

**Practice Test Kit Version 1– SC**

**For AMFI Mutual Fund (Advisors) Certification Examination**

**June 2007**

**ICICI PRUDENTIAL ASSET MANAGEMENT COMPANY LTD.**



## **QUESTION BANK**

1. A close-ended mutual fund has a fixed:
  - a. NAV
  - b. Fund size
  - c. Rate of return
  - d. Number of distributors
2. The maximum load that a fund can charge is determined by the:
  - a. AMC
  - b. SEBI
  - c. AMFI
  - d. Distribution agents based on demand for the fund
3. The amount required to buy 100 units of a scheme having an entry load of 1.5% and NAV OF Rs.20 is:
  - a. Rs.2000
  - b. Rs.2015
  - c. Rs.1985
  - d. Rs.2030
4. A gilt fund is a special type of fund that invests:
  - a. In very high quality equity only
  - b. In instruments issued by companies with a sound track record
  - c. In short-term securities
  - d. In government securities only
5. Of the following fund types, the highest risk is associated with
  - a. Balanced Funds
  - b. Gilt Funds
  - c. Equity Growth Funds
  - d. Debt Funds
6. The NAV of a mutual fund:
  - a. Is always constant
  - b. Keeps going up at a steady rate
  - c. Fluctuates with market price movements
  - d. Cannot go down at all
7. An open-ended mutual fund is one that has:
  - a. An option to invest in any kind of security
  - b. Units available for sale and repurchase at all times
  - c. An upper limit on its NAV
  - d. A fixed fund size
8. An investor in a close-ended mutual fund can get his/her money back by selling his/her units:
  - a. Back to the fund
  - b. To a special trust at NAV
  - c. On a stock exchange where the fund is listed
  - d. To the agent through which he/she subscribed to the units of the fund

9.The "load" charged to an investor in a mutual fund is

- a. Entry fee
- b. Cost of the paper on which the unit certificates are printed
- c. The fee the agent charges to the investor
- d. The expenses incurred by fund managers for marketing a mutual fund scheme

10.A mutual fund is owned by

- a. The Govt. of India
- b. SEBI
- c. All its investors
- d. AMFI

11.Units from an open-ended mutual fund are bought

- a. On a stock exchange
- b. From the fund itself
- c. From AMFI
- d. From a stock broker

12.A mutual fund is not

- a. Owned jointly by all investors
- b. A company that manages investment portfolios of high net worth individuals
- c. A pool of funds used to purchase securities on behalf of investors
- d. A collective investment vehicle

13."Load" cannot be recovered

- a. At the time of the investor's entry into the fund
- b. As a fixed amount each year
- c. At the time the investor exits the fund
- d. From the fund's distribution agent

14.The most important advantage of a money market mutual fund is

- a. Quick capital appreciation
- b. High regular income
- c. Safety of principal
- d. No loads

15.Some close-ended funds are quoted at a discount to their NAV because

- a. Of high expense ratios
- b. Investors do not expect the current NAV to be sustained in future
- c. The repurchase price fixed by the fund is lower than the NAV
- d. Of the inherent risk involved in investing in such type of funds

16.The NAV of each scheme should be updated on AMFI's website

- a. Every quarter
- b. Every month
- c. Every hour
- d. Every day

17.Debt funds target

- a. Low risk and stable income
  - b. Protection of principal
  - c. High growth with risk
  - d. Long term capital appreciation
18. In which of the following do debt funds not invest
- a. Government debt instruments
  - b. Corporate paper
  - c. Financial institutions bonds
  - d. Equity of private companies
19. Which of the following risks do not affect a debt fund
- a. Default by issuer on payment of interest or principal
  - b. Price fluctuations of the debt securities
  - c. Share price movements
  - d. Interest volatility
20. Assured return or guaranteed monthly income plans are essentially
- a. Hybrid funds
  - b. Growth Funds
  - c. Debt/Income funds
  - d. Sector funds
21. A Fixed Term Plan Series is
- a. As open-ended fund
  - b. A close-ended fund
  - c. A fixed term bank deposit
  - d. A fixed term corporate bond
22. NAVs of equity funds are not affected by
- a. Stock market movements
  - b. Events affecting the industry/sector in which the fund has invested
  - c. Happenings in the companies in which the fund has invested
  - d. Real estate prices
23. The greatest potential for growth in capital is offered by
- a. Debt funds
  - b. Gilt funds
  - c. Growth funds
  - d. Balanced funds
24. A Systematic Withdrawal Plan, allows investors to get back the principal amounts invested in addition to the income on investment
- a. True
  - b. False
25. Which of the following is untrue of an automatic reinvestment plan ?
- a. The plan allows for automatic reinvestment of all income and capital gains
  - b. Automatic reinvestment allows for accumulation of additional units of the fund
  - c. The major benefit of automatic reinvestment is compounding

- d. The benefit of automatic reinvestment is often lost on account of the heavy load charge on the reinvestment
26. Constraints imposed by most funds on check writing are :
- Account balance should not fall below the minimum capital required
  - Checks issued must be for at least the minimum amount specified
  - Number of checks per month must not exceed a specified number
  - Both a & b above
27. The performance of a fund is largely measured by the success of
- The marketing function
  - The operations function
  - The portfolio market function
  - None of the above
28. MFs generally invest in securities which are:
- Unlisted
  - Market-traded
  - Thinly traded
  - Privately placed
29. Which of the following is not an equity instrument
- Preference shares
  - Equity warrants
  - Ordinary debentures
  - Convertible debentures
30. The drawback of an ordinary share is
- Possibility of capital appreciation
  - Ownership privilege of the company
  - Guaranteed dividend income
  - No guaranteed income or security
31. An owner of preference shares is given which of the following rights
- Voting rights
  - Fixed dividend income from post-tax profits
  - Voting rights and unlimited dividend income
  - No guaranteed rights
32. Market capitalisation of a company is calculated by multiplying the number of outstanding shares by
- Rs.10
  - Face value of each share
  - Current market value of each share
  - Dividend yield
33. The Price/Earnings( P/E) Ratio is an important measure of a company's anticipated performance. It is calculated using:
- Market price and dividend
  - Market price and earning per share
  - Market capitalisation and dividend

- d. Market price and face value
34. A Company whose earnings are strongly related to the state of economy is known as
- Economy stocks
  - Cyclical Stocks
  - Value Stocks
  - Growth Stocks
35. A Growth stock refers to shares of a company whose earnings are projected to grow at the normal market rates
- True
  - False
36. Which of the following is generally true for a growth stock
- Steady capital appreciation and steady dividends yields
  - High capital appreciation and high dividend yields
  - High capital appreciation but low dividend yields
  - Steady capital appreciation but high dividend yields
37. Shares of companies with large capital market capitalisation
- Have greater growth potential
  - Are more liquid
  - Are not available
  - None of the above
38. Dividend yield for a stock is
- Dividend per share
  - Dividend per face value
  - Dividend per share to current market price
  - None of the above
39. Value stocks
- Have high current dividend
  - Yield high growth in earnings
  - Are currently under valued
  - None of the above
40. A better performance than the return on index is given by
- Passive fund manager
  - An active fund manager
  - All fund managers
  - Non fund manager
41. A change in key personnel especially the fund manager of an AMC does not necessitate a revision of the offer document
- True
  - False
42. If fresh litigation cases or adjudication proceedings are referred by SEBI against the fund sponsors or a company associated with the sponsors, then the offer document needs to be revised

- a. True
- b. False

43. The offer document need not be revised if the management or the controlling interest in the AMC change

- a. True
- b. False

44. An AMC can explain adverse variations between expense estimates for the scheme on offer and actual expenses for past schemes on other medium than the offer documents:

- a. True
- b. false

45. Information on estimated expenses to be incurred by a scheme is not found in the offer document, but in brochures of the fund

- a. True
- b. False

46. When comparing a fund's performance with that of its peer group, the following cannot be compared

- a. Two debt funds with 5 year maturities
- b. A broad-based equity fund with an IT Sector Fund
- c. A bond fund with a bond
- d. A government securities fund with a government security

47. An AMC must explain adverse variation between expense estimates for the scheme on offer and actual Expenses for past schemes in

- a. Financial newspapers
- b. Business channels on TV
- c. Offer document
- d. AMFI Newsletter

48. Information on estimated expenses to be incurred by a scheme is not found in the offer document, but in brochures of the fund

- a. True
- b. False

49. The offer document and key information memorandum contain financial information for

- a. All schemes of all mutual funds in the capital market
- b. All schemes launched by the particular fund during the last 3 fiscal years
- c. None of the schemes
- d. Companies in which investment is proposed

50. The functions and responsibilities of the sponsor, AMC, trustees and custodian of the mutual fund are listed in

- a. Offer document only
- b. Key information memorandum
- c. Both offer document and key information memorandum
- d. None of the above

51.Information about trusteeship fees is included in the offer document but not in the key information memorandum

- a. True
- b. False

52.The following information about the constitution of the mutual fund is found in both the offer document and key information memorandum

- a. Activities of the sponsor
- b. Summary of trust deed provisions
- c. Name and addresses of the board of trustees
- d. All of the above

53.The investment objectives of the fund an investor selects for investment

- a. Are of no relevance
- b. Should be the same as his own investment objectives
- c. Change with market movements
- d. Change with change in the AMC's key personnel

54.The investment policies listed out in the offer document of a fund do not include

- a. The type of securities in which the scheme will invest principally
- b. Asset allocation pattern
- c. Policy of diversification
- d. The specific securities in which the fund will invest

55.If a scheme's name implies that it will invest primarily in a particular type of security or in certain industry/sector, then it should invest atleast the following percentage of its total assets in the indicated type of security/industry/sector

- a. 100%
- b. 80%
- c. 65%
- d. 40%

56.For assured return schemes, information about the guarantor's net worth which justifies the guarantor's ability to meet any shortfalls in the returns assured under the scheme can be found in

- a. The offer document
- b. The key information memorandum
- c. Both (a)and(b)
- d. None of the above

57.The names and background of key personnel of the AMC

- a. Need not be disclosed to investors
- b. Are of no relevance as they may change
- c. Are disclosed in the offer document
- d. Are declared in newspaper advertisements

58.The minimum amount to be raised, and the maximum target amount

- a. Are not known before the offer is concluded
- b. Can be decided based on investor response to the offer
- c. Are defined as per SEBI Regulations before the offer is made
- d. Need not be disclosed in the offer document



59.The circumstances for refund of investment in the initial offer and period within which refund must be carried out are not specified in the offer document, but only on the application

- a. True
- b. False

60.Offer related information required to be listed in the offer document and key information memorandum includes

- a. Dates of opening, closing, earliest closing, allotment and despatch of certificates
- b. Procedure for transfer and transmission of units
- c. Both the above
- d. Neither of the above

61.In the offer document, funds are required to make disclosures summarising associate transactions and their impact on the performance of the scheme for the last

- a. One fiscal years
- b. 2 fiscal years
- c. 3 fiscal years
- d. 5 fiscal years

62.The circumstances under which a scheme shall be wound up are to be described in the offer document at the time of the initial launch of the scheme itself

- a. True
- b. False

63.The following do not form a part of the investment procedure described in an offer document

- a. Various plans under the scheme (e.g.dividend reinvestment plan)
- b. Minimum initial (and subsequent) investment
- c. Details of who can invest
- d. Details of other competing mutual funds

64.A scheme's policy on dividends and distribution

- a. Is decided by the fund manager as per is market outlook
- b. Can be changed to suit the requirements of the AMC
- c. Need not be consistent
- d. Should be disclosed at the time of initial launch

65.SEBI restricts mutual fund investments in companies forming part of the same group as the AMC. This is :

- a. Not true
- b. In the interest of investor protection
- c. Applied only to some mutual funds, not all
- d. Not favourable to investors at all

66.A disclosure should be made in the offer document if an AMC has invested more than the following percentage of its net assets in group companies

- a. 50%
- b. 40%
- c. 25%

- d. 10%
67. Mutual funds are allowed to borrow
- Freely to meet their requirements
  - For investment purposes
  - Only to meet redemption demands
  - Not allowed at all
68. As a part of borrowing policy, the following need not be disclosed in an offer document
- Purpose and circumstances of borrowing
  - Regulatory limits on borrowing
  - Potential risk to AMC and unit-holders
  - Names of lenders
69. Valuation norms for non-traded securities should be disclosed
- At the end of every financial year
  - Every quarter
  - In the offer document at the time of launch of the scheme
  - Should not be disclosed, being confidential information
70. Procedure for redemption or repurchase need not
- Be described in the offer document
  - Include how redemption or repurchase price of units would be determined
  - Include names of centers where redemption can be effected
  - Indicate the redemption or repurchase price as at the end of the current fiscal year
71. The fund need not describe its accounting policies in the offer document as these are of no use to an investor
- True
  - False
72. The accounting policies of a fund should be in accordance with
- GAAP
  - SEBI regulations
  - ICAI Guidelines
  - American GAAP
73. Tax treatment of investments does not
- Form a section in the offer document
  - Describe the tax elements applicable to investors who invest in the fund
  - Form a section in the key information memorandum
  - Offer tax advice to investors
74. Documents available to investors for inspection do not include
- Memorandum and Articles of Association of AMC
  - Consent of auditors and legal advisors
  - Investment management reports
  - Reports based on which actual investments are made
75. Investor's rights under a scheme are
- Uniform for all schemes of all funds

- b. Not defined
- c. Listed in the offer document
- d. Available with stock exchanges

76.The offer document for a scheme should describe how the NAV of the scheme is to be computed

- a. True
- b. False

77.An offer document contains an AMC's investor grievance's history for the past

- a. One fiscal year
- b. 2 fiscal years
- c. 3 fiscal years
- d. Six months

78.Any pending cases or penalties levied on the sponsors of AMC should be disclosed in the offer document

- a. True
- b. False

79.Who among the following are not eligible to invest in MF

- a. Indian Companies
- b. Banks
- c. Non Banking Finance Companies
- d. Foreign Citizens

80.NRI's are eligible to invest in Mutual Funds

- a. True
- b. False

81.The most important link between Mutual Fund and Investors is

- a. Government
- b. SEBI
- c. Fund distributors
- d. AMFI

82.Are Overseas Corporate Bodies allowed to invest in Mutual Funds

- a. No
- b. Yes
- c. If Ministry of Finance approves
- d. If AMFI approves

83.Who among the following are not Institutional Investors

- a. Banks
- b. Resident Individuals
- c. Provident Funds
- d. Non Banking Finance Companies

