondholders earn returns primarily through dividend payments
- c) Bonds are issued with a defined repayment timeline
- d) Bonds have no fixed maturity date

### 7. What is the primary purpose of the Foreign Exchange Market?

- a) Trading of stocks and bonds
- b) Buying and selling of derivatives
- c) Facilitating currency transactions and hedging foreign exchange risks
- d) Issuing securities to raise funds

### 8. Which organization regulates the pension sector in India?

- a) SEBI
- b) RBI
- c) IRDAI
- d) PFRDA

### 9. Which of the following financial market participants is responsible for underwriting new issues of securities?

- a) Brokers
- b) Depositories
- c) Merchant Bankers
- d) Custodians

### 10. What does the "Buffett Indicator" compare?

- a) Inflation rate to the bond market growth
- b) Stock market capitalization to GDP
- c) Interest rates to the value of derivatives traded
- d) Foreign exchange reserves to market liquidity

### High-Impact MCQs Series (Frequently asked questions)

1. In the derivatives market, the value of a contract is based on the price of an asset, which is referred to as the:

- (a) Futures
- (b) Forwards
- (c) Options
- (d) Underlying

2. Which of the following is not considered a function of financial markets?

- (a) Allocating savings into productive investments
- (b) Determining the valuation of securities
- (c) Increasing risk and liquidity of financial assets
- (d) Reducing transaction costs

3. Who is the main stakeholder in a financial market?

- (a) Brokers
- (b) Underwriters
- (c) Merchant Bankers
- (d) Companies

4. Which entity earns profits from the price difference between the pre-IPO purchase and the public offering price?

- (a) Merchant Bankers
- (b) Custodians
- (c) Brokers
- (d) Underwriters

5. Which organization acts as a self-regulatory body for the bond, money, and derivatives markets?

- (a) FEDAI (Foreign Exchange Dealers' Association of India)
- (b) AIBI (Association of Investment Bankers of India
- (c) AMFI (Association of Mutual Funds in India)
- (d) FIMMDA (Fixed Income Money Market and Derivatives Association of India

### 6. Why are SPACs commonly referred to as blank cheque companies?

- (a) Because investors must provide blank cheques to the companies, they invest in.
- (b) Because investors do not know the acquisition targets in advance.
- (c) Because investors have complete knowledge of the acquisition targets.
- (d) Because investors have partial knowledge of the acquisition targets.

### 7. Which of the following statements is accurate regarding SPACs?

- (a) A shell company generally has a strong history of profitability.
- (b) India's M&A activities are significantly superior to those in developed countries.

(c) The sponsor must identify an acquisition target within two years and complete the purchase.

(d) SPACs are an investment model exclusive to the United States.

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#### 8. What is the primary purpose of the Green Shoe Option?

- (a) To determine a fair market value.
- (b) To stabilize stock prices and allow over-allotment of shares.
- (c) To increase IPO valuations artificially.
- (d) To facilitate book building.

### 9. Reverse Book Building is mainly utilized for:

- (a) Initial Public Offerings (IPOs).
- (b) Further Public Offerings (FPOs).
- (c) The process of delisting a company.
- (d) Securing investments from anchor investors.

### 10. If the price band is adjusted during a book-building issue, the bidding period can be extended by a maximum of:

- (a) 7 working days.
- (b) 10 working days.
- (c) 12 working days.
- (d) 15 working days.

### 11. What is the minimum investment required for an anchor investor in a public issue?

- (a) ₹10 crores
- (b) ₹15 crores
- (c) ₹20 crores
- (d) ₹25 crores

### **12.** In an IPO, what portion of the anchor investor allocation is reserved for domestic mutual funds?

- (a) 50%
- (b) 33.33%
- (c) 25%
- (d) 20%

### 13. Which of the following does not qualify as a risk management practice in the secondary market?

- (a) Establishing trading rules and regulations for broker members.
- (b) Implementing market surveillance to control excessive volatility.
- (c) Setting up a trade/settlement guarantee fund to ensure timely settlement in case of default.

(d) Creating a clearing corporation that settles transactions and a depository that only guarantees financial settlement.

### 14. What term describes the process of separating the ownership and control of a stock exchange from the trading rights of its members?

- (a) Indexation
- (b) Demutualization
- (c) Trading Mechanism
- (d) Governing Board

### **15.** Which of the following is not considered a risk management tool in the secondary market?

- (a) Circuit Breaker
- (b) Rolling Settlement
- (c) Reverse Book Building
- (d) Market Making System

### 16. If a security is lent at ₹500, and its transaction prices are (i) ₹500.50 and (ii) ₹499.75, what are the lender's earnings as fee and the borrower's rebate earnings?

- (a) 0.50; 0.25
- (b) 0.25; 0.50
- (c) 0.50; 0.50
- (d) 0.25; 0.25

### 17. A security has a Securities Lending Price (SLP) of ₹100, and its transaction price (TP) is ₹100.35. If the borrowing period is 10 days, what is the annualized yield?

- (a) 15%
- (b) 12.78%
- (c) 18.25%
- (d) 16%

### 18. Stocks that \_\_\_\_\_ have \_\_\_\_\_ margin requirements.

- (a) Are highly liquid; higher
- (b) Have low liquidity; higher
- (c) Are highly liquid; no
- (d) Have low liquidity; lower

### **19.** If a T+1 settlement cycle is implemented; which risk will be reduced for both clearing corporations and foreign portfolio investors?

- (a) Credit Risk
- (b) Liquidity Risk
- (c) Counterparty Risk
- (d) Market Risk

### 20. What is the effect of reducing the borrowing amount for T-bills on their supply?

- (a) Increase in supply
- (b) Decrease in supply
- (c) Increase in demand
- (d) Decrease in demand

### 21. A Certificate of Deposit (CD) has a face value of ₹5000 and a 6-month maturity period, with a 10% discount rate. What is the issue price of the CD?

- (a) 4500
- (b) 5250
- (c) 4750
- (d) 5500

#### 22. Based on the previous question, what is the effective rate of interest on the CD?

- (a) 10%
- (b) 11.2%
- (c) 5%
- (d) 18%

### 23. What term refers to the market for loans with extremely short durations, ranging from 1 day to 14 days?

- (a) Treasury Bill
- (b) Call or Notice Money
- (c) Repos
- (d) Commercial Papers

### 24. Which of the following is an unsecured promissory note?

- (a) Treasury Bill
- (b) Commercial Paper
- (c) Commercial Bill
- (d) Repos

### 25. The maximum duration for transactions in the call money market is:

- (a) 7 days
- (b) 14 days
- (c) 21 days
- (d) 30 days

### 26. A depositor places ₹1,00,000 in a bank. According to the current RBI regulations, how much must the bank keep as Cash Reserve Ratio?

- (a) 4500
- (b) 5000
- (c) 4000
- (d) 6000

### 27. What are the respective names of bonds issued by the central government, state government, and corporate entities?

- (a) State Bond, Sovereign Bond, Corporate Bond
- (b) National Bond, Sovereign Bond, Corporate Bond
- (c) Sovereign Bond, State Bond, Corporate Bond
- (d) None of the above

### 28. If a bond's required yield drops below its coupon rate, how will it be traded?

- (a) At par
- (b) At a discount
- (c) At a premium
- (d) None of the above

#### 29. Which type of financial instrument carries the least default risk?

- (a) Treasury bills
- (b) Government bonds
- (c) ICICI bonds
- (d) SBI bonds

### **30. Identify the incorrect statement regarding bond investments:**

(a) The longer the maturity period, the less sensitive the bond price is to changes in market interest rates.

- (b) Bond values and interest rates share a non-linear, inverse relationship.
- (c) Bonds with higher coupon rates tend to be less sensitive to interest rate fluctuations.

(d) If market interest rates exceed the bond's coupon rate, the bond trades at a discount.

### **31.** Why are corporate bonds less liquid than money market instruments and corporate equities?

- (a) They are long-term securities, which are riskier and less marketable.
- (b) Corporate bonds are as marketable as money market instruments and equities.
- (c) Money market instruments have smaller denominations.
- (d) Corporate bonds are not tax-exempt.

### 32. In which market are new bonds and stocks first issued and sold to investors?

- (a) Primary market
- (b) Secondary market
- (c) Auction market
- (d) Stock exchange

### 33. Government securities with maturities exceeding one year are known as:

- (a) Government bonds
- (b) Treasury bills
- (c) Bill of exchange
- (d) Commercial papers

#### 34. The call-option value of a callable bond is higher when:

- (a) Interest rates are low and expected to stay low
- (b) Interest rates are high and expected to remain high
- (c) Interest rates are highly volatile
- (d) Markets are inefficient

#### 35. Which financial concept measures a bond's sensitivity to interest rate fluctuations?

- (a) Duration
- (b) Yield to Maturity (YTM)
- (c) Current yield
- (d) None of the above

#### 36. Primary Dealers primarily trade in which type of financial instrument?

- (a) Bonds
- (b) Mutual Funds
- (c) Government securities
- (d) Debentures

#### **37.** What is another term for an irredeemable bond?

- (a) Fully convertible bond
- (b) Perpetual bond
- (c) Partially convertible bond
- (d) None of the above

#### **38.** Floating rate bonds have:

- (a) Fixed interest rates
- (b) Variable interest rates
- (c) Zero interest rates
- (d) None of the above

#### 39. When risk perception is high, investors prefer bonds with:

- (a) Higher interest rates
- (b) Lower interest rates
- (c) Par value
- (d) None of the above

#### 40. Investors generally demand what kind of returns for bonds with longer maturities?

- (a) Lower returns
- (b) Higher returns
- (c) Zero returns
- (d) None of the above

#### 41. The fixed interest rate stated on a bond at issuance is called:

- (a) Bond rate
- (b) Repo rate
- (c) Coupon rate
- (d) All of the above

#### 42. What does marketability risk of a bond refer to?

- (a) Market-wide risks affecting all bonds
- (b) Variation in return caused by challenges in selling stocks
- (c) The failure of an issuer to meet payment obligations
- (d) Both (a) and (c)

### 43. A bond issued at a discount and redeemed before maturity is called:

- (a) Mortgage bond
- (b) Zero-coupon bond
- (c) Convertible bond
- (d) All of the above

#### 44. What is a bond that can be redeemed before its maturity called?

- (a) Callable bond
- (b) Option bond
- (c) Step-up bond
- (d) Non-callable bond

#### 45. What does bond duration measure in relation to interest rate changes?

- (a) Sensitivity of the yield
- (b) Sensitivity of the yield to maturity
- (c) Sensitivity of the full bond price
- (d) Sensitivity of convexity

### 46. If private sector-issued bonds are cancelled, what does it indicate?

(a) Markets expect higher yields due to reduced private sector fundraising.

- (b) Markets expect lower yields due to reduced private sector fundraising.
- (c) Markets expect lower yields as private sector fundraising increases.
- (d) None of the above.

### 47. If RBI increases interest rates, how does it affect bond prices for existing bonds offering similar returns?

(a) Prices drop as coupon payments become less attractive, leading investors to seek new bonds with higher risk-free returns.

(b) Prices rise as coupon payments become more attractive, leading investors to seek new bonds with lower risk-free returns.

(c) Prices fall as coupon payments become less attractive, leading investors to seek new bonds with lower risk-free returns.