84.It is compulsory to use fund agents/intermediaries for investing MFs

- a. True
- b. False

85. Generally, which category of investors need advice for Investing in Mutual Funds
- Non Banking Finance Companies
  - Insurance Companies
  - Foreign Institutional Investors
  - Individuals
86. Most eligible investors of Mutual Funds can broadly be grouped into either individual or institutional investors
- True
  - False
87. Commission rates or loads applicable to big investors and small investors are
- Same
  - Different
  - Not charges to either
  - None of the above
88. What document Mutual Fund distributors need to refer for finding out eligible category of investors in a particular Mutual Funds Scheme
- SEBI Regulations Manual
  - AMFI booklet
  - Offer document
  - RBI Guidelines
89. As per AMFI figures, how many agents approximately, are there in India selling Mutual Funds
- 50,000
  - 1,00,000
  - 75,000
  - 1,50,000
90. Which Mutual Fund has majority of the agents selling its Mutual Fund units in India
- LIC Mutual Fund
  - UTI Mutual Fund
  - SBI Mutual Fund
  - None of the above
91. Mutual Fund agents/distributors are not allowed to sell Financial Products other than Mutual Funds
- True
  - False
92. Is Mutual Fund agents/distributors in India required to pass any examination to qualify to sell Mutual Fund Units
- Yes, a test conducted by AMFI
  - Yes, a test conducted by SEBI
  - No
  - A postgraduate university course
93. How many major distributors Companies are there in India selling Mutual Fund units

- a. Approximately 9
- b. Approximately 11
- c. Approximately 10
- d. Approximately 25

94.The offer document is not a legal document

- a. True
- b. False

95.A copy of all changes in the offer document has to be filed with SEBI

- a. True
- b. False

96.The legal responsibility for the accuracy of the statements made in the offer document lies with

- a. SEBI
- b. The AMC
- c. AMFI
- d. The Company Law Board

97.Though the offer document of a scheme is prepared as per SEBI Regulations and is filed with SEBI,SEBI does not certify the accuracy or adequacy of the document

- a. True
- b. False

98.The following need not be covered in a Key Information Memorandum

- a. Risk Factors
- b. Opening, Closing and earliest Closing Date of the offer
- c. Disclaimer Clause
- d. Functions and responsibilities of the sponsor, trustees, AMC and custodian responsibilities

99.The front page of an offer document need not cover

- a. Opening, closing and earliest closing date of the offer
- b. Disclaimer clause
- c. Legal and regulator compliance
- d. Price of units

100.A "glossary" of Defined Terms must be included in the offer document

- a. True
- b. False

101.Standard risk factors are not

- a. Market driven
- b. Common to all schemes
- c. Of relevance to novice investors
- d. New to a regular investor

102.The risk of a scheme's NAV moving up or down on the basis of capital market movements is a standard risk factor

- a. True

b. False

103. Past performance of a sponsor/AMC mutual fund is not indicative of the future performance of the scheme. This is

- a. Not true
- b. A standard risk factor for all schemes
- c. A scheme-specific risk factor
- d. Applicable only to gilt funds

104. Risk arising from a scheme's investment objective/strategy and proposed asset allocation is

- a. Not present
- b. Common to all schemes
- c. Specific to that scheme
- d. Not applicable to debt funds

105. In an assured returns scheme, if assurance is only for a limited period, it must be stated in the offer document that there is no guarantee for sustaining the assured return for the remaining duration of the scheme

- a. True
- b. False

106. If the AMC is managing a fund for the first time, this information can be found in

- a. Newspapers
- b. SEBI
- c. AMFI Newsletter
- d. Offer document

107. A compliance officer

- a. Stands guarantee to the information contained in the offer document
- b. Belongs to SEBI
- c. Cannot certify that the AMC's legal and procedural obligations are fulfilled
- d. Cannot be appointed by the AMC

108. The due diligence certificate that must be submitted to SEBI along with the draft offer document cannot be signed by

- a. The managing director of the AMC
- b. An executive director of the AMC
- c. The compliance officer
- d. Investor relations officer

109. A due diligence certificate does not certify that

- a. The draft offer document forwarded to SEBI is in accordance with SEBI regulations
- b. All legal requirements connected with launching of the scheme have been complied with
- c. Disclosures made in the offer document are true, fair and adequate
- d. The AMC guarantees a good performance

110. In developed countries, an important Mutual Fund marketing channel is through

- a. Insurance Companies
- b. Banks

- c. Non-Banking Finance Companies
- d. Retail Distributors

111. Emerging or new channel for distributors/marketing of Mutual Fund in India is

- a. Insurance Companies
- b. Banks
- c. Qualified Mutual Fund agents
- d. Direct Sales agents of respective mutual funds

112. Mutual Funds often use their own employees to mobilise funds from

- a. Retail investors
- b. High Networth individuals/institutional investors
- c. All investors
- d. Foreign investors

113. Retail distribution channels are a critical element in the distribution of mutual funds in India

- a. True
- b. False

114. "Sales Practices" cover the following areas

- a. Desirable marketing practices
- b. Agents responsibilities to the investor
- c. Ethical code of conduct
- d. All of the above

115. The following are not termed as "sales practices"

- a. Agents commission
- b. Before-and after-sales service to investors
- c. Advertising of schemes
- d. Stock broking

116. Sales practices are never mandated by regulators, but arise from convention only

- a. True
- b. False

117. Agents are compensated by mutual funds

- a. Through salaries
- b. Through commissions
- c. Through an annual fee
- d. Not in cash but in kind

118. In India the minimum or maximum commissions payable to distributors are not prescribed by law, but are decided using the fund's own discretion

- a. True
- b. False

119. Lowest commissions are paid on

- a. Equity funds
- b. Tax benefit schemes of mutual funds
- c. Debt funds

- d. Long-term investments in mutual funds
120. Excess distribution expenses are to be borne by the
- AMC
  - Unit holders
  - SEBI
  - AMFI
121. To cover fund distribution expenses, open ended funds
- Charge a fee from agents
  - Charge entry and exit loads from investors
  - Create a reserve
  - Sell investments
122. Trail commission means paying
- No commission at all
  - The entire commission up-front
  - Part of the commission up-front and the balance in phases
  - The entire commission after five years
123. Sub-brokers serve as agents of the principal broker and a mutual fund is not answerable for their activities
- True
  - False
124. In India, Mutual fund agent's rate and services are at present defined by
- SEBI rules
  - Stock exchange bye-laws
  - AMFI rules
  - Convention
125. Along with the application, it is mandatory to distribute
- Investment rebate
  - Offer document
  - Key information memorandum
  - None of the above
126. To sell funds effectively, an agent need not
- Be fully aware of the important characteristics of the scheme
  - Know his/her client's risk profile
  - Give after sales service
  - Offer large investment rebates
127. For investors to correctly compare performance of different funds SEBI's advertising codes include
- Uniform computation of yields
  - Uniform presentations of dividends
  - Identical time periods
  - All of the above



128. SEBI's advertising code mandate that all performance calculations in a fund's advertisement should be based

- a. NAV
- b. The NSE Fifty Index
- c. The BSE Sensex
- d. None of the above

129. An agent's appointment by a fund

- a. Requires SEBI's approval
- b. Is a lengthy and cumbersome process
- c. Is mandatory preceded by an AMFI test
- d. Does not require any approval

130. An investor does not have recourse to his agent in case of errors, problems or the quality of the investment

- a. True
- b. False

131. An agent can offer and sell a fund's units at

- a. Any price he chooses
- b. A price determined by competition among agents
- c. A price based on demand for that fund's units
- d. The public offering price currently in effect

132. All buy orders through an agent do not become valid till the fund accepts and confirms the orders

- a. True
- b. False

133. When an agent purchases, offers or sells units, ensuring compliance with applicable regulations is the responsibility of

- a. The fund
- b. The agent
- c. AMFI
- d. SEBI

134. The terms of appointment of a broker by a fund are

- a. Laid down by SEBI
- b. Laid down by AMFI
- c. Not uniform to all funds
- d. None of the above

135. The code of ethics for mutual funds published by AMFI

- a. Is mandatory
- b. Is in the form of recommended practices
- c. Is unfavourable to investors
- d. Does not cover distribution and selling practices

136. The AMFI code of ethics does not cover the following prescriptions

- a. Adequate disclosures should be made to the investors
- b. Funds should be managed in accordance with stated investment objectives

- c. Conflict of interest should be avoided in dealings with directors or employees
  - d. Investors should approve each investment decision
137. Distribution and sales practices are only partly regulated by SEBI at present
- a. True
  - b. False
138. Which of the following distribution channels is preferred by private mutual funds
- a. Individual Agents
  - b. Small Distribution companies
  - c. Established distribution companies
  - d. The Internet
139. Which of the following sales practices is prescribed by regulation
- a. AMFI Code of Ethics
  - b. SEBI Advertising
  - c. AMFI's Code for Agents
  - d. None of the above
140. In a mutual fund investor's subscriptions are accounted for as
- a. Liabilities
  - b. Deposits
  - c. Unit capital
  - d. None of the above
141. Investments made by a mutual fund on behalf of investors are accounted as
- a. Assets
  - b. Liabilities
  - c. Capital
  - d. None of the above
142. Liabilities in the balance sheet of a mutual fund are
- a. In the form of long-term loans
  - b. Strictly short term in nature
  - c. Combination of long term and short term
  - d. Not allowed as per regulations
143. Net asset Value (NAV) of a mutual fund scheme is defined as the schemes
- a. Assets minus liabilities
  - b. Assets per unit
  - c. Assets minus liabilities per unit
  - d. None of the above
144. The day on which NAV is calculated by a fund is known as
- a. Computation date
  - b. Valuation date
  - c. Record date
  - d. Book closure date
145. A Fund's NAV is affected by
- a. Purchase and sale of investment securities

- b. Valuation of all investment securities held
- c. Units sold or redeemed
- d. All of the above

146. When computing NAV of fund SEBI requires accrual of major expenses to be accounted

- a. Quarterly
- b. Annually
- c. On a day to day basis
- d. When actually paid

147. If a fund calculates NAV daily, it will include all the transaction concluded up to

- a. Last week
- b. Last two days
- c. Previous day
- d. Today

148. For an open-ended fund, the repurchase price should not be lower than

- a. NAV
- b. 95% of NAV
- c. 93% of NAV
- d. 97% of NAV

149. For a close-ended fund, the repurchase price should not be lower than

- a. NAV
- b. 95% of NAV
- c. 93% of NAV
- d. 97% of NAV

150. For a scheme that has a load, the AMC can charge an investment management fee not exceeding

- a. 1.50%
- b. 2.00%
- c. 1.25%
- d. 0.50%

151. Initial expenses of launching schemes should not exceed

- a. 15% of amount received
- b. 10% of amount raised
- c. 6% of amount raised
- d. 5% of the amount raised

152. Which of the following expenses cannot be charged to the scheme

- a. Audit fees
- b. Costs related to investor communication
- c. Winding costs for terminating the scheme
- d. Penalties and fines for infraction of laws

153. Which of the following are not true for Equity Linked Savings Schemes ?

- a. Investors can claim an income tax rebate
- b. There is a lock-in period before investment can be withdrawn

- c. There are not specific restrictions on investment objectives for the fund managers
- d. These funds cannot invest in equity

154. Which of the following is not true for Index Funds

- a. These funds invest in the shares that constitute a specific index
- b. The investment in shares is in the same proportion as in the index
- c. These funds take only the overall market risk
- d. These funds are not diversified

155. The structure, which is required to be followed by mutual funds in India, is laid down by

- a. Financial Ministry
- b. Securities & Exchange Board of India (SEBI)
- c. Fund Sponsor
- d. Association of Mutual Funds of India (AMFI)

156. The Board of Trustees of a mutual fund:

- a. Act as a protector of investor's interests
- b. Directly manage the portfolio of securities
- c. Do not have the right to dismiss the AMC
- d. Cannot supervise and direct the working of the AMC

157. The AMC of a mutual fund cannot

- a. Undertake advisory services or financial consulting
- b. Cannot invest the funds in government paper
- c. Act as a trustee of more than one mutual fund
- d. Cannot invest the funds in securities

158. The trust that manages a mutual fund is appointed by

- a. The Finance Ministry
- b. RBI
- c. SEBI
- d. The sponsor of that mutual fund

159. The custodian of a mutual fund:

- a. Is appointed for safekeeping of securities
- b. Need not be an entity independent of the sponsors
- c. Not required to be registered with SEBI
- d. Does not give or receive deliveries of physical securities

160. The custodian of a mutual fund :

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- c. Not required to be registered with SEBI
- d. Does not give or receive deliveries of physical securities

161. Transfer Agents of a mutual fund are not responsible for

- a. Issuing and redeeming units of the mutual fund
- b. Updating investor records
- c. Preparing transfer documents
- d. Investing the funds in securities markets

162. Distributors or agents
- Can distribute several mutual funds simultaneously
  - Cannot appoint sub-agents or sub-brokers
  - Should be only individuals not companies or banks
  - Should not be an employee or associate of the AMC
163. A transfer in the management of a close-ended scheme does not require the consent of
- Unit holders with 75% voting rights
  - SEBI
  - Trustees
  - AMC
164. The fund sponsor has to contribute
- Nothing to the AMC
  - The total networth of the AMC
  - Atleast 40% of the AMC's networth
  - Exactly 50%
165. The sponsor of a mutual fund may be compared to
- A director in a Company
  - The Chief Executive of a Company
  - Promoter of a Company
  - An equity shareholder in a Company
166. Issuing and redeeming units of a mutual fund is the role
- The custodian
  - The transfer agent
  - The trustees
  - The bankers
167. The fund sponsors should have a sound financial track record of
- 7 years
  - 12 months
  - 5 years
  - 3 years
168. The networth of an asset management company should be greater than
- Rs.100 Crores
  - Can be decided by the Sponsor
  - Should be atleast Rs.10 Crores at all times
  - Should be greater than Rs.10 Crores
169. The AMC and directors are answerable to
- Stock Exchanges
  - The Board of Trustees
  - Agents and distributors
  - Stock Brokers
170. The role of an AMC is to act as
- Promoters
  - Investment Management

- c. Distribution agents
- d. Regulators

171. A change in the following key people does not materially impact the performance of the fund

- a. Fund sponsors
- b. Trustees of the fund
- c. Fund Manager
- d. Members of the AMFI Committee

172. To transfer the management of a scheme from one AMC to another, the consent of the following is required

- a. SEBI
- b. Unit holders
- c. Both SEBI and unit holders
- d. None of the above