(d) Prices rise as coupon payments become more attractive, leading investors to seek new bonds with higher risk-free returns.

#### 48. An option is considered out-of-the-money when it has:

- (a) A negative intrinsic value
- (b) A positive intrinsic value
- (c) Zero intrinsic value
- (d) None of the above

#### 49. Who holds the right to purchase the underlying asset at a predetermined price?

- (a) Buyer of a Call option
- (b) Seller of a Call option
- (c) Buyer of a Put option
- (d) Seller of a Put option

# 50. You have taken a short position in Gail Ltd. futures at ₹880 (with a lot size of 500) and aim for a profit of ₹10,000. At what price must Gail trade for you to achieve this profit?

- (a) ₹860
- (b) ₹890
- (c) ₹870
- (d) ₹900

### 51. A stock is currently priced at ₹370, and its Call option with a strike price of ₹360 is trading at a premium of ₹21. What is the option's time value?

- (a) 21
- (b) 10
- (c) 11
- (d) 31

#### 52. Which statement accurately describes the risk profile of an option buyer?

- (a) The buyer of an option faces unlimited losses.
- (b) The buyer of an option has limited loss potential.
- (c) The seller of an option faces limited loss potential.
- (d) The seller of an option enjoys unlimited profit potential.

#### 53. Identify the false statement regarding options:

- (a) The buyer of an option pays the premium.
- (b) The buyer of an option has the right, but not the obligation, to exercise it.
- (c) The seller of an option can incur unlimited losses.
- (d) The seller of an option can earn unlimited profit.

### 54. If you sell a XYZ futures contract (lot size 50) at 5600 and repurchase it at 5700, what is your profit or loss?

- (a) Loss of ₹10,000
- (b) Loss of ₹5,000
- (c) Gain of ₹10,000
- (d) Gain of ₹5,000

### 55. When a stock is trading at ₹570, how would you classify a Call option with a strike price of ₹560?

- (a) In-the-Money
- (b) Out-of-the-Money
- (c) At-the-Money
- (d) Deep out-of-the-Money

#### 56. Which of the following is not an advantage provided by a depository system?

- (a) It helps eliminate the risk of bad deliveries of securities.
- (b) The settlement cycle is faster, now operating on a T+2 basis.
- (c) It enables immediate transfer and registration of securities.

(d) The interest rates on loans against pledged demat shares are higher compared to those on physical shares.

### 57. Which exchange is renowned for its rapid growth, high liquidity, market depth, and state-of-the-art, forward-looking technologies?

- (a) National Stock Exchange
- (b) London Stock Exchange
- (c) Nasdaq
- (d) New York Stock Exchange

### 58. Who is responsible for collecting investor applications and maintaining an accurate record of the funds received and paid?

- (a) Merchant Bankers
- (b) Registrars to an issue and Share Transfer Agents
- (c) Underwriters
- (d) Bankers to an issue

### 59. Which investment vehicle allows for periodic withdrawals from the invested funds?

- (a) Hedge Funds
- (b) Endowment Funds
- (c) Pension Funds
- (d) Mutual Funds

#### 60. Which of the following services is not typically offered by custodians?

- (a) Maintaining clients' securities accounts
- (b) Collecting benefits or rights accruing from the securities
- (c) Minimizing credit risk by acting as the counterparty to all trades
- (d) Keeping clients informed about actions taken by the issuer of securities

#### 61. Which of the following is NOT considered a function of commodity markets?

- (a) Providing a platform for farm produce growers and end buyers to interact.
- (b) Allowing intermediaries to represent both supply and demand in the commodity chain.
- (c) Facilitating price discovery.
- (d) Enabling speculation-driven trades and short selling aimed at short-term gains.

### 62. Agridex, launched on 25 May 2020, features 10 liquid commodities on which exchange?

- (a) National Commodity and Derivatives Exchange
- (b) Multi Commodity Exchange of India
- (c) Indian Commodity Exchange
- (d) ACE Derivatives & Commodity Exchange Limited

#### 63. Which of the following is NOT a problem facing the Indian commodity markets?

(a) The markets have not experienced the 'exponential' growth needed for platform sustainability.

- (b) Farmers, the backbone of agricultural commodities, struggle to connect with the market.
- (c) MCX and NCDEX have implemented numerous awareness programs.
- (d) Political influences have disrupted platforms for price-sensitive commodities like sugar.

#### 64. What is a necessary prerequisite for futures trading on a commodity exchange?

- (a) Complexity
- (b) Higher cost
- (c) Homogeneity
- (d) Physical delivery

### 65. Which exchange offers a comprehensive range of trades including ferrous, nonferrous metals, precious metals, as well as weather and real estate derivatives?

- (a) London Metal Exchange
- (b) Chicago Mercantile Exchange

(c) Eurex Exchange

(d) National Stock Exchange of India Limited

# 66. Which type of mutual fund allows investors to subscribe and redeem units at any time during the scheme's life, with new investors able to join by directly applying to the fund?

- (a) Balanced Funds
- (b) Liquid Funds
- (c) Closed Ended Funds
- (d) Open Ended Funds

# 67. Mr. Rahul, a 25-year-old who has just started working at a reputed steel company and aims to build wealth over the long term, should consider investing in which category of mutual funds?

- (a) Debt Funds
- (b) Liquid Funds
- (c) Equity Funds
- (d) Gold ETFs

### 68. A mutual fund has total assets valued at ₹15 crore and total liabilities of ₹3 crore, with 1 crore units outstanding. What is the Net Asset Value (NAV) per unit?