173. As per SEBI's principles, the AMC and the Board of Trustees of a fund should belong to the same sponsors

- a. True
- b. False

174. After UTI, the first mutual funds were started by

- a. Private sector banks
- b. Public sector banks
- c. Financial institutions
- d. Non-banking finance companies

175. The highest authority among the following is the

- a. SEBI
- b. Company Law Board
- c. RBI
- d. Ministry of Finance

176. The entity that SEBI does not regulate is

- a. Share registrars
- b. Mutual funds
- c. Stock exchanges
- d. Non-banking finance companies

177. The accounts and all other records of an AMC are filed with

- a. AMFI
- b. Registrar of Companies
- c. Agent's Association
- d. UTI

178. A close-ended scheme of a mutual fund is not governed by

- a. Exchange Rules of the stock exchange where it is listed
- b. Listing Agreement between the fund and the stock exchange
- c. Guidelines issued by the Ministry of Commerce
- d. Companies Act provisions relating to transactions in securities

179. The entry of mutual funds in India was initiated by mutual funds set up by
- Public Sector Banks
  - Private Sector mutual funds
  - Unit Trust of India
  - Mutual funds set up by insurance companies
180. For a close-ended scheme to change its fundamental attributes, it must obtain the consent of
- 50% of unit holders
  - 50% of trustees
  - 75% of unit holders
  - None of the above
181. The largest corpus of investable funds in India is with
- Bank-owned mutual funds
  - Private Sector mutual funds
  - UTI
  - Insurance Companies
182. The Board of Trustees of the UTI does not have nominees from
- RBI
  - LIC
  - IDBI
  - The Bombay Stock Exchange (BSE)
183. UTI cannot provide
- Corporate finance
  - Engage in real estate and property development business
  - Provide merchant banking services
  - Invest in securities
184. The "Capital" of a scheme does not include
- Unit capital
  - Reserves
  - Borrowing
  - Networth of the AMC
185. Which of the following are Self-Regulatory Organisations
- Bombay Stock Exchange
  - SEBI
  - AMFI
  - RBI
186. A Self-Regulatory Organisation can regulate
- All entities in the market
  - Only its own members in a limited way
  - Its own members with total jurisdiction
  - No entity at all
187. The amount of authority enjoyed by a Self-regulatory organisation is defined by

- a. The apex regulatory authority
- b. Company law board
- c. It's own members
- d. RBI

188.The role of AMFI in the mutual funds industry is not to

- a. Promote the interests of the unit holders
- b. Set a Code of Ethics
- c. Regulate mutual funds
- d. Increase public awareness of mutual funds in the county

189.The rights of investors in a mutual fund scheme are laid down in

- a. The Offer Document of that scheme
- b. Quarterly Reports
- c. Annual Reports
- d. Marketing brochures

190.Unit holders of a mutual fund scheme do not have a right to

- a. Proportionate ownership of the scheme's assets
- b. Dividend declared for that scheme
- c. Dividend declared for other schemes of the mutual funds
- d. Income declared under that scheme

191.After dividend declaration, unit-holders are entitled to receive dividend within

- a. One week
- b. One month
- c. 42 days
- d. Six weeks

192.Unit holder's right to information does not include

- a. Obtaining from the trustees any information having an adverse effect on their investments
- b. Inspecting major documents of a fund
- c. Receiving of a copy of the annual financial statements of that fund
- d. Approving investment decisions of the fund

193.Shortfalls in the case of assured returns schemes are met

- a. By sponsors of such schemes
- b. Only if the offer document specifically provided such a guarantee by a named sponsor
- c. The Government of India
- d. AMFI

194.Unit-holders aggrieved by a Fund or AMC can get redressed from

- a. Consumer Courts
- b. SEBI
- c. AMFI
- d. RBI

195.If the Directors of an AMC commit fraud, the Department of Company Affairs and the Company Law Board cannot protect Unit-holders investments



- a. True
- b. False

196.The responsibilities of a unit-holder do not include :

- a. Monitor his investments carefully
- b. Being aware of information that affects his investment in a major way
- c. Carefully studying the offer document
- d. Taking decisions about where the fund managers should invest

197.Unit scheme US-64 falls under the purview of SEBI

- a. True
- b. False

198.UTI was set up by

- a. SEBI
- b. AMFI
- c. A special act
- d. RBI

199.Bank owned Mutual Funds are supervised by

- a. SEBI
- b. RBI
- c. Jointly by SEBI & RBI
- d. AMFI

200.Investor does not have the right to receive any interest from an AMC if his redemption proceeds are not despatched within 10 working days

- a. True
- b. False

201.If an investor failed to claim his redemption proceeds within 3 years, he can claim the proceeds at

- a. Par
- b. Prevailing NAV
- c. The on the date he has applied for redemption
- d. 15% below the prevailing NAV

202.After closures of the initial offer an open-ended scheme, on going sales and repurchases must start within

- a. One week
- b. 30 days
- c. 45 days
- d. 180 days

203.For scheme to be able to change its fundamental attributes, it must obtain the consent of

- a. 50% of the unit holders
- b. 50% of the trustees
- c. 75% of the unit holders
- d. None of the above

204.The prospectus of Offer Document containing the details of new scheme is first registered with the

- a. AMFI
- b. SEBI
- c. Bombay Stock Exchange
- d. Ministry of Finance

205.The offer document issued by mutual funds does not serve the purpose of

- a. Announcing the scheme
- b. Giving detailed information about the scheme
- c. Inviting the the investors
- d. Giving the fund manager's investment outlook for the next quarter

206.The prospectus of a close-ended fund is issued

- a. Every year
- b. Only once at the time of issue
- c. Every quarter
- d. Every six months

207.Fundamental attributes of scheme

- a. Do not include the objective of the scheme
- b. Can be changed without the investor's approval or knowledge
- c. Include the terms of the scheme
- d. Are not necessary for deciding whether to invest in the scheme or not

208.The offer document

- a. Contains the terms of issue
- b. Gives no information relevant for making an investment decision
- c. Is not the operating document describing the scheme
- d. Cannot be called a reference document

209.SEBI does not require the following to be included in the offer document issued by a mutual fund

- a. Details of the Sponsor and the AMC
- b. Description of the Scheme & investment objective/strategy
- c. Investor's Rights and Services
- d. Performance of other mutual funds

210.'Key Information Memorandum' is

- a. An abridged version of the offer document
- b. The Memorandum & Articles of Association of the AMC
- c. A sheet containing historical NAV's of other fund schemes
- d. Annual Report of the AMC

211.The Offer document for a scheme remains valid even if

- a. The AMC is reconstituted
- b. Entry or exit load are changed
- c. The scheme's NAV changes
- d. New plans are added to existing schemes

- 212.The offer document has to be fully revised and updated
- Every six months
  - Once in two years
  - Every quarter
  - Every month
- 213.An addendum giving details of material change in the offer documents should be circulated
- Distributors/brokers
  - Unit holders
  - SEBI
  - All of the above
- 214.Which of the following is not true for offer documents of open-ended schemes
- It is first issued at the time the scheme is launched
  - It is registered with SEBI
  - It has to be revised periodically
  - It need not be revised at all
- 215.All important disclosures that the mutual fund is required to make, by regulation are contained in the offer document
- True
  - False
- 216.The offer document issued when an open-ended scheme is launched is valid for all times, until amended
- True
  - False
- 217.The most important source of information for a prospective investor is
- Offer document
  - Annual Report of the AMC
  - Economic Times
  - AMFI Newsletter
- 218.An investor need not study the offer document before investing in a scheme
- True
  - False
- 219.The offer document is not a legal document
- True
  - False
- 220.Initial issue expenses are charged to a scheme in the first year itself
- True
  - False
- 221.Scheme-wise annual report of a mutual fund need not be
- Sent to all unit-holders
  - Forwarded to SEBI
  - Published as an advertisement

d. Stock exchanges

222. Mutual funds value their investments

- a. At purchase price
- b. On a mark-to-market basis
- c. At par
- d. At book value

223. Investors are totally exempt from paying any tax on the dividend income they receive from mutual funds

- a. True
- b. False

224. Income distributed to unit-holders by a debt fund is liable to dividend distribution tax

- a. True
- b. False

225. A close-ended has average weekly net assets of Rs.200 crore. As per SEBI regulations, the AMC can charge the fund with investment and advisory fee upto:

- a. Rs.2.25 Crores
- b. Rs.2.00 Crores
- c. Rs.2.50 Crores
- d. Rs.3.00 Crores

226. A passive fund manager

- a. Researches stocks extensively
- b. Does not buy and sell stocks often
- c. Does not have to go through the process of stock selection
- d. Does not have to track stocks

227. A fund manager managing an index fund

- a. Has to keep fund expenses low
- b. Does not have to research stocks
- c. Does not have to balance his portfolio
- d. None of the above

228. A growth manager looks for

- a. High current income
- b. Undervalued stocks
- c. Above average earnings growth
- d. None of the above

229. A value manager does not look for

- a. Stocks that are currently undervalued in the market
- b. Stocks whose worth will be recognised by the market in the long term
- c. High current yield
- d. Long term capital appreciation

230. From an investor's viewpoint, the most important is

- a. A fund's investment style
- b. Performance of the fund

- c. The fund manager's judgement
- d. None of the above

231. Fundamental analysis involves

- a. Checking the foundations of the company's factory building
- b. Research into the operations and finances of the company
- c. Studying the company's share prices
- d. None of the above

232. Which of the following is not considered for technical analysis

- a. Historical data on the company's share price
- b. The company share's trading volume
- c. Current market sentiment
- d. The company's regulatory environment

233. Quantitative analysis is more likely to be done to evaluate a particular sector or industry rather than any specific stock

- a. True
- b. False

234. Fundamental analysis forms the basis to decide

- a. When to buy a given share
- b. Whether to buy a given share or not
- c. Whether to use technical analysis or quantitative analysis
- d. Whether the company's factory can withstand earthquakes

235. Technical analysis guides the decision on

- a. Whether to buy or sell
- b. The right time to buy or sell
- c. Whether company's technical personnel are adequately qualified
- d. None of the above

236. Which of the following is not an investment philosophy

- a. Capitalising on economic cycles
- b. Focusing on growth sectors
- c. Capitalisation
- d. Finding value stocks

237. When expecting a fall in market price, fund managers can reduce the loss in portfolio value by

- a. Speculating
- b. Not buying and selling shares at all for some days
- c. Using equity derivatives
- d. Giving TV Interviews to improve sentiment

238. Equity derivative instruments are

- a. Shares
- b. Bonds
- c. Contracts
- d. Notes

239. A futures contract allows one to buy or sell the underlying shares, but need not result in delivery

- a. True
- b. False

240. Derivatives cannot be based on market indices

- a. True
- b. False

241. In a mutual fund, the overall decisions on allocating money to particular industries/sector are taken by

- a. Equity analysts
- b. Fund managers
- c. Security dealers
- d. Trustees

242. Continuous tracking of the companies in which a mutual fund has invested is done by

- a. Continuous tracking systems
- b. Equity analysts
- c. Trustees
- d. Security dealers

243. Security dealers of a mutual fund

- a. Guard the cabin of the fund manager
- b. Execute buy and sell orders for the fund
- c. Decide which shares to buy or sell
- d. None of the above

244. As per SEBI's requirements each scheme of a mutual fund should have a dedicated fund manager

- a. True
- b. False

245. Debt securities bought at a discount to their face value are generally

- a. Interest bearing
- b. Zero coupon bonds
- c. Paying interest at a floating rate
- d. None of the above

246. In India, a large part of debt securities pay interest on

- a. A floating rate basis
- b. A fixed rate plus a variable portion
- c. A fixed rate
- d. Zero coupon basis

247. The Indian debt market is largely wholesale in nature

- a. True
- b. False

248. In the wholesale debt market, the largest proportion of trading is seen in

- a. Government Securities

- b. Corporate Bonds
- c. T -Bills
- d. PSU Bonds

249.The largest proportion of trades done in the wholesale debt market is accounted by

- a. Mutual funds
- b. Foreign banks
- c. Indian banks
- d. Financial institutions

250.Certificates of Deposits (CD's) are issued by

- a. Regional Rural Banks
- b. Corporates
- c. Scheduled commercial banks
- d. None of the above

251.Commercial Paper is issued by corporate bodies

- a. To meet short-term working capital requirements
- b. To finance the acquisition of long term capital assets
- c. To retire long term debt
- d. To pay dividend

252.Government securities are issued through the RBI

- a. True
- b. False

253.The yield on Treasury Bill (T-Bill) is determined by

- a. The Government of India
- b. Auction
- c. The State Governments
- d. Floating rate method

254.Which of the following are not normally found in the portfolio of a debt fund

- a. Long-dated Government Securities
- b. Corporate debentures
- c. Bonds issued by financial institutions
- d. Certificates of deposit issued by banks

255.Which of the following do not represent the amount an investor of a debt security will be paid upon maturity

- a. Par value
- b. Face value
- c. Fair value
- d. Redemption value

256.Coupon of a debt security refers to

- a. A piece of paper attached to the certificate
- b. The return on investor would earn
- c. The amount rate of interest paid on par value of the bond
- d. None of the above

257. Which of the following do not apply to the term 'maturity' of a debt security ?
- The date on which the certificates becomes old
  - The term of the bond
  - The date of redemption
  - The date on which the issuer has to repay the amount
258. Call or put provisions are used to modify the fixed maturity of debt securities
- True
  - False
259. A call provision in debt issue allows the issuer to
- Call out the names of the investors
  - Redeem the debt on maturity
  - Extend the tenure of the debt
  - Redeem the debt before maturity
260. A put provision in a debt issue allows
- Investor to put away the certificates in safe deposit vaults
  - Investors to redeem debt prior to maturity
  - Issuers to redeem debt prior to maturity
  - Investors to extend the tenure of debt
261. Current yield relates interest on a security to
- Its current market price
  - Its face value
  - Its fair value
  - The current price of T-Bills
262. To compare bonds with different coupon rates, maturities and prices, investors would use:
- Current yield
  - Technical analysis
  - Yield to maturity
  - Fundamental analysis
263. When interest rates rise, bond prices
- Also rise
  - Fall
  - Are not affected
  - Fluctuate either up or down
264. Yield curve is also known as
- Curve of Interest
  - Term Structure of Interest Rates
  - Curve that yields
  - None of the above
265. An important indicator of expected trends in interest rates is
- The Economic Times
  - The Sensex
  - The Yield Curve



d. The Chief Minister's Speech

266. It may not be possible to reinvest interest received at the same rate as principal. This is known as

- a. Reinvestment risk
- b. Inflation risk
- c. Interest-rate risk
- d. Call risk