- (a) ₹17
- (b) ₹10
- (c) ₹12
- (d) ₹15

#### 69. Which type of mutual fund is generally considered the most volatile?

- (a) Large-cap Funds
- (b) Mid-cap Funds
- (c) Small-cap Funds
- (d) Hybrid Funds

### 70. Who plays a crucial role as the intermediary between fund managers and investors in a mutual fund setup?

- (a) Trustees
- (b) Asset Management Companies
- (c) Custodians
- (d) Registrars and Transfer Agents

#### 71. How would you best define an open-ended mutual fund?

- (a) A fund that can invest in any type of security
- (b) A fund that continuously offers units for sale and repurchase
- (c) A fund that imposes an upper limit on its NAV
- (d) A fund with a fixed size

### 72. What is the name of the investment strategy in which an investor commits to investing a fixed amount at regular intervals in a mutual fund?

- (a) Systematic Transfer Plan
- (b) Systematic Withdrawal Plan
- (c) Systematic Investment Plan
- (d) Systematic Innovative Plan

### 73. Which of the following is NOT a commonly used metric for evaluating the performance of mutual funds?

- (a) Sharpe Ratio
- (b) Treynor Ratio
- (c) Liquidity Ratio
- (d) Sortino Ratio

#### 74. Regarding rolling returns, which statement is accurate?

(a) It simply annualizes the growth of the NAV from the initial investment date to today.

(b) It measures the return from the start date to the next period, then from that period to the following one, and averages these returns.

(a) It coloulates returns weakly, everyging the going from each

(c) It calculates returns weekly, averaging the gains from each consecutive week.

(d) All of the above.

### 75. If an equity fund is redeemed at ₹20 per unit and carries an exit load of 2.50%, what must be the fund's NAV before the exit load is deducted?

(a) ₹19.50

(b) ₹20.50

(c) ₹19.975

(d) ₹20.00

#### 76. What is another term for a front-end load in mutual funds?

- (a) Entry Load
- (b) Exit Load
- (c) Both Entry and Exit Load
- (d) Trail Commission

#### 77. Private equity raises funds from which of the following sources?

- (a) Initial Public Offer
- (b) Mutual funds, HNIs, Insurance, etc.
- (c) Taxpayers' money
- (d) Follow-on Public Offer

#### 78. Once a private equity investment is initiated, what typically occurs?

- (a) The exit happens when the lifecycle or term sheet is complete.
- (b) An expert is appointed to the board of directors.
- (c) Further series funding is not permitted.
- (d) Both (a) and (b) are correct.

### **79.** The acquisition of a stake in a target company predominantly financed by borrowing is known as:

- (a) Management Buyout
- (b) Leveraged Buyout
- (c) Management Buy-in
- (d) Leveraged Buy-in

### **80.** Private equity investments are characterized by investments in businesses and the issuance of shares under circumstances other than which of the following?

- (a) Initial Public Offer
- (b) Follow-on Public Offer
- (c) Private issuance of shares
- (d) Both (a) and (b)

### **81.** In conducting financial due diligence, which of the following factors might a private equity firm choose not to consider before investing?

- (a) Off-balance sheet financial instruments
- (b) Weakening trends in working capital
- (c) Reliance on dominant suppliers or a concentrated customer base
- (d) Accounting adjustments that obscure actual performance

### 82. Which of the following is NOT considered a disadvantage of using an IPO as an exit strategy for private equity?

- (a) Market-related risks associated with going public
- (b) The requirement by strategics to acquire a majority stake
- (c) Lock-up provisions
- (d) Uncertainty of returns

### 84. Which of the following services is NOT typically offered by a merchant banker?

- (a) Assisting with mergers and acquisitions
- (b) Trading in shares
- (c) Custodian services
- (d) Underwriting

### **85.** From a revenue-generation perspective, which service is most critical for a merchant banker?

- (a) Mergers and acquisitions advisory
- (b) Trading in shares
- (c) Underwriting
- (d) Asset management services

### 86. Arrange the following steps in the correct order as followed by a merchant banker during Buy Side Advisory:

- 1. Shortlisting of companies
- 2. Conducting due diligence
- 3. Preparing the term sheet
- 4. Transaction closure
  - (a) 1, 2, 3, 4
  - (b) 1, 3, 2, 4
  - (c) 1, 3, 4, 2
  - (d) 1, 2, 4, 3

### 87. Which responsibility does NOT fall under the role of a merchant banker?

- (a) Documentation
- (b) Compliance
- (c) Reporting
- (d) Allotment of securities

### 88. If you plan to raise funds from the public, whose services are generally utilized?

- (a) Commercial banks
- (b) Investment banks
- (c) Central banks
- (d) Payment banks

#### 89. Which of the following companies is primarily involved in rating individuals?

- (a) ICRA
- (b) CRISIL
- (c) ONICRA
- (d) CARE

### 90. What is the term for the rate that reflects the percentage change in a company's or instrument's ratings over a specified period?

- (a) Transition rate
- (b) Default rate
- (c) Recovery rate
- (d) Negative rate

### **91.** In the CAMELS framework used for credit rating, which of the following is NOT considered a separate parameter?

- (a) Capital adequacy
- (b) Financial performance
- (c) Sensitivity
- (d) Management

### **92.** Credit rating services are likely to be of the least benefit to which of the following groups?

- (a) Lenders
- (b) Borrowers
- (c) Customers
- (d) Government

#### 93. Credit rating is not defined as being which of the following?

- (a) An important input for making investment decisions
- (b) Dynamic
- (c) A safeguard against default
- (d) Something assigned to debt instruments

### 94. Which of the following is NOT considered a problem associated with credit rating agencies in India?

- (a) Conflict of interest
- (b) More competition
- (c) Poor rating quality
- (d) Independence of the ratings committee

### 95. Which of the following is suggested as a solution to address the challenges faced by credit rating agencies?

- (a) Persistence of conflict of interest
- (b) Introduction of more players
- (c) Non-rotation of credit rating agencies
- (d) Investor unawareness

### 96. When evaluating a leasing decision from the lessee's perspective, what does the term "Net Advantage of Lease" refer to?