267. A bond's rating indicates its

- a. Reinvestment risk
- b. Default risk
- c. Inflation risk
- d. Interest-rate risk

268. If a bond cannot be sold at a price near its value, it means that investment in this bond has

- a. High liquidity risk
- b. High default risk
- c. Low liquidity risk
- d. Inflation risk

269. The additional yield required to account for the risk of default by the borrower is known as

- a. Yield plus
- b. Yield spread
- c. Yield extra
- d. Yield premium

270. A high credit rating does not mean

- a. High yield spread
- b. High perceived safety
- c. Low yield spread
- d. Low risk premium

271. If 10-year government securities yields 10% and a 10-Year fixed deposit in a company yields 12%, the yield spread is

- a. 12%
- b. 22%
- c. 10%
- d. 2%

272. The "duration" of an interest-bearing bond is

- a. Longer than its maturity
- b. Less than its maturity
- c. Equal to its maturity
- d. The quality of paper used for the certificate

273. A bond with a coupon of 9% when interest rates for similar maturities are 11% will sell

- a. Above par
- b. Below par

- c. At par
- d. At a price unrelated to the prevailing interest rate

274.Changes in foreign exchange rates have no bearing on interest rates

- a. True
- b. False

275.Inflation and interest rates are inversely proportional

- a. True
- b. False

276.Investment policies of a mutual fund are determined by

- a. The fund manager
- b. The AMC management
- c. The marketing department based on what distributors want
- d. The investors

277.Which of the following measures are not taken by SEBI for protecting investors of mutual funds

- a. Mandating minimum levels of diversification for mutual funds
- b. Ensuring that the funds are not used to favour a few companies
- c. Tracking the securities that each fund has invested in
- d. Ensuring that the funds are invested in approved securities only

278.As per SEBI norms, a fund's investments, in the equity shares of any one company are restricted to

- a. 25% of NAV
- b. 10% of NAV
- c. 50% of NAV
- d. 100% of NAV

279.A mutual fund manager is not allowed to sell short when he expects a crash in the market

- a. True
- b. False

280.In a mutual fund, having many schemes, all securities bought can be held in a general account and transferred later to various schemes to attain certain profit or loss objectives

- a. True
- b. False

281.A mutual fund may invest in short-term deposits of scheduled commercial banks

- a. True
- b. False

282.Mutual funds are allowed to lend

- a. Loans
- b. Securities
- c. Physical assets
- d. None of the above

283. In case of listed securities of group companies of the sponsor, mutual fund is not allowed to invest more than

- a. 25% of its net assets
- b. 10% of its net assets
- c. At all
- d. >5% of net assets

284. A mutual fund may transfer investments from one scheme to another

- a. Not at all
- b. At current market rates
- c. At cost price
- d. At a fixed premium over market rate

285. Interest Rate Risk for an Indian debt fund can be reduced by using

- a. Futures
- b. Options
- c. Interest Rate Swaps
- d. None of the above

286. The Interest Rate Forecasting Unit of a debt fund is generally manned by

- a. Technicians
- b. Statisticians
- c. Economists & Econometricians
- d. Accountants

287. AMC's need not maintain records in support of each investment decision

- a. True
- b. False

288. When interest rates for similar maturities bonds are 11% bond with a 9% coupon rate will sell

- a. Above par
- b. Below par
- c. At par
- d. At a price unrelated to the interest rates for similar securities

289. The most suitable measure for a fund's performance does not depend on the

- a. Type of fund
- b. Investment objective of the fund
- c. Financial market conditions
- d. Amount invested by investor

290. If the NAV of an open-ended fund was Rs.16 at the beginning of the year and Rs.22 after 13 months, the annualised change in NAV is

- a. 6.0%
- b. 34.6%
- c. 40.6%
- d. 37.5%

291. Change in NAV as a measure of fund performance is more suitable for

- a. Growth funds

- b. Income funds
- c. Funds with withdrawal plans
- d. None of the above

292.The difference between NAV change and total return as measures of fund performance is

- a. None
- b. Total return takes dividend into account while NAV change does not
- c. Total return does not take NAV's into account
- d. Total return does not take the time period into account

293.The most suitable measure of fund performance for all fund types is

- a. NAV Change
- b. Total Return
- c. Total Return with reinvestment
- d. None of the above

294.The expense ratio used for measuring fund performance is an indicator of

- a. Product market condition
- b. Growth in the economy
- c. Prevalent market practices
- d. The fund's efficiency

295.The Expense Ratio as a measure of a fund's performance is defined by a fund's

- a. Total expenses and average net assets
- b. Total expenses and total assets
- c. Average expenses and average net assets
- d. None of the above

296.While computing the Expense Ratio for a fund, brokerage commissions on the fund's transactions are not included in the fund expenses

- a. True
- b. False

297.The Expense Ratio is not of utmost importance in case of

- a. Debt fund
- b. Index fund
- c. Equity fund
- d. Bond fund

298.The expense Ratio is not affected by

- a. Fund size
- b. Average account size
- c. Portfolio composition
- d. Stock market conditions

299.The Income Ratio as a measure of a fund's performance is defined by the fund's

- a. Total income and total assets
- b. Net investment income and net assets
- c. Total income and net assets
- d. None of the above

300. The Income Ratio is more suitable for evaluating the performance of
- Equity Funds
  - Growth Funds
  - Regular Income Funds
  - Index Funds
301. Portfolio turnover rate of a fund measures the
- Size of the fund's portfolio
  - Amount of buying and selling done by the fund
  - The average number of units sold by the fund in one day
  - None of the above
302. A high turnover rate for a fund indicates
- High transaction costs
  - Greater efficiency
  - High returns to the investor
  - A rising market
303. Turnover rates would be most relevant to analyse the performance of
- Equity funds
  - Growth funds
  - Debt funds
  - Value funds
304. Transaction costs include
- All expenses related to trading
  - All expenses charged to the fund
  - Distribution expenses
  - None of the above
305. Which of the following are not included in Transaction costs ?
- Brokerage commissions
  - Stamp duty on transfers
  - Custodian's fees
  - Agent commissions
306. Which of the following transaction costs are not quantified in the offer document
- Brokerage commissions
  - Dealer spreads
  - Custodian's fees
  - Registrar's fees
307. The size of a fund has no bearing on its performance
- True
  - False
308. As per SEBI, mutual funds can borrow for short term to the extent of
- Total net assets
  - 50% of net assets
  - 25% of net assets

- d. 20% of net assets

309. Which of the following is of no relevance in evaluating fund's performance

- a. The performance of the stock market as a whole
- b. The performance of other mutual funds
- c. The returns given by other comparable financial products
- d. The change in wholesale price index

310. The choice of an appropriate benchmark for evaluating a fund's performance depends on

- a. The fund manager
- b. The investment objective of the fund
- c. SEBI
- d. AMFI

311. An actively managed equity fund expects to

- a. Be able to beat the benchmarks
- b. Earn the same returns as the benchmark
- c. Have no benchmarks
- d. Underperform when compared with the benchmark

312. For evaluating Sector funds, the preferred benchmark would be the

- a. BSE Sensex
- b. S&P CNX Nifty
- c. BSE 200
- d. S&P CNX Sectoral Indices

313. To evaluate a close-ended debt-fund, a suitable benchmark would be

- a. BSE Sensex
- b. I-Sec's I-BEX
- c. Interest on bank fixed deposits of similar maturity
- d. S&P CNX Defty

314. When comparing performance of two funds, the following need not be similar

- a. Risk profiles
- b. Investment objectives
- c. Fund size
- d. Fund managers

315. Which of the following is false ?

- a. ROI is a measure similar to total Return with Reinvestment of distribution
- b. Total Return with Reinvestment of distributions assumes reinvestment at NAV on the distribution date
- c. As a measure of performance, Total Return with Reinvestment of distribution seeks to overcome the shortcomings of simple Total Return
- d. Because of its simplicity, simple total return is preferred in practice to total return with Reinvestment of distribution

316. The basis of genuine investment advice should be

- a. The current market situation
- b. The agent commissions paid by different funds

- c. Financial planning to suit the investor's situation
- d. Planning to complete the agent's annual targets

317. Financial goals do not include

- a. Buying a home
- b. Winning a sports gold medal
- c. Planning for retirement
- d. Saving for child's education

318. Financial planning allows a person

- a. To become a billionaire
- b. To achieve financial goals through proper management of finances
- c. To invest in foreign countries
- d. None of the above

319. Financial plans do not alter in any way the amount of tax an investor pays as the tax is on his income

- a. True
- b. False

320. Which of the following works with an investor on his overall financial situation

- a. Tax Advisor
- b. Financial Planner
- c. Insurance Agency
- d. Financial Advisor

321. A Financial planner takes responsibility for the financial well being of his/her clients

- a. True
- b. False

322. Financial planners and their clients should focus on

- a. Allocating funds to asset classes (e.g. debt, equity etc.)
- b. Allocating funds to individual securities
- c. Tracking stocks, which they feel have potential
- d. None of the above

323. Within an asset class, which individual security to invest in should be decided by

- a. The financial planner
- b. The investor himself
- c. A professional fund manager
- d. An objective advisor

324. Financial Planning comprises

- a. Defining a client's profile and goals
- b. Recommending appropriate asset allocation
- c. Monitoring financial planning recommendations
- d. All of the above

325. Financial planning is relevant only for high networth individuals

- a. True
- b. False

326. Financial planning does work for older clients

- a. True
- b. False

327. Financial planning is primarily tax planning

- a. True
- b. False

328. In financial planning, all responsibility ends with the financial planner and the client has no responsibilities

- a. True
- b. False

329. The constraint on financial planning due to insufficient investable resources can be remedied to some extent by

- a. Decreasing the standard of living
- b. Disciplining children
- c. Disciplined monthly budgeting
- d. None of the above

330. In the growth option offered by mutual funds, the number of units held by an investor increases because of

- a. Growth in net asset value i.e. Capital appreciation
- b. Reinvestment of dividend, which is, like compounding
- c. Interest received on the fund's assets
- d. None of the above

331. To maximise returns on investment, once an investor buys into a fund, he/she should hold on to it no matter what happens

- a. True
- b. False

332. If an investor keeps investing a fixed amount at regular intervals, the average cost of his purchases will always be less than if he makes investment at irregular periods

- a. True
- b. False

333. Which of the following lets an investor book profits in rising market and increase holdings in a falling market

- a. Fixed Rates of Asset Allocation
- b. Flexible Ratio of Asset Allocation
- c. Investment without any asset allocation plan
- d. Buy and hold Strategy

334. A Flexible Ratio of Asset Allocation means

- a. Continuously changing the ratio of various assets in the portfolio
- b. Not doing any re-balancing and letting the profits run
- c. Active switching
- d. None of the above



335. The strategy advisable for an investor to maximise investment return in the long run is
- Buy and hold on to investments for a long time
  - Liquidate poorly performing investments from time to time
  - Liquidate good performing investments from time to time
  - Switch from poor performers to good performers
336. A criticism of rupee-cost averaging is
- Investment is for the same amount at regular intervals
  - Over a period of time, the average purchase price will work out higher than if one tries to guess the market highs and lows
  - It does not tell you when to buy, sell or switch from one scheme to another
  - Rupee cost averaging has no serious shortcomings
337. In India, individual investors do not have direct access to
- Capital market instruments
  - Real estate
  - Bullion
  - Money market instruments
338. Which of the following entities can give loans against securities
- UTI
  - Banks
  - Mutual Funds
  - None of the above
339. Which of the following investment products do not give guarantee for return or capital
- Bank deposits
  - Public Provident Fund (PPF)
  - National Savings Certificates (NSC)
  - Units of a mutual fund
340. The biggest advantage of investment in gold is
- High returns
  - High appreciation in value
  - Low Purchase price
  - Hedge against inflation
341. The biggest disadvantage of investment in real estate is
- Less potential for capital appreciation
  - High purchase price
  - Depreciation in value as time passes
  - Value gets eroded due to inflation
342. Which of the following is not an advantage of bank deposits ?
- Liquidity
  - High perceived safety
  - Low entry price
  - High yield after tax
343. Listing of shares at a stock exchange ensures
- Guaranteed returns

- b. Long term capital appreciation
- c. Low risk
- d. High liquidity

344.The rate of interest paid by a company on debentures issued by it depends on

- a. The stock market situation
- b. SEBI guidelines
- c. The company's credit rating
- d. The amount of money being raised

345.Which of the following is not a characteristic of company fixed deposits

- a. A higher rate of interest
- b. Higher risk
- c. Unfavourable effect of tax
- d. Very high liquidity

346.Which of the following is untrue for Public Provident Fund Schemes

- a. The interest is tax-free
- b. Post-tax returns are attractive
- c. Liquidity is rather low
- d. None of the above

347.Indira Vikas Patra is an investment product popular with

- a. Rural investors
- b. Investors in high tax bracket
- c. Urban investors
- d. Risk taking investors

348.Finance Acts of 2000 and 2001 have reduced tax-free interest on Public Provident Fund to

- a. 12%
- b. 9.5%
- c. 9%
- d. 11%

349.Most individuals invest in life insurance policies for

- a. Risk protection
- b. Tax benefits
- c. Easy liquidity
- d. High returns

350.Annual contribution to Public Provident Fund should be

- a. Rs.10000.00
- b. Between 100 and Rs.60000
- c. Between Rs.600 and Rs.1000
- d. None of the above

351.The current yield (2000-01) on Indira Vikas Patra works out to

- a. 10.5%
- b. 11%

- c. 10%
- d. 9%

352. The tenure of an Indira Vikas Patra is

- a. 7 years
- b. 6 years
- c. 5 years
- d. 3 years

353. The maturity period of RBI Relief Bonds is

- a. 5 years
- b. 6 years
- c. 7 years
- d. 8 years

354. The annual yield on RBI Relief Bonds (2000-01) is

- a. 9.5%
- b. 9.5% before tax
- c. 8.5% before tax
- d. 8.5% after tax

355. Individual investors do not normally invest in Government Securities because

- a. Individual investors are not allowed to invest in Government Securities
- b. The amount required for investment is very large
- c. Safety of principal is not guaranteed
- d. None of the above

356. The amount an insurance company would pay to the nominee if a policyholder died is known as the

- a. Premium
- b. Sum assured
- c. Face value
- d. Real value

357. Dividends distributed by mutual funds are

- a. Taxed at source
- b. Taxed in the hands of the investors
- c. Are subject to capital gains tax
- d. Are tax-free in the hands of the investor

358. Investing through mutual fund is a better option than investing directly in the stock market because

- a. Identifying stocks is a difficult process
- b. Agents get commissions on mutual fund investment
- c. Returns are guaranteed by mutual funds
- d. All of the above

359. A small investor can build a diversified portfolio by

- a. Buying one share each of all listed companies
- b. Investing in a mutual fund
- c. Borrowing enough money to buy shares of well-managed companies

- d. None of the above

360. Which of the following is not an advantage of mutual fund investment over direct investment

- a. Higher liquidity
- b. Lower transaction costs
- c. Greater convenience
- d. Guaranteed returns

361. There is no contractual guarantee for repayment of principal or interest to an investor in

- a. Bank deposit
- b. Debt fund
- c. Secured debentures
- d. All of the above

362. Which of the following debt investments is not rated

- a. Corporate bonds
- b. Commercial paper
- c. Company deposit
- d. Debt fund

363. Gold and real estate are attractive investment options only in high inflation economies

- a. True
- b. False

364. Direct investment in stock market can be a better option than investing through mutual funds if the investor

- a. Wants better returns than those offered by mutual fund
- b. Have large capital, knowledge and resources for research
- c. Has identified a bullish phase in the stock market
- d. Wants to invest for the long term

365. Deciding on strategies such as long-term compounding, cost averaging, value averaging, active switching, all depend on the

- a. Stock market situation on date
- b. Amount of money to be invested
- c. Investor's risk tolerance
- d. Phase through which the economy is passing

366. Financial planning involves

- a. Studying financial management
- b. Managing the risk of investment
- c. Financing the client's investments
- d. None of the above.