- (a) The present value of the cost of owning
- (b) The present value of leasing costs minus the present value of owning costs
- (c) The present value of owning costs minus the present value of leasing costs
- (d) None of the above

### 97. In which situation should a lessee prefer leasing?

(a) When the net advantage of leasing is positive

- (b) When the net advantage of leasing is negative
- (c) When the internal rate of return on leasing exceeds the post-tax cost of debt
- (d) Both (a) and (c)

98. An arrangement gives a company the right to control the use of land for 99 years, after which the land reverts to the government in its original condition. In return, the government demands a payment equal to the land's current fair value. This arrangement is classified as:

- (a) Operating lease
- (b) Finance lease
- (c) Sale and leaseback
- (d) Not a lease, but a purchase transaction

# 99. A company leases an aircraft for 20 years by making an upfront payment of ₹100 crores. The lease agreement also includes a clause that if the aircraft fails, it will be substituted at no extra cost, and the aircraft company provides the pilot along with free maintenance and services. This arrangement is best described as:

(a) Operating lease – with an expense of ₹5 crores per year being charged

- (b) Finance lease with a Right-of-Use asset recognized at ₹100 crores and depreciation of
- ₹5 crores per year
- (c) Outright purchase of the aircraft
- (d) None of the above

#### 100. A lessor evaluates a leasing decision based on which of the following criteria?

(a) The computed internal rate of return (IRR) from leasing exceeds the weighted average cost of capital (WACC)

- (b) Lease rentals are higher than the break-even rental level
- (c) The net present value (NPV) of the lease is negative
- (d) Both (a) and (b)

### 101. Under which method does a lessor partner with a seller to market the seller's product through its own leasing operations?

- (a) Operating lease
- (b) Financial lease
- (c) Sale and leaseback
- (d) Sales-Aid-Lease

### 102. From a lessee's perspective, which evaluation method separates the financial and tax components of lease financing?

- (a) Present value analysis
- (b) Internal rate of return analysis
- (c) Bower-Herringer-Williamson Method
- (d) None of the above

### 103. Which of the following is NOT considered a type of factoring?

- (a) Bill discounting
- (b) Selling a trade receivable on a recourse basis
- (c) Selling a trade receivable on a non-recourse basis
- (d) Arranging working capital by selling trade receivables

#### 104. Which of the following statements is false?

(a) The factor purchases the entire trade receivable and pays 100% of the invoice amount upfront.

- (b) The factor buys trade receivables from the client.
- (c) The client holds a trade receivable from the customer.
- (d) The factor disburses funds to the client after acquiring the trade receivables..

### 105. In non-recourse factoring, who bears the credit risk associated with non-recoverability?

- (a) The client
- (b) The factor
- (c) The customer
- (d) The bank

### **106.** Which of the following characteristics does NOT serve to differentiate forfaiting from factoring?

#### (a) Financing

- (b) Credit worthiness
- (c) Legal administration of dues
- (d) Financing of receivables

### 107. Which factors, specific to the Indian context, currently pose challenges to the factoring market?

- (a) Lack of a credit appraisal system
- (b) Stamp duty imposed on factoring transactions
- (c) Both (a) and (b)
- (d) Short-term financing deals

#### 108. Which type of factoring is commonly referred to as "Old Line Factoring"?

- (a) Recourse Factoring
- (b) Non-Recourse Factoring
- (c) Full Factoring
- (d) Cross Border Factoring

### **109.** Identify the incorrect statement regarding forfaiting and factoring:

(a) A forfeiter discounts the full value of the note or bill, while in a factoring arrangement, financing typically covers 75%–80% of the receivables.

(b) A forfeiter's decision to provide financing depends on the financial standing of the availing bank, whereas in factoring, the export factor bases the credit decision on the exporter's credit quality.

(c) Factoring is a pure financial arrangement, whereas forfaiting includes ledger administration and collections.

(d) Factoring is generally a short-term financial deal, while forfaiting extends over 3–5 years.

### 110. Which form of factoring is known as the "Two Factor System"?

- (a) Recourse Factoring
- (b) Non-Recourse Factoring
- (c) Full Factoring
- (d) Cross Border Factoring

### 111. Who is tasked with ensuring adherence to securities laws and addressing investor grievances?

- (a) Lead Manager
- (b) Compliance Officer
- (c) Syndicate Member
- (d) Registrar to the Issue

### **112.** In appointing lead managers, which safeguard is implied to protect investors and ensure legal compliance?

(a) The lead manager must be an associate of the issuer.

- (b) The lead manager's rights and obligations are not predetermined.
- (c) Agreements may contain clauses without capping liabilities.

(d) None of the above.

### **113.** What is the primary responsibility of a compliance officer in the context of securities issuance?

- (a) Marketing the issue
- (b) Ensuring the issuer's profitability
- (c) Monitoring compliance with securities laws and addressing investor grievances
- (d) Managing post-issue activities

# 114. For a listed entity using an in-house share transfer facility, at what threshold of total shareholders must it register with the Board as a Category II share transfer agent or appoint a Registrar to an Issue and Share Transfer Agent?