367. Greater returns come only from assuming higher risks, and a higher risk portfolio guarantees higher returns

- a. True
- b. False

368. The risk tolerance of an investor is independent of

- a. His age
- b. His income
- c. The stock market movements
- d. His job security

369. A sector fund is a

- a. Low risk fund
- b. Moderate risk fund
- c. High risk fund
- d. Low-to-moderate risk fund

370. International funds invest in various countries and so are low risk funds.

- a. True
- b. False

371. Investment in gold is a hedge against inflation but investment in a precious metal fund falls in the high-risk category

- a. True
- b. False

372. By their very nature, growth funds are considered as high risk funds

- a. True
- b. False

373. Short term bond funds are

- a. Low risk funds
- b. Moderate risk funds
- c. High risk
- d. Of the above depending on the market

374. The risk level of commodity fund is

- a. High risk category
- b. Determined by the commodity price movements
- c. Cannot be specified
- d. Low risk category

375. As compared to a fund with fluctuating total returns, a fund with stable positive earnings

- a. Gives higher returns
- b. Is less risky
- c. Gives lower returns
- d. Is more risky

376. "risk" is equated with

- a. Volatility of earnings
- b. Level of earnings
- c. The number of investors in a fund
- d. The number of schemes of a fund family

377. Volatility of an equity fund portfolio is independent of the

- a. Kind of stocks in the portfolio
- b. Degree of diversification of the portfolio

- c. Fund manager's success at market timing
- d. Number of investors in the scheme

378. Equity price risks are

- a. Company specific
- b. Market level
- c. Sector specific
- d. All of the above

379. Diversification reduces

- a. Company specific risk
- b. Market level risk
- c. Both of the above
- d. None of the above

380. Which of the following is most risky

- a. Investing in a money market mutual fund
- b. Investing in an index fund
- c. Short term investment in an equity fund
- d. Long term investment in an equity fund

381. A fund with a high beta coefficient gives greater returns in a rising market, and is more risky in a falling market

- a. True
- b. False

382. Which of the following is a disadvantage of standard deviation as a measure of risk

- a. Standard deviation measures total risk, not just market risk
- b. It is based on past returns, which does not necessarily indicate further performance
- c. It is an independent number
- d. All types of fund can be measured with standard deviation

383. The role of an agent is to

- a. Point out the features and benefits of various investment options
- b. Help the investor develop the right approach to investing
- c. Recommend some investment option available
- d. Offer adhoc advice whenever the investor has surplus money available

384. One of the most effective ways to invest through mutual fund is to

- a. Develop a model portfolio
- b. Buy a few units of every mutual fund scheme available
- c. Invest all the money in one fund scheme
- d. Invest all the money in different schemes of the same fund family

385. Mutual fund should be advised to expect

- a. Low post tax returns
- b. Dramatic results
- c. Better returns than every other available option
- d. Only realistic wealth accumulation goals

386. Asset allocation is

- a. Keeping certificates of the physical securities in proper places
- b. Allocating the available money to all the securities available
- c. Allocating the right proportion of funds to equity, debt and money market securities
- d. None of the above

387. Once a financial advisor works out ideal asset allocation, it can be used for all investor whom he/she advises

- a. True
- b. False

388. Asset distribution among equity debt and money market securities should correspond to the investors' need for capital growth, income and liquidity

- a. True
- b. False

389. The liquidity needs of an investor are met through

- a. Equity funds
- b. Index funds
- c. Money market funds
- d. Sector funds

390. A retired person generally needs a greater proportion of

- a. Debt funds
- b. Equity funds
- c. Money market funds
- d. All of the above

391. To satisfy a young investor's need for growth, a greater proportion of investment should be advised in

- a. Gilt funds
- b. Income funds
- c. Equity growth fund
- d. All of the above

392. A very high proportion of investment in all types of equity funds is advisable for investors

- a. In distribution phase
- b. In accumulation phase
- c. In transition phase
- d. Who are wealth preserving affluent individuals

393. The transition phase of an investor's wealth cycle is when

- a. The financial goals have been already met
- b. The investor has retired
- c. Financial goals are approaching
- d. Investor suddenly gets a windfall

394. A high proportion of investment in income funds is required by

- a. Accumulating investors
- b. Affluent investors
- c. Investors in the inter-generational transfer phase

- d. Investors in the distribution phase

395. Retired investor should

- a. Not draw down on their capital
- b. Not invest in securities, which bear risk of capital erosion
- c. Continue holding a major portion of their holding in equity growth funds
- d. Never invest in equity

396. For older investors who want to transfer their wealth

- a. No financial planning is required
- b. The right investment strategy depends upon who the beneficiaries are
- c. The right investment strategy depends upon the state of the stock market
- d. All the funds can be invested in aggressive equity funds

397. Investors who acquire sudden wealth

- a. Can speculate with all the acquired money in the stock markets
- b. Should not use any of the new wealth to invest in equity
- c. Should take the effect of taxes into account
- d. Need not pay any taxes on the newly acquired wealth as it is not a part of their regular income

398. If a specialty offshore fund has consistently given very good performance, it can be considered for investment by a retiree

- a. True
- b. False

399. Past performance should not be solely relied on for selecting a fund

- a. True
- b. False

400. Between the past performance of the fund and its suitability for an investor, past performance is more important

- a. True
- b. False

401. Structural characterizations of an equity fund include

- a. Costs of investing
- b. The specific securities in which the fund has invested
- c. The number of employees of the AMC
- d. All of the above

402. An equity fund's age and size are irrelevant when selecting a fund for investment

- a. True
- b. False

403. The charge to an investor at the time of he redeems his units from the fund is known as

- a. Recovery charge
- b. Repurchase load
- c. Redemption weight
- d. Exit load



404. The load amount charged to a scheme over a period of time is called
- Entry load
  - Exit load
  - Deferred load
  - No-load
405. Contingent deferred sales charge (CDSC)
- Is higher for investors who stay invested in the scheme longer
  - Is lower for investors who stay invested in the scheme longer
  - Is the same for all investors irrespective of how long they stay invested
  - Is not allowed to be charged to mutual fund investors in India
406. A fund's declared NAV does not include loads
- True
  - False
407. Which of the following fund types are comparable
- An aggressive equity fund and a money market mutual fund
  - A value fund and government securities fund
  - A bond fund and a debt fund
  - A diversified equity fund and a debt fund
408. Who is the primary guardian of unit holders' funds/assets
- The AMC
  - The trustees
  - The registrars
  - The custodians
409. In case of a fund merger or take-over
- High court approval may not be necessary
  - SEBI approval is a must
  - All unit holders must be informed
  - All of the above
410. Units of a money market mutual fund can be issued to
- Individuals
  - Banks
  - Trusts
  - All of the above
411. Though Indian mutual funds have restrictions on borrowings (only 20% of net assets and for six months only) which are to meet cash needs for redemption only, UTI is allowed to borrow within more relaxed norms
- True
  - False
412. An equity fund can be said to be concentrated when
- When it invests in two or three stocks
  - When it invests in many companies of the same sector
  - When top ten holdings account for more than 50% of net assets invested
  - When top ten holdings account for more than 25% net assets invested

413.The size of the market capitalisation of a fund's equity holdings is inversely proportional to the returns that

- a. Can be expected from the fund
- b. Level of risk assumed by the fund
- c. State of the stock market
- d. All of the above

414.A steady holding of investments in an equity fund's portfolio indicates

- a. Long-term orientation
- b. Lower transaction costs
- c. Both the above
- d. None of the above

415.Ex-mark of an equity fund measures its

- a. Performance
- b. Risk
- c. Both the above
- d. None of the above

416.Beta of an equity fund measures its

- a. Performance
- b. Risk
- c. Both the above
- d. None of the above

417.The best equity fund, relative to others, would have

- a. Higher ex marks, lower beta and higher gross dividend yield
- b. Higher ex marks, higher beta and higher gross dividend yield
- c. Lower ex marks, lower beta and lower gross dividend yield
- d. Lower ex marks, higher beta and higher gross dividend yield

418.When selecting equity funds for investing, those at the top of the performance ranking need not be automatically selected

- a. True
- b. False

419.A debt fund's age and size are not important when selecting a fund for investment

- a. True
- b. False

420.Debt schemes are popular because

- a. The Indian stock market is always going down
- b. The returns are more predictable
- c. Most investors are always in debt
- d. All of the above

421.Yield-to-maturity of a debt fund's portfolio is more important when the investment objective is

- a. Current income
- b. Total return

- c. Liquidity
- d. All of the above

422. Compared to equity funds, income margins for debt funds are

- a. Narrow
- b. Higher
- c. The same
- d. Almost nil

423. Debt fund with long-term investments carries higher risk of capital loss

- a. True
- b. False

424. The differentiating factor among debt funds of comparable maturity and quality is

- a. Gross yields
- b. Costs
- c. Fund age
- d. Tenure of the fund manager

425. Distribution tax should be taken into account when computing net returns from

- a. Equity fund
- b. Debt funds
- c. Both the above
- d. None of the above

426. All debt fund investors are exposed to risk of principal loss

- a. True
- b. False

427. Running a money market mutual fund requires more of

- a. Credit analysis skills
- b. Equity analysis skills
- c. Patience
- d. Trading skills

428. Which is the most important in selecting debt fund for better return

- a. Past performance
- b. Level of interest rates
- c. Fund expertise
- d. The securities in which it has invested

429. Investors should be advised to avoid investing in a debt fund with a

- a. Lower rated portfolio and higher expense ratio
- b. Higher rated portfolio and lower expense ratio
- c. Lower rated portfolio and lower expense ratio
- d. Higher rated portfolio and higher expense ratio

430. An ideal money market mutual fund must have

- a. Lower returns
- b. Lower expense ratio
- c. Low quality of investment

- d. All the above
431. Circumstances that might cause an investor to change the composition of his portfolio
- Cyclical changes in economy
  - Unforeseen economic changes affecting the portfolio's preferred sectors
  - Both the above
  - None of the above
432. If a charitable trust approaches a distributor with an application for investment in a mutual fund the distributor should
- Accept the application without wasting time
  - Reject the application outright
  - Refer to the offer document
  - Accept the application as a direct application
433. An application form for investment in mutual fund is available with
- The offer document
  - The abridged annual report
  - The key information memorandum
  - A bank challan
434. An aggrieved unit-holder of a mutual fund can sue
- The AMC
  - The trustees
  - The sponsor if returns have been guaranteed by them
  - None of the above
435. As per SEBI regulations for valuation of investments held by mutual funds, a security is considered "non-traded" when it
- Has not been traded for 60 days prior to valuation
  - Has not been traded for 30 days prior to valuation
  - Is not listed on any stock exchange
  - Is held by the mutual fund without buying or selling
436. An ex-mark of 100% is possible for
- A growth fund
  - An aggressive growth fund
  - An index fund
  - A balanced fund
437. A trail commission is justified when
- An investor cancels his investment
  - The investor redeems his investment in a very short time
  - An agent invests his own money, not that of a client
  - And agent sells many mutual funds
438. Of the following, which type of the fund would have a higher p/e multiple in comparison to average market multiple
- A value fund
  - A growth fund
  - An index fund

- d. Could be any of the above three, one cannot generalise
439. Which of the following is not true as per SEBI regulations for debt funds?
- a. Investment in rated debt securities of a single issuer should not exceed 15% of NAV
  - b. Total investment in unrated debt securities of a single issuer should not exceed 25% of NAV
  - c. Total investment in unrated debt securities below investment grade should not exceed 25% of NAV
  - d. Total investment in rated debt securities below investment grade should not exceed 25% of NAV
440. A money market mutual fund is most likely to invest in
- a. Corporate bonds
  - b. Equity shares
  - c. Government securities with maturity less than 1 year
  - d. All of the above
441. Of the following, which would be suitable for a retiree with a modest risk appetite
- a. Value fund
  - b. Diversified equity fund
  - c. Growth fund
  - d. Balanced fund
442. A high portfolio turnover for a fund indicates
- a. That the fund is active
  - b. Higher transaction cost
  - c. Both of the above
  - d. None of the above
443. Unit Trust of India's US-64 scheme
- a. Is listed on stock exchanges
  - b. Has a fixed price for sale and repurchase
  - c. Has its sale and repurchase price declared periodically by UTI
  - d. Has its price determined by market forces
444. The Indian debt market
- a. Is wholesale in nature
  - b. Comprise large players like financial institutions and banks
  - c. Witnesses large scale trading in government securities
  - d. All of the above
445. A fund that charges a load is better than a no-load fund
- a. True
  - b. False
446. An AMC can approach investors either directly or with the help of
- a. Individual agents
  - b. Banks and non-banking finance companies
  - c. Distribution companies
  - d. All of the above