(a) When the total number of holders exceeds 50,000

- (b) When the total number of holders exceeds 75,000
- (c) When the total number of holders exceeds 100,000
- (d) When the total number of holders exceeds 150,000

### **115.** According to Regulation 18, how frequently should the Audit Committee of a listed entity meet?

- (a) Twice a year
- (b) Three times a year
- (c) Four times a year
- (d) Once a year

### **116. Under Regulation 19, who is eligible to serve as the Chairperson of the Nomination and Remuneration Committee?**

- (a) Executive Director
- (b) Independent Director
- (c) Any Director
- (d) CEO of the Company

### **117.** As defined in the SEBI (Substantial Acquisitions of Shares and Takeover) Regulations, 2011, what does the term "Acquisition" refer to?

- (a) Direct or indirect acquisition of shares or voting rights
- (b) Transfer of control over a target company
- (c) Purchase of frequently traded shares
- (d) Acquisition of securities on the Innovators Growth Platform

### 118. What is the significance of the "Identified Date" in these regulations?

- (a) The date of the public announcement
- (b) The date when the tendering period begins
- (c) The date used to determine the list of shareholders for sending the letter of offer
- (d) The date on which control over a target company is acquired

### **119.** According to Regulation 3, what event triggers the obligation to make a mandatory open offer?

(a) Acquisition of 25% or more of the voting rights in a target company

- (b) Acquisition of 20% or more of shares in a target company
- (c) Acquisition of control over a frequently traded company
- (d) Acquisition pursuant to a resolution plan under the Insolvency and Bankruptcy Code

### 120. What is the maximum limit for a buy-back of shares or specified securities based on standalone financial statements?

- (a) 20%
- (b) 25%
- (c) 30%
- (d) 35%

### 121. Under the SEBI Buy-back Regulations, the ratio of the company's debt to its paidup capital and free reserves should not exceed:

- (a) 1:1
- (b) 2:1
- (c) 3:1
- (d) 4:1

### **122.** Which source of funds is NOT permitted for buy-back purposes according to SEBI regulations?

- (a) Securities premium account
- (b) Proceeds of the current buy-back
- (c) Proceeds of an earlier issue of the same kind
- (d) Free reserves

### 123. Under the SEBI (Prohibition of Insider Trading) Regulations, 2015, what is the role of a Compliance Officer?

- (a) Monitoring share prices
- (b) Implementing marketing strategies
- (c) Ensuring compliance with legal and regulatory requirements
- (d) Conducting financial audits

### **124.** Who may be appointed as a Compliance Officer under the SEBI (PIT) Regulations, 2015?

- (a) Any employee of the organization
- (b) Only the Company Secretary
- (c) Any person meeting the specified qualifications
- (d) External legal consultants only

### 125. Which statement regarding Trading Plans is correct?

- (a) Trading may commence immediately after the public disclosure of the plan.
- (b) Trading is permitted during the period surrounding the announcement of financial results.
- (c) Overlapping with existing trading plans is allowed.
- (d) The approved plan must be irrevocable.



Most Repeated & Important Questions!

- 1. Which term refers to an institutional investor that buys shares a day before an IPO opens?
  - (A) Anchor Investor
  - (B) Lead Investor
  - (C) Retail Investor
  - (D) Qualified Institutional Buyer
- 2. What is the maximum spread between floor price and cap in the price band? (A) 5%
  - (**B**) 10%
  - (C) 15%
  - (D) 20%
- 3. In an INVIT (Infrastructure Investment Trust), the minimum application for primary and secondary subscribers is:
  - (A) INR 1 lakh, INR 5 lakh
  - (B) INR 10 lakh, INR 5 lakh
  - (C) INR 2 lakh, INR 10 lakh
  - (D) INR 15 lakh, INR 10 lakh

### 4. Who calculates the Mumbai Interbank Overnight Rate (MIBOR)?

- (A) RBI
- (B) NSEIL
- (C) CCIL
- (D) SEBI

### 5. What is considered the least preferred exit route for private equity liquidation?

- (A) Sale to a Strategic Buyer
- (B) Merger or Acquisition
- (C) Initial Public Offering
- (D) Liquidation

### 6. What is the rate at which the RBI lends to commercial banks?

- (A) Repo Rate
- (B) Reverse Repo Rate
- (C) Bank Rate
- (D) Marginal Standing Facility

#### 7. Who is authorized to issue a certificate of deposit?

- (A) Financial Institutions
- (B) Commercial Banks
- (C) Non-Banking Financial Companies
- (D) Public Sector Undertakings

#### 8. What type of venture capital financing follows a "Series A" round?

- (A) Seed Round
- (B) Series B
- (C) Series C
- (D) Mezzanine Round

#### 9. Which entity is categorized as a zero-debt company?

- (A) Indian Oil Corporation
- (B) NMCE
- (C) TATA Steel
- (D) Infosys

### 10. What is the role of the Clearing House in a financial market?

- (A) Issue Securities
- (B) Ensure Settlement of Trades
- (C) Provide Loans
- (D) Regulate Capital Market

### 11. What is the lock-in period for investments in money market mutual funds?

- (A) 30 Days
- (B) 46 Days
- (C) 60 Days
- (D) 90 Days

### 12. Who typically supports black-check companies (companies with no business operations)?

- (A) Institutional Investors
- (B) Retail Investors
- (C) Angel Investors
- (D) Venture Capitalists

### 13. Which type of bond allows the issuer to redeem the principal amount early?

- (A) Callable Bond
- (B) Puttable Bond
- (C) Convertible Bond
- (D) Zero-Coupon Bond

### 14. Which platform allows numerous small investors to invest in startups?

- (A) Venture Capital Platform
- (B) Crowdfunding Platform
- (C) Angel Investor Network
- (D) Stock Exchange

### 15. The minimum selected group of people for a private placement is between:

- (A) 1-5 people
- (B) 50-200 people
- (C) 200-500 people
- (D) 10-50 people

### 16. What is the standard quantity of crude oil for MCX trading?

- (A) 50 barrels
- (B) 75 barrels
- (C) 100 barrels
- (D) 200 barrels

### 17. Which entity collects applications on behalf of investors in securities issues?

- (A) Registrar and Share Transfer Agent
- (B) Underwriters
- (C) Investment Bankers
- (D) Securities Registrar