447. Which of the following is true for equity linked savings scheme (ELSS)
- A tax rebate is available to investors in these schemes
  - The investment has to be locked in for 3 years
  - The minimum amount for investment is fixed
  - All of the above
448. A prospective investor
- Has the same status as a unit-holder of a fund
  - Can sue the AMC / trustee
  - Has no legal recourse
  - All of the above
449. An investor can assess the performance of his mutual fund by comparing it with the performance of
- Other mutual fund of the same type
  - The stock market
  - Other financial products
  - All of the above
450. Unrated securities in the portfolio of a mutual fund are not to be valued
- True
  - False
451. An exit load guarantees a higher return
- True
  - False
452. Bonds held in the portfolio of a mutual fund are valued at yield to maturity
- True
  - False
453. The valuation of non-traded equity shares is done at the trading price 30 days prior to valuation date
- True
  - False
454. If a unit-holder does not agree to the merger of his fund with another, he has no exit option
- True
  - False
455. The most important factor to look for when investing in a corporate fixed deposit is the
- Yield
  - Rate of interest
  - Credit rating of the deposit
  - None of the above
456. The most important reason for an investor to prefer a bank deposit to a Mutual fund is
- The credit worthiness of the bank
  - Because the bank does not invest in securities
  - That the bank offers a guarantee

d. All of the above

457. A deep discount bond

- a. Is always sold at a discount to its issue price
- b. Bears interest annually
- c. Is redeemed at a price much higher than issue price
- d. Bears interest at varying interests

458. A mutual fund in India is a

- a. Body corporate
- b. Company
- c. Trust
- d. An asset management company

459. When selling a mutual fund, a good agent would never

- a. Describe the past performance of the scheme
- b. Compare the fund with other mutual funds
- c. Assure a rate of return
- d. Compare the fund with other financial products

460. An investor buys one unit of a fund at a NAV of Rs.20.00. He receives a Dividend of Rs.3.00 when the NAV is Rs.21.00. The unit is redeemed at an NAV of Rs.22.00. Total return is

- a. 25.71%
- b. Rs.27.51
- c. 21.27%
- d. Rs.21.75

461. A fund sells 100 units of face value Rs.10/- at an NAV of Rs.12.25. How much would be credited to unit capital?

- a. Rs.1225
- b. Rs.225
- c. Rs.1000
- d. None of the above

462. When a scheme with assured returns is being launched, which of the following need not be published in the offer document?

- a. Means of fulfilling the guarantee
- b. Information for all schemes launched by the fund in the past
- c. Comparison with other mutual funds
- d. Investment objective

463. Mutual fund units cannot be distributed by

- a. Trustees of the fund
- b. The AMC
- c. Non-banking finance companies
- d. Banks

464. A debt fund distributes 10% dividend. How much tax does the investor have to pay on this dividend?

- a. 10%

- b. 12%
- c. 20%
- d. None

465. A debt fund distributes a 10% dividend, how much tax does the fund have to pay?

- a. 10%
- b. 12%
- c. 13.07%
- d. None

466. How many scripts does NIFTY constitute

- a. 40
- b. 100
- c. 30
- d. None of the above

467. Which of the following is the first step in financial planning

- a. Asset allocation
- b. Selection of fund
- c. Studying the features of a scheme
- d. None of the above

468. Why should one buy an insurance policy

- a. It gives high current returns
- b. It gives capital appreciation over its term
- c. It should be bought due to the need for insurance and not as an investment
- d. All of the above

469. SEBI regulations for mutual funds were formulated in

- a. 1992
- b. 1993
- c. 1995
- d. 1996

470. Expenses incurred by a fund for printing of key information memorandum can be amortized over

- a. 10 yrs
- b. 5 yrs
- c. 15 yrs
- d. Cannot be amortized

471. A mutual fund's investments are guided by the

- a. AMC
- b. Board of trustees
- c. Investment objectives
- d. Unit holders

472. UTI was the only mutual fund for the period

- a. 1984 to 1988
- b. 1963 to 1988
- c. 1964 to 1992



d. None of the above

473. Investors who follow the fixed allocation approach

- a. Maintain balance in their portfolio by liquidating a part of the position in the class, which has given higher return, and reinvesting in the other asset class, which has lower return
- b. Are not disciplined
- c. Increase their equity position when equity prices tend to climb
- d. None of the above

474. An investor should not invest in a mutual fund if

- a. His capital base is large
- b. He is able to carry out detailed investment research and monitor the stock market
- c. Both the above
- d. None of the above

475. Mutual fund can benefit from economies of scale because of

- a. Portfolio diversification
- b. Risk reduction
- c. Large volume of trades
- d. None of the above

476. Which of the following is a disadvantage suffered by a mutual fund investor?

- a. High liquidity
- b. Diversification
- c. No tailor made portfolio
- d. Low investment

477. A disadvantage suffered by mutual fund investor is that he has no control over the costs of investing

- a. True
- b. False

478. Which of the following statements about UTI is untrue

- a. It was set up in 1963
- b. It was formed by RBI
- c. It was established by an act of parliament
- d. It was not given a monopoly status

479. Which scheme has the largest investor base?

- a. ULIP
- b. UTI Master Share
- c. US-64
- d. SBI Magnum

480. Which was the first diversified equity investment scheme in India

- a. SBI magnum
- b. UTI Master Share
- c. Mep-91
- d. Mastergain-92

481. The private sector was granted permission to enter the mutual fund industry in
- 1992
  - 1993
  - 1998
  - 1995
482. The first Non-UTI mutual fund was
- SBI MF
  - LIC MF
  - Canbank MF
  - Indian Bank MF
483. The organisation responsible for a comprehensive set of regulations for all mutual funds in India is
- RBI
  - SEBI
  - AMFI
  - SHCIL
484. The 1999 union government budget helped the mutual fund industry by
- Regulating the industry practices
  - Exempting all mutual fund dividends in the hands of investors from income tax
  - Approving the code of ethics formulated by AMFI
  - Doing away with all regulations for mutual funds
485. During the period 1992-99, the mobilisation of funds by the mutual fund industry was about
- 5%-6% of gross domestic savings
  - 2%-4% of gross domestic savings
  - 7%-10% of gross domestic savings
  - 25%-40% of gross domestic savings
486. Which of the following about public provident fund (PPF) are untrue
- 50% of the balance of the 4th year can be withdrawn in the 7th year
  - The interest is tax free
  - The rate of interest is 12% p.a.
  - Contribution upto Rs.60000.00 are eligible for tax rebate
487. A close-ended scheme is quoted on the stock exchange at a discount to its NAV when
- The markets are bearish
  - Investors perceive that the fund will be unable to maintain the NAV
  - The assets of the fund are undervalued
  - None of the above
488. Which of the following is a fundamental attribute of a mutual fund scheme
- The names and addresses of the registrars and custodians
  - The nature of the scheme being income bearing
  - The specified stocks in the scheme's portfolio
  - The name and address of the compliance officer
489. Offer document of a mutual fund is

- a. Required by investors
- b. Required by the AMC for its own reference
- c. Required as per SEBI regulations
- d. Not mandatory as per SEBI

490. The unit of a scheme being sold and repurchased as per the procedure laid down is one of the fundamental attributes of a scheme

- a. True
- b. False

491. The steps involved in the selection of an equity fund for investment are

- a. Sector selection, asset classification, and selection of fund managers and schemes
- b. Sector selection, selection of fund managers and schemes, asset classification
- c. Asset classification, sector selection, selection of fund managers and schemes
- d. Selection of fund managers and schemes, sector selection, asset classification

492. Compounding of interest is best explained by a

- a. Balanced fund
- b. Growth fund
- c. Value fund
- d. Income fund

493. From whom can a unit-holder seek redressal if his complaint is not entertained by the mutual fund

- a. AMC
- b. Board of trustees
- c. SEBI
- d. RBI

494. An investor wishes to switch between a money market mutual fund and equity fund. What would you advise him?

- a. It would be better to stick to one type of fund, the one that meets his investment objective
- b. He should keep switching parts of his investment from the equity fund to the money market fund as the market rises and switch back to the equity fund when the market falls
- c. He should switch from the money market fund to the equity fund in a rising market and switch back to money market fund when the market falls
- d. None of the above

495. For choosing an appropriate benchmark to measure a scheme's performance, All of the following are required except

- a. The composition and size of the portfolio
- b. The investment objective
- c. Historical data of fund performance
- d. The nature of investments

496. Which of the following characteristic of a fund that a risk averse investor should choose

- a. Gross dividend yield 15% beta 1.5, ex-marks 90
- b. Gross dividend yield 10% beta 1, ex-marks 70
- c. Gross dividend yield 11%, beta 0.9, ex-marks 80

d. Gross dividend yield 12%, beta 1.2, ex-marks 80

497. A mainstream diversified debt fund is most affected by

- a. Reinvestment risk
- b. Liquidity risk
- c. Interest risk
- d. Default risk

498. If yields fall, a debt fund manager will do all of the following except

- a. Sell short maturity securities and buy long maturity securities
- b. See that the fund's average duration becomes longer than the market's average duration
- c. Sell long duration securities and buy short duration securities
- d. Sell high coupon securities and buy low coupon securities

499. In which type of schemes should an unmarried professional will invest

- a. Scheme investing 80% in debt securities
- b. 50% in equity funds and 50% in income funds
- c. 90% in equity funds having a higher p/e ratio than the market
- d. All the money in a balanced fund

500. An investor buys units in a fund that has given excellent returns in the past, but his expectations are not met as the fund does not perform well this year. The investor can

- a. Sue the AMC
- b. Sue the trustees
- c. Sue the agent
- d. None of the above

501. A fund's investments at market value total Rs.700.00 Crores, total liabilities stand at Rs.50.00 Lacs and the number of units outstanding is 28 Crores. What is the NAV

- a. Rs.30.19
- b. Rs.24.98
- c. Rs.32.15
- d. Rs.40.49

1	b	51	a	101	d	151	c	202 b
2	b	52	d	102	a	152	d	203 d
3	d	53	b	103	b	153	d	204 b
4	d	54	d	104	c	154	d	205 d
5	c	55	c	105	a	155	b	206 b
6	c	56	c	106	d	156	a	207 c
7	b	57	c	107	a	157	c	208 a
8	c	58	c	108	d	158	d	209 d
9	d	59	b	109	d	159	a	210 a
10	c	60	c	110	b	160	a	211 c
11	b	61	c	111	b	161	d	212 b
12	b	62	a	112	b	162	a	213 d
13	d	63	d	113	a	163	d	214 d
14	c	64	d	114	d	164	c	215 a
15	b	65	b	115	d	165	c	216 a
16	d	66	c	116	b	166	b	217 a
17	a	67	c	117	b	167	c	218 b
18	d	68	d	118	a	168	c	219 b
19	c	69	c	119	c	169	b	220 b
20	c	70	d	120	a	170	b	221 d
21	b	71	b	121	b	171	d	222 b
22	d	72	b	122	c	172	c	223 a
23	c	73	d	123	a	173	b	224 a
24	a	74	d	124	d	174	b	225 a
25	d	75	c	125	c	175	d	226 c
26	d	76	a	126	d	176	d	227 a
27	c	77	c	127	d	177	b	228 c
28	b	78	a	128	a	178	c	229 c
29	c	79	d	129	d	179	c	230 b
30	d	80	a	130	a	180	c	231 b
31	b	81	c	131	d	181	c	232 d
32	c	82	b	132	a	182	d	233 a
33	b	83	b	133	b	183	b	234 b
34	b	84	b	134	c	184	d	235 b
35	b	85	d	135	b	185	a	236 c
36	c	86	a	136	d	186	b	237 c
37	b	87	b	137	a	187	a	238 c
38	c	88	c	138	c	188	c	239 a
39	c	89	b	139	b	189	a	240 b
40	b	90	b	140	c	190	c	241 b
41	b	91	b	141	a	191	b	242 b
42	a	92	a	142	b	192	d	243 b
43	b	93	c	143	c	193	b	244 a

44	b	94	b	144	b	194	b	245	b
45	b	95	a	145	d	195	a	246	c
46	b	96	b	146	c	196	d	247	a
47	c	97	a	147	d	197	b	248	a
48	b	98	d	148	c	198	c	249	c
49	b	99	c	149	b	199	c	250	c
50	a	100	a	150	c	200	b	251	a
						201	b		
252	a	302	a	352	b	402	b	452	a
253	b	303	a	353	a	403	d	453	b
254	d	304	a	354	d	404	c	454	b
255	c	305	d	355	b	405	b	455	c
256	c	306	b	356	b	406	a	456	a
257	a	307	b	357	d	407	c	457	c
258	a	308	d	358	a	408	b	458	c
259	d	309	d	359	b	409	d	459	c
260	b	310	b	360	d	410	d	460	a
261	a	311	a	361	b	411	a	461	c
262	c	312	d	362	d	412	c	462	c
263	b	313	c	363	a	413	b	463	a
264	b	314	d	364	b	414	c	464	d
265	c	315	d	365	c	415	a	465	c
266	a	316	c	366	b	416	b	466	d
267	b	317	b	367	b	417	a	467	a
268	a	318	b	368	c	418	a	468	c
269	b	319	b	369	c	419	a	469	d
270	a	320	b	370	b	420	b	470	d
271	d	321	a	371	a	421	b	471	c
272	b	322	a	372	b	422		472	b
273	b	323	c	373	b	423	a	473	a
274	b	324	d	374	a	424	a	474	c
275	b	325	b	375	b	425	b	475	c
276	b	326	a	376	a	426	a	476	c
277	c	327	b	377	d	427	d	477	a
278	b	328	b	378	d	428	c	478	d
279	a	329	c	379	a	429	a	479	c
280	b	330	b	380	c	430	b	480	b
281	a	331	b	381	a	431	c	481	b
282	b	332	a	382	b	432	c	482	a
283	a	333	a	383	b	433	c	483	b
284	b	334	b	384	a	434	c	484	b
285	c	335	d	385	d	435	b	485	a

286	c	336	c	386	c	436	c	486 c
287	b	337	d	387	b	437	b	487 b
288	b	338	b	388	a	438	b	488 b
289	d	339	d	389	c	439	b	489 c
290	c	340	d	390	a	440	c	490 a
291	b	341	b	391	c	441	d	491 c
292	b	342	d	392	b	442	c	492 b
293	c	343	d	393	c	443	c	493 c
294	d	344	c	394	d	444	d	494 b
295	a	345	d	395	b	445	b	495 c
296	a	346	d	396	b	446	d	496 c
297	c	347	c	397	c	447	d	497 c
298	d	348	b	398	b	448	c	498 c
299	b	349	b	399	a	449	d	499 c
300	c	350	b	400	b	450	b	500 d
301	b	351	a	401	b	451	b	501 b



## Quizes

### Quiz 1

- 1 When an investor subscribes to a mutual fund - 2
  - A The investor gets a share in the upside of the asset management company
  - B The investor buys a part of the assets or pool of funds outstanding at that time
  - C His share in the assets of the fund cannot be determined
  
- 2 Which of the following statements is true? 2
  - A Open-end schemes have variable unit capital
  - B Open end schemes can be listed in the stock market
  - C Closed-end schemes can offer re-purchase facility
  - D All the above
  - E Only (a) and (c)
  
- 3 The following is not a benefit of mutual funds- 1
  - A Investor has custody of securities where fund invests
  - B Investor is able to diversify risk
  - C Investor can save on costs
  
- 4 A custodian handles the following activities? 1
  - A Delivery and safe-keeping of investments of the fund
  - B Sale and redemption of units by investors
  - C Control over issue of offer documents
  - D Overall control over the operations of the AMC
  
- 5 The onus of covering any shortfall in an 'assured return scheme' proposed to be floated under the Mutual Fund Regulations, 1996 is with 2
  - A Asset management company
  - B Trustees
  - C Named guarantor
  - D Any sponsor
  
- 6 Fixed term plans 2
  - A Are essentially closed-end in nature
  - B Have to necessarily offer sale and re-purchase prices
  - C Do not have a determinable tenor
  - D None of the above
  
- 7 The minimum and maximum stake that a single sponsor can have in an asset management company are respectively 1
  - A 40% and 100%
  - B 0% and 100%
  - C 25% and 49%
  - D 0% and 49%
  
- 8 Approval process for merger of two asset management companies includes - 2
  - A Consent of unitholders with at least 75% voting rights
  - B Approval of respective high courts



- C Approval of SEBI  
D All the above
- 9 Appointment of an asset management company can be terminated by - 2  
A Majority of the trustees  
B 75 per cent of the unit holders  
C Either of the above  
D None of the above
- 10 Which of the following is a Self Regulatory Organisation 1  
A National Stock Exchange  
B Securities and Exchange Board of India  
C Association of Mutual Funds of India  
D None of the above
- 11 When an investor invests in a scheme, he is entitled to receive - 2  
A Investment certificate  
B Fund account statement showing purchase, redemption etc  
C Both the above  
D Either A or B at the option of the investor  
E Either A or B at the option of the fund
- 12 If two schemes merged together an investor who disagrees can 2  
A Redeem his units  
B Get the units of new scheme  
C A or B  
D Stop the merger
- 13 Sponsor does not have a right to do following 1  
A Asset allocation of the scheme  
B Marketing  
C Appointing Trustees  
D Appointing custodian
- 14 AMFI was incorporated to 1  
A Regulate mutual funds  
B Promote interests of mutual funds  
C Finance mutual fund investments  
D None of the above
- 15 Which of the following is not an example of a hybrid fund 1  
A Balanced fund  
B Sector fund  
C Growth and Income fund  
D Asset allocation fund
- 16 According to the Mutual Fund Regulations, 1996 'no load funds' can recover ongoing sales expenses from the scheme 2  
A True  
B False

17 Changes in fundamental attributes of scheme require permission of unit holders as follows -

2

- A More than 50 per cent of people present and voting
- B More than 75 per cent of people present and voting
- C Three-fourths of unit holders
- D One-half of unit-holders

**Total 27**



## Quiz 2

- 1 Which of the following is true of load funds? 2
- A Load funds reduce the investment credited at entry
  - B Load funds give better returns over the long term
  - C Load funds give lesser returns than no load funds
  - D None of the above
- 2 Which of the following combinations of sale and re-purchase prices is admissible for an open-end scheme as per SEBI guidelines? 2
- A Rs10 – Rs9
  - B Rs10 – Rs9.20
  - C Rs12 – Rs11
  - D Rs12 – Rs11.25
- 3 A scheme with 1000 unit holders has the following items in its balance sheet - Unit Capital Rs.10,000; investments at market value Rs.25,000; other assets Rs.3,500; Other liabilities Rs.2,000; issue expenses not written off Rs.500; reserves Rs.17,000. What is the scheme's NAV per unit? 2
- A Rs27
  - B Rs29
  - C Rs10
  - D Rs27,000
  - E None of the above
- 4 A scheme having face value of Rs10 with NAV of 12 sells 100 units at Rs12.25. Unit capital will be credited with 2
- A Rs1000
  - B Rs1225
  - C Rs1000
  - D None of the above
- 5 A scheme purchased 1000 TISCO shares at Rs120 per share, followed by a further purchase of 500 shares of TISCO at Rs90 per share. It later sold 500 shares at Rs120. What is the scheme's net gain on the sale? 2
- A No gain - No loss
  - B Realised capital gain of Rs10 per share
  - C Realised capital gain of Rs30 per share
  - D Cannot be determined
- 6 For a security to be treated as non-traded for valuation purposes, it should not have been traded 1
- A On the valuation date in any stock exchange
  - B For the last 30 days in the stock exchange where it is "principally traded"
  - C For the last 30 days in any stock exchange
  - D For the last 60 days in any stock exchange
  - E None of the above
- 7 A load scheme had average weekly net assets of Rs200crore throughout the year. Maximum management fee that could be charged for the year is - 2
- A Rs2.5crore
  - B Rs2crore
  - C Rs2.25crore

D Rs5crore

8 Management fees are not payable on

1

- A Issue expenses not written off
- B Inter-scheme investments
- C Investment by AMC in the scheme
- D All the above

9 NAV of a close end scheme needs to be calculated and published

1

- A Weekly
- B Daily
- C Monthly
- D Quarterly

10 The unit capital of a mutual fund scheme is Rs20mn. The market value of investments is Rs55mn. What is the NAV per unit?

2

- A Rs20
- B Rs75
- C Rs55
- D Cannot be determined

**Total 17**



### Quiz 3

- 1 A debenture with a face value of Rs1000 and a 2-year term to maturity has yield to maturity (YTM) of 9 per cent. The coupon rate is 12 per cent per annum, payable half-annually. What is its price? 2
- A Rs1000.00  
B Rs995.35  
C Rs990.10  
D Rs1052.80
- 2 Price risk is not inherent in - 2
- A Fixed rate instruments  
B Floating rate instruments  
C Zero coupon instruments  
D All the above  
E None of the above
- 3 The role of a security dealer is to - 1
- A Decide on asset allocation  
B Track stocks and sectors  
C Execute buy and sell orders
- 4 The following is a better benchmark for money market funds in India 1
- A I-Sec's IBEX  
B BNSE's MIBID / MIBOR  
C BSE Sensex
- 5 Mutual fund performance can be BEST calculated by 1
- A Absolute NAV change  
B Total Return  
C Cumulative annual returns  
D Annualised Average Compounding rate
- 6 "Duration" refers to 1
- A Change in valuation of debt securities with respect to change in interest rates  
B Change in valuation of debt and equity securities with respect to change in interest rates  
C Change in valuation of debt securities with respect to change in BSE Sensex  
D Term to maturity of any debt instruments  
E Original tenor of any debt instrument
- 7 A scheme that has net assets of Rs100crore wants to invest in the equity of a company for the first time. It can invest a maximum of - 1
- A Rs15crore  
B Rs5crore  
C Rs10crore  
D Rs20crore  
E Rs25crore

- 8A mutual fund may 1
- A Lend money to corporates
  - B Trade in options
  - C Invest in financial derivatives
  - D All the above
- 9A mutual fund shall not 1
- A Underwrite issues
  - B Invest in financial derivatives
  - C Borrow moneys from corporates
  - D Lend money to corporates
  - E Lend securities under SEBI's stock lending scheme
- 10Maximum permissible investment by a mutual fund in money market securities during the first 6 months from allotment of units in an IPO is - 1
- A 100 per cent
  - B 60 per cent
  - C 50 per cent
  - D Depends on whether it is an equity scheme or a debt scheme
- 11NAV of a scheme has gone up from Rs10 to Rs11.50 in 15 months. The CAGR is - 2
- A 12 per cent
  - B  $(11.5 / 10)^{(12/15)} - 1$
  - C  $(11.5 / 10)^{(15/12)} - 1$
  - D  $(10 / 11.5)^{(15/12)} - 1$
  - E  $(10 / 11.5)^{(12/15)} - 1$
- 12Fundamental analysis means - 1
- A Review of companies' financials
  - B Review of companies' stock performance in market
  - C Review of movements in index
  - D All the above
- 13Mutual funds in India can invest in - 1
- A Transferable securities in the capital and money markets
  - B Gold
  - C Real Estate
  - D Only (a) and c
  - E (a), (b) and c
- 14Volatility of a mutual fund is influenced by 2
- A Number of securities in the portfolio
  - B Nature of securities in the portfolio
  - C Fund manager's success in timing the market
  - D All the above

- 15 Which of the following is true? 2
- A Sharpe ratio divides risk premium by the fund's standard deviation
  - B Treynor ratio divides risk premium by the fund's beta
  - C Alpha compares the fund's actual results with what would have been expected given the fund's beta and the market index performance
  - D A and B
  - E A, B and C
- 16 The Ex-Mark of an Index Fund is likely to be around 2
- A 0%
  - B 50%
  - C 100%
  - D None of the above

**Total 22**



#### **Quiz 4**

- 1 An investor asks you about a clause, "Past Performance of the fund is no guide to future returns", in an Offer document. What will you do? 1
- A Tell the investor to ignore it
  - B Tell the investor that it is normal SEBI format
  - C Explain to the investor the risk profile of the scheme
  - D Advise him not to invest in the scheme
- 2 The following is the least important skill that a financial planner needs to possess 1
- A Ability to build client trust
  - B Good knowledge of financial products and options
  - C Familiarity with taxation and estate planning
  - D Knowledge of the hottest tips in the equity market
- 3 Which of the following Fixed Deposit can be recommended 1
- A Company giving highest returns without Rating
  - B Company giving moderate returns with highest ratings
  - C Company paying maximum brokerage
  - D Well known companies' FD
- 4 Which of the following is the right comparison 2
- A A long-term life insurance policy and long term bond
  - B A bank FD with a Monthly Income Plan
  - C A Monthly Income Plan with a monthly interest Fixed Deposit
  - D None of the above
- 5 Which of the following could be reason/s to choose a debt fund over a bank deposit? 1
- A Debt funds are secured funds
  - B Debt funds are less likely to lead to loss of principal than bank deposit
  - C Returns in debt funds can be higher than bank deposit
  - D None of the above
- 6 Offer document is issued by - 2
- A Trustee
  - B AMC
  - C Sponsor
  - D None of the above
- 7 Which of the following funds are considered to be the lowest in risk level? 1
- A Money market fund
  - B Gilt fund
  - C Diversified debt fund
- 8 In case of Misrepresentation in offer document a proposed investor has legal recourse to - 2
- A SEBI
  - B AMC
  - C Consumer Court
  - D Trustee
  - E Does not have any



- 9 The following is not a standard risk factor 1
- A Investments are subject to market risks
  - B NAV can move up or down
  - C Past performance of sponsor / AMC / mutual fund is not indicative of fund performance
  - D Risks associated with the use of derivative instruments, if the fund plans to use such instruments
  - E If the AMC has no previous experience in managing a fund, a disclosure to that effect
- 10 The following are scheme specific risk factors 1
- A Arising from scheme's investment objective / strategy
  - B Risk arising from non-diversification, if any
  - C Name of the scheme does not indicate its quality or prospects
  - D A & B
  - E A, B and C
- 11 While choosing a fund which of the following is an ideal source of information 1
- A Offer Document
  - B Advertisement
  - C Annual Report
  - D Financial Journal
- 12 A Systematic Investment Plan is the best example of 2
- A Rupee Cost Averaging
  - B Value Averaging
  - C Buy and Hold
  - D None of the above
- 13 Which class of investors is not allowed to invest in Indian Mutual Funds? 1
- A Foreign National
  - B NRI
  - C FII
  - D Indian Resident
- 14 Investor who is looking for high risk and high return should invest in 2
- A Balanced Fund
  - B Growth Fund
  - C Sector Fund
  - D Index Fund
- 15 What do you mean by Portfolio Rebalancing 2
- A Changing the asset allocation of the portfolio
  - B Balancing the portfolio to ensure consistency as per investment strategy of the client
  - C Changing the asset allocation as per the change in financial needs, market conditions
  - D All the above
- 16 Accumulation Wealth Cycle Approach is best for following class of investors 1
- A Retirement stage
  - B Married with 2 kids
  - C About to approach retirement
  - D Young married

- 17 Rupee cost averaging and value averaging can be recommended to an investor who is in 2
- A Accumulation phase
  - B Distribution phase
  - C Sudden wealth phase
  - D Transition phase
- 18 The objective of financial planning is - 2
- A To ensure that the investor gets the maximum returns
  - B To ensure that the investor earns a return that is commensurate with the risk he can take
  - C To ensure that the investor has the right amount of money at the right time to achieve financial goals
  - D None of the above
- 19 The following is a recommended financial planning sequence 2
- A Define the client-planner relationship; Define Client Goals; Evaluate Client Financial Status; Develop financial planning recommendations
  - B Evaluate client financial status; Define client goals; Define client-planner relationship; Develop financial planning recommendations
  - C Define client goals; Evaluate client financial status; Develop financial planning recommendations; Develop client-planner relationship
  - D Define financial planning recommendations; Evaluate client financial status; Define client goals; Define client-planner relationship
- 20 Goal oriented investing means 2
- A Setting broad financial targets and investing as per risk preference of the individual
  - B Viewing each financial goal distinctly, and making a specific asset allocation and investment for each goal
  - C Whatever money becomes available from time to time, to be invested as per risk preference
  - D None of the above
- 21 In a fixed asset allocation - 2
- A The investor would make incremental investments as per a fixed distribution between assets
  - B Moneys would be transferred from high return assets to low return assets, if there is nothing incremental to invest
  - C None of the above
- 22 Which of the following would you suggest for an investor who is in the early accumulation phase in life? 2
- A Equity 70%, Debt 20%, Liquid 10%
  - B Equity 50%, Debt 30%, Liquid 20%
  - C Equity 75%, Debt 5%, Liquid 20%
  - D Equity 30%, Debt 50%, Liquid 20%