### 18. What is considered the most successful exit strategy for private equity investors?

- (A) Asset Sale
- (B) Initial Public Offering (IPO)
- (C) Secondary Sale
- (D) Mergers and Acquisitions

#### 19. The concept of a Red Herring Prospectus refers to:

- (A) A preliminary document filed by the company during an IPO
- (B) A document containing detailed financial information
- (C) A marketing tool for private placements
- (D) A bond offering statement

### 20. Which entities are typically associated with managing endowment funds?

- (A) Corporates and Governments
- (B) Universities, Non-Profit Organizations, Churches, and Hospitals
- (C) Private Equity Firms
- (D) Hedge Funds

#### 21. In private placement, which entity acts as an intermediary?

- (A) Financial Institutions
- (B) Investment Banker
- (C) Venture Capitalists
- (D) Regulatory Authorities

#### 22. A bank has the following data:

- Probability of Default (PD) = 0.03 (3%)
- Loss Given Default (LGD) = 0.60 (60%)
- Exposure at Default (EAD) =  $\gtrless 10,000,000$

#### What is the Expected Loss (EL3)?

(A) ₹180,000
(B) ₹300,000
(C) ₹600,000
(D) ₹900,000

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#### 23. In an operating lease, the right to control the use of the asset belongs to:

- (A) Lessor
- (B) Lessee
- (C) Both Lessor and Lessee
- (D) None of the Above

### 24. Who typically issues commercial papers?

- (A) Government Bodies
- (B) Corporates
- (C) Non-Banking Financial Companies
- (D) Banks

### 25. Alothermic trading is also known as:

- (A) Algorithmic Trading
- (B) Black Box Trading
- (C) Arbitrage Trading
- (D) High-Frequency Trading
- 26. The format for pre-issue advertisement of a public issue is specified in which part of Schedule X?
  - (A) Part A
  - (B) Part B
  - (C) Part C
  - (D) Part D
- 27. In private equity, what is the difference between a General Partner and a Limited Partner (LP)?
  - (A) General Partners manage investments, LPs invest capital
  - (B) General Partners provide capital, LPs manage investments
  - (C) General Partners are risk-averse, LPs are risk-takers
  - (D) General Partners and LPs have identical roles

### 28. FEDAI plays which role in the financial market?

- (A) Currency Exchange
- (B) Settlement of International Trade
- (C) Overseeing Foreign Exchange Transactions
- (D) Regulating Banks' Activities

### 29. In a scenario where a country faces a credit situation, which action may RBI take to help?

- (A) Increase Repo Rate
- (B) Reduce Reverse Repo Rate
- (C) Reduce Repo Rate
- (D) Increase CRR (Cash Reserve Ratio)

### 30. Which of the following is a participant in the capital market?

- (A) Stock Exchanges
- (B) Government Agencies
- (C) Investment Banks
- (D) All of the above

#### 31. The market for short-term funds primarily includes:

- (A) Treasury bills and commercial paper
- (B) Corporate bonds and equities
- (C) Mutual funds and ETFs
- (D) Real estate investment trusts (REITs)

#### 32. A 'Term Sheet' is typically used to:

- (A) Define the terms of a business agreement
- (B) Outline a company's annual budget
- (C) Determine the market value of stocks
- (D) Discuss the roles of company directors

### 33. HPR (Holding Period Return) is calculated by:

- (A) Dividing the total return by the initial investment
- (B) Subtracting the cost from the total return
- (C) Dividing the price change by the purchase price
- (D) Adding dividends to the capital gains and dividing by the initial investment

### 34. Some common problems in factoring include:

- (A) High transaction fees
- (B) Inability to collect receivables on time
- (C) Loss of control over customer relationships
- (D) All of the above
- 35. The Agridex, launched on 25th January 2020, complies with which type of liquid commodities?
  - (A) Energy Commodities
  - (B) Agricultural Commodities
  - (C) Precious Metals
  - (D) Industrial Metals

### 36. Forfaiting refers to:

- (A) A form of short-term borrowing
- (B) The sale of future receivables at a discount
- (C) A process of trading commodities
- (D) A method of increasing shareholder equity

### 37. Non-Profit Organizations (NPOs) can raise funds through stock exchanges by:

- (A) Issuing shares to the public
- (B) Participating in bond markets
- (C) Listing debt instruments like bonds or debentures
- (D) Engaging in crowd funding

### 38. The role of a merchant banker includes all of the following EXCEPT:

- (A) Advising companies on mergers and acquisitions
- (B) Underwriting new securities
- (C) Lending money to start-ups
- (D) Assisting in public offerings and capital raising

#### 39. Revenue from Buy-Back (BBP) shares are typically tendered within:

- (A) 1-2 days
- (B) 3-5 days
- (C) 6-10 days
- (D) 10-15 days

### 40. The concept of factoring refers to:

- (A) Buying back securities at a fixed price
- (B) Selling receivables to a third party
- (C) Merging companies for investment opportunities
- (D) Dividing equity shares into smaller lots

#### 41. The advantage of demutualization is that it:

(A) Increases market liquidity

- (B) Allows for the separation of ownership and management
- (C) Helps in the stabilization of stock prices
- (D) Reduces stock market volatility

### 42. The float factor in mutual fund calculations refers to:

- (A) The difference between the fund's NAV and its market value
- (B) The time taken for a transaction to clear
- (C) The number of shares outstanding in a fund
- (D) The liquidity of the underlying assets

### 43. The process of credit rating evaluation involves assessing:

- (A) The creditworthiness of a company
- (B) The liquidity of a stock
- (C) The profitability of a company
- (D) The stock market trend

### 44. Annual expenses of a mutual fund are typically calculated by:

- (A) Dividing the total expenses by the number of investors
- (B) Considering the fund's operational costs, management fees, and other charges
- (C) Subtracting dividends from the total value
- (D) Adding up the profits earned over the year

### 45. The intrinsic value of a stock refers to:

- (A) The current market value of the stock
- (B) The calculated fair value based on fundamentals
- (C) The value based on the stock's previous trading history
- (D) The price the stock reaches after a dividend pay-out

### 46. According to Levin, the functions of financial markets include:

- (A) Price discovery and capital formation
- (B) Risk management and hedging
- (C) Allocation of resources to productive uses
- (D) All of the above

### 47. The market index is used primarily for:

- (A) Determining interest rates
- (B) Measuring the overall market performance
- (C) Tracking individual stock movements
- (D) Setting stock prices

### 48. The strike price of an option is:

- (A) The price at which the option can be bought or sold
- (B) The price at which the option expires
- (C) The price at which the underlying asset is purchased
- (D) The price paid for the option itself

### 49. The relationship between credit rating and default probability suggests that:

- (A) A higher credit rating implies a lower probability of default
- (B) A lower credit rating implies a lower probability of default
- (C) Credit rating has no effect on default probability
- (D) Default probability is fixed regardless of the credit rating

### 50. In BECR (Bond Equivalent Conversion Rate), from the lessee's point of view, the primary consideration is:

- (A) The total cost of leasing
- (B) The tax implications of leasing
- (C) The profitability of the leasing arrangement
- (D) The financial impact on the balance sheet

### 51. The Sharpe ratio is a measure of:

- (A) A stock's volatility relative to the market
- (B) A portfolio's excess return per unit of risk
- (C) The growth rate of a company
- (D) The average return of a market index

### 52. Lease rent is typically calculated based on:

- (A) The book value of the asset
- (B) The market value of the asset
- (C) The initial cost of the asset
- (D) The expected useful life of the asset

### 53. CII (Cost Inflation Index) is used to calculate:

- (A) Real estate returns
- (B) The adjusted cost of assets for tax purposes
- (C) The current value of fixed assets
- (D) Inflation-adjusted bond yields

### 54. The functions of a financial market include all of the following EXCEPT:

- (A) Facilitating the buying and selling of securities
- (B) Providing a platform for commodity trading
- (C) Offering loans to government institutions
- (D) Ensuring liquidity for financial instruments
- 55. The clean price of a bond is calculated as:
  - (A) The price excluding accrued interest
  - (B) The price including accrued interest
  - (C) The price including the bond's face value
  - (D) The price after factoring in the call option

### 56. The document used in a book-built public issue where all relevant details except the price or the number of shares being offered are disclosed is known as:

- (A) Prospectus
- (B) Abridged Prospectus
- (C) Red Herring Prospectus
- (D) Letter of Offer

### 57. Which exchange has received permanent approval from the government?

- (A) MCX
- (B) NCDEX
- (C) ICEX
- (D) IEX

#### 58. Which of the following statements is true regarding rolling returns?

(a) It measures the performance of the growth option NAV from the start date to today's date, annualized.

(b) It measures returns over successive periods (from the start date to the next date, then the next period, and so on) and takes their average.

(c) It measures returns over successive short-term periods (for example, week-to-week) and takes their average.

(d) All of the above.

#### 59. Which one of the following is not a Credit Rating Agency?

- (A) Fitch
- (B) Credit Analysis & Research Ltd.
- (C) CIBIL
- (D) Standard & Poor
- 60. Reverse Repo and Repo are defined as follows. Which option correctly states their definitions?

(A) Reverse repo is the rate at which commercial banks lend to the RBI, and Repo is the rate at which the RBI lends to commercial banks.

(B) Reverse repo is the rate at which commercial banks borrow from the RBI, and Repo is the rate at which the RBI borrows from commercial banks.

(C) Reverse repo is the rate at which commercial banks lend to each other, and Repo is the rate at which the RBI lends to the government.

(D) Repo is the rate at which commercial banks lend to the government, and Reverse repo is the rate at which the RBI lends to commercial banks.

- 61. An extract from a term sheet states: "In the event that the company issues additional securities at a price less than the current Series A preferred conversion price, such conversion price shall be reduced to the price at which the new shares are issued." This clause indicates:
  - (A) Broad-based weighted average anti-dilution protection
  - (B) Narrow-based weighted average anti-dilution protection
  - (C) No anti-dilution protection
  - (D) Full-ratchet anti-dilution protection

### 62. Which of the following is not considered an intermediary in the capital market? (A) Merchant bankers

- (A) Merchant banker
- (B) Underwriters
- (C) Debenture trustees
- (D) Venture capitalist
- 63. Which of the following is a common challenge when calculating the Bond Equivalent Conversion Rate (BECR) from a lessee's perspective?
  - (A) Determining the appropriate discount rate
  - (B) Accurately converting lease payments into bond-equivalent yields
  - (C) Estimating the asset's residual value
  - (D) Adjusting for market volatility
- 64. The concept of promoters' contribution refers to:
  - (A) The share of equity held by promoters during an IPO
  - (B) The capital that promoters invest in the company during its initial public offering
  - (C) The proportion of debt financing provided by promoters
  - (D) The dividend pay-out ratio among promoters

### 65. Non-profit organizations can raise funds through the stock exchange by using:

- (A) An Initial Public Offer (IPO)
- (B) A Social Stock Exchange
- (C) A Rights Issue
- (D) A Bond Issuance