**Total 34**

**Grand Total 100**

## Question Bank

<b>Chapter 1 – Concept and Role of Mutual Funds</b>			
1		When an investor subscribes to a mutual fund -	
	A	The investor gets a share in the upside of the asset management company	
	B	The investor buys a part of the assets or pool of funds outstanding at that time	
	C	His share in the assets of the fund cannot be determined	
2		Which of the following statements is true?	
	A	Open-end schemes have variable unit capital	
	B	Open end schemes can be listed in the stock market	
	C	Closed-end schemes can offer re-purchase facility	
	D	All the above	
	E	Only (a) and (c)	
3		In India, a mutual fund is constituted as a	
	A	Company	
	B	Trust	
	C	None of the above	
4		The following are benefits of mutual funds	
	A	Portfolio diversification	
	B	Reduction of transaction costs	
	C	Liquidity	
	D	All the above	
5		The following is not a benefit of mutual funds-	
	A	Investor has custody of securities where fund invests	
	B	Investor is able to diversify risk	
	C	Investor can save on costs	
6		The following are disadvantages of investing in mutual funds	
	A	No control over costs	
	B	No tailor made portfolios	
	C	Both the above	
	D	None of the above	
7		UTI was established -	
	A	By various financial institutions getting together	
	B	By an act of parliament	
8		UTI was established in -	
	A	1960	
	B	1963	
	C	1964	
	D	1971	
9		Non-UTI public sector mutual funds came into existence in	
	A	1984	
	B	1987	
	C	1994	
	D	1996	

10		The first non-UTI mutual fund was established by-	
	A	Canbank Mutual Fund	
	B	SBI Mutual Fund	
	C	LIC Mutual Fund	
	D	Indian Bank Mutual Fund	
11		Permission was granted for private sector mutual funds in India in	
	A	1993	
	B	1994	
	C	1992	
	D	1996	
12		The current mutual fund regulations of SEBI came into effect in	
	A	1992	
	B	1994	
	C	1996	
	D	1998	
13		Open end funds are	
	A	Obligated to sell new units at all times	
	B	Normally sell new units at all times	
	C	Do not sell new units	
14		Closed end funds are	
	A	Are listed in the stock exchanges	
	B	Can offer re-purchase facility	
	C	All the above	
	D	None of the above	
15		According to the Mutual Fund Regulations, 1996, 'No load funds' can charge ongoing sale expenses to the fund	
	A	True	
	B	False	
16		Which of the following statements is true?	
	A	Open end funds have variable unit capital	
	B	Closed end funds have relatively constant capital	
	C	Open end funds can be listed in the stock market	
	D	All the above	
	E	A & B	
17		Which of the following statements is true?	
	A	All mutual funds calculate front-end and back-end loads as a percentage of NAV	
	B	Different mutual funds use slightly different formulae	
18		Which of the following funds are considered to be the lowest in risk level	
	A	Money market fund	
	B	Gilt fund	
	C	Diversified debt fund	

19		Gilt funds -	
	A	Have no risk at all	
	B	Have interest rate risk but no credit risk	
	C	Have credit risk but no interest risk	
	D	Have credit risk, interest rate risk and re-investment risk	
20		Which of the following is true -	
	A	'High yield debt fund' is another name for 'Junk bond fund'	
	B	High yield debt funds are popular in India	
	C	High yield debt funds are not possible in India within current regulations	
	D	A and B	
	E	A and C	
21		The onus of covering any shortfall in an 'assured return scheme' proposed to be floated under the Mutual Fund Regulations, 1996 is with	
	A	Asset management company	
	B	Trustees	
	C	Named guarantor	
	D	Any sponsor	
22		Fixed term plans	
	A	Are essentially closed-end in nature	
	B	Have to necessarily offer sale and re-purchase prices	
	C	Do not have a determinable tenor	
	D	None of the above	
23		The following is a logical risk progression	
	A	Aggressive growth funds, equity income funds, value funds	
	B	Equity income funds, index funds, diversified equity funds	
	C	Growth funds, value funds, index funds	
24		Which of the following funds is the most risky?	
	A	Flexible asset allocation funds	
	B	Growth and income funds	
	C	Balanced funds	
25		Which of the following is the least risky?	
	A	Balanced fund	
	B	Diversified debt fund	
	C	Equity income fund	
<b>Chapter 2 – Fund Structure and Constituents</b>			
26		Asset management company is generally appointed by -	
	A	Trustees	
	B	Sponsor	
	C	Unit holders	
	D	SEBI	

27		The main role of asset management companies is to	
	A	Manage investments on behalf of the fund	
	B	Keep a record of unit holders in the fund	
	C	Keep custody of physical securities	
	D	All the above	
	E	None of the above	
28		What is the minimum stake that a sponsor needs to hold in the Asset Management Company?	
	A	No stake required	
	B	40%	
	C	25%	
	D	50%	
	E	60%	
29		The minimum net worth that an AMC needs to have is -	
	A	Rs 5 crore	
	B	Rs 10 crore	
	C	Rs 100 crore	
	D	Depends on assets under management	
30		The minimum number of trustees who need to be independent persons is -	
	A	One-third	
	B	One-half	
	C	Two-third	
	D	Three-fourth	
31		The Indian Trust Act provides for the following structure/s -	
	A	Board of Trustees, which will safeguard the interests of the beneficiaries	
	B	Trustee Company, which will safeguard the interests of the beneficiaries	
	C	Both the above	
	D	None of the above	
	E	AMC to safeguard the interest of the beneficiaries	
32		Custodian is appointed by -	
	A	Sponsor	
	B	Trustees	
	C	Sponsor directly or acting through Trustees	
	D	Unit holders	
	E	SEBI	
33		The minimum and maximum stake that a single sponsor can have in an asset management company are respectively	
	A	40% and 100%	
	B	0% and 100%	
	C	25% and 49%	
	D	0% and 49%	

34		The minimum investment that a single sponsor needs to make in an asset management company is	
	A	Rs1crore	
	B	Rs2crore	
	C	Rs4crore	
	D	Rs100crore	
	E	Depends on assets under management	
35		The trust deed is executed between	
	A	The sponsor and trust	
	B	The sponsor and trustees	
	C	Sponsor, trust and SEBI	
	D	Sponsor, trust and AMC	
36		Which of the following are responsibilities of Trustees	
	A	General Due Diligence	
	B	Special Due Diligence	
	C	Code of Ethics	
	D	All the above	
	E	A and B	
37		Who has the responsibility to float schemes	
	A	Sponsor	
	B	AMC	
	C	Trustees	
	D	AMC in the name of the Trust	
38		Apart from its role as investment manager, an asset management can	
	A	Offer advisory services	
	B	Do financial consulting	
	C	Both the above	
	D	Offer no other services	
39		The cut off time for AMCs to update their NAVs on the AMFI website is	
	A	6 pm of the relevant day	
	B	8 pm of the relevant day	
	C	10 pm of the relevant day	
	D	10 am of the next following day	
	E	None of the above	
40		The position on appointment of transfer agents is	
	A	Independent outside agent to be appointed as per statute	
	B	Can be performed in house but without any specific charge to the scheme	
	C	Can be performed in house and competitive rate can be charged to the scheme	
41		Approval process for merger of two asset management companies includes -	
	A	Consent of unit holders with at least 75% voting rights	
	B	Approval of respective high courts	
	C	Approval of SEBI	
	D	All the above	

<b>Chapter 3 – Legal and Regulatory Environment</b>			
42		Money Market Mutual Funds are regulated by	
	A	RBI	
	B	SEBI under MF Regulations, 1996	
	C	SEBI under RBI Regulations	
43		Changes in fundamental attributes of scheme require permission of unit holders as follows -	
	A	More than 50 per cent of people present and voting	
	B	More than 75 per cent of people present and voting	
	C	Three-fourths of unit-holders	
	D	One-half of unit-holders	
44		Appointment of an asset management company can be terminated by -	
	A	Majority of the trustees	
	B	75 per cent of the unit holders	
	C	Either of the above	
	D	None of the above	
45		The requirement of independent directors in an asset management company is -	
	A	One-half of all directors	
	B	One-fourth of all directors	
	C	Three-fourth of all directors	
	D	Two-third of all directors	
46		SEBI's current regulations for mutual funds came into force in	
	A	1997	
	B	1964	
	C	1993	
	D	1996	
47		Which of the following is a Self Regulatory Organisation	
	A	National Stock Exchange	
	B	Securities & Exchange Board of India	
	C	Association of Mutual Funds of India	
	D	None of the above	
48		In case of Misrepresentation in offer document a proposed investor has legal recourse to	
	A	SEBI	
	B	AMC	
	C	Consumer Court	
	D	Trustee	
	E	Does not have any	
49		The position of non-banks lending in the inter-bank call money market is	
	A	Not permitted	
	B	Freely permitted	
	C	Being phased out	



50		The apex regulatory authority under the Companies Act is	
	A	Department of Company Affairs	
	B	Company Law Board	
	C	High Court	
	D	Supreme Court	
	E	Registrar of Companies	
51		Under the Indian Trust Act, 1882, the Board of Trustees is accountable to	
	A	Office of the Public Trustee	
	B	Sebi	
	C	Sponsor / Settler	
	D	None of the above	
52		Unit holders are entitled to receive dividend warrants within	
	A	30 days of the date of declaration of dividend	
	B	42 days of the date of declaration of dividend	
	C	10 working days of the date of declaration of dividend	
	D	None of the above	
53		Interest is payable to investors if redemption proceeds are not dispatched	
	A	Within 10 days of application for redemption	
	B	Within 10 working days of application for redemption	
	C	Within 3 days of application for redemption	
	D	Within 30 days of application for redemption	
54		If the investor delays his application for redemption in a closed end scheme, he will be paid at	
	A	NAV on the date of scheduled redemption	
	B	Prevailing NAV on date of application for redemption	
	C	Prevailing NAV on date of application for redemption if it is within three years of scheduled redemption	
55		Which of the following qualifies as a Self Regulatory Organisation	
	A	Bombay Stock Exchange	
	B	National Stock Exchange	
	C	A and B	
	D	AMFI	
	E	SEBI	
<b>Chapter 4 – Offer Document</b>			
56		SEBI requires the offer document of open end funds to be revised every	
	A	Year	
	B	2 years	
	C	3 years	
	D	No such provision	
57		Offer document of close end funds is issued normally	
	A	every year	
	B	every 2 years	
	C	every 3 years	
	D	only once at the time of the issue	

58		The following is the most appropriate position under the SEBI Mutual Fund Regulations, 1996	
	A	Buyer Beware	
	B	Buyer is always right	
	C	Seller is always right	
	D	Seller guilty unless proved innocent	
59		SEBI requires offer documents of funds to include the following information	
	A	Details of the sponsor	
	B	Investors' rights and services	
	C	Historical statistics	
	D	A and B	
	E	A, B and C	
60		The following are examples of 'major changes' for the purposes of offer document	
	A	Imposing or enhancing of entry or exit loads	
	B	Addition of new plans in the existing scheme	
	C	Change in management of the AMC	
	D	Fresh litigation cases referred by SEBI against sponsors or any company associated with the sponsors	
	E	All the above	
61		What best describes the investor's rights with respect to offer document	
	A	Has legal right to ask for a detailed offer document	
	B	Has right to key information memorandum, but offer document can be refused	
	C	None of the above	
62		The front page of the Offer Document contains	
	A	Date of its publication	
	B	Name and type of the fund	
	C	Major objectives of the fund	
	D	A and B	
	E	A, B and C	
63		The following is not a standard risk factor	
	A	Investments are subject to market risks	
	B	NAV can move up or down	
	C	Past performance of sponsor / AMC / mutual fund is not indicative of future performance	
	D	Risks associated with the use of derivative instruments, if the fund plans to use such instruments	
	E	If the AMC has no previous experience in managing a fund, a disclosure to that effect	

64		The following are scheme specific risk factors	
	A	Arising from scheme's investment objective / strategy	
	B	Risk arising from non-diversification if any	
	C	Name of the scheme does not indicate its quality or prospects	
	D	A and B	
	E	A, B and C	
65		Due diligence certificate is signed by -	
	A	Compliance officer	
	B	CEO / MD of AMC	
	C	Whole time director of AMC	
	D	Any of the above	
	E	Board of Trustees	
66		Due diligence certificate confirms that -	
	A	The draft offer document forwarded to SEBI is in accordance with SEBI regulations	
	B	Intermediaries named in the offer document are registered with SEBI	
	C	A and B	
67		Key information Memorandum -	
	A	Is an abridged version of the Offer Document	
	B	Contains some information outside the Offer Document	
	C	Is distributed with the application form	
	D	A and C	
	E	B and C	
<b>Chapter 5 – Fund Distribution &amp; Sales Practices</b>			
68		Minimum education requirement for UTI agents is-	
	A	7 <sup>th</sup> Pass	
	B	Matriculation	
	C	HSC	
	D	None of the above	
69		The following is not a AMFI recommendation regarding practices for effective selling of mutual funds by	
	A	agents should be fully aware of important characteristics of schemes they are selling	
	B	agents need not know their clients well	
	C	agents must understand clients needs	
	D	None of the above	
70		As per SEBI Regulations it is mandatory for -	
	A	New MF Distributors to pass the NSE-AMFI Certification test	
	B	MF Employees to pass the NSE-AMFI Certification test	
	C	Both the above	
	D	None of the above	

71		Your cousin has migrated to Canada on receiving Canadian citizenship. You will advise him to -	
	A	Withdraw his investments since continuing the investment would be illegal	
	B	Retain his investment unless he needs the money	
72		Which class of Investors is not allowed to invest in Indian Mutual Fund?	
	A	Foreign National	
	B	Non Resident Indian	
	C	Foreign Institutional Investor	
	D	All the above	
73		MF regulations specifically	
	A	Prescribe a minimum commission rate for agents	
	B	Prescribe a maximum commission rate for agents	
	C	Prescribe both minimum and maximum commission rate for agents	
	D	None of the above	
74		The following statements with regard to performance advertisements are correct	
	A	Where performance is compared against benchmark, the benchmark must be consistently used	
	B	In case of money market schemes / cash and liquid plans, performance can be advertised by simple annualisation of yields if a performance figure is available for at least 15 days	
	C	A and B	
75		In the US	
	A	A broker is prohibited from recommending or implying that purchase of units before the ex-dividend date may be advantageous	
	B	Agent would refund commission received if the investor redeems units within 7 days	
	C	Agents are prohibited from using commissions as a basis for recommending investments in specific funds	
	D	All the above	
<b>Chapter 6 – Accounting, Valuation &amp; Taxation</b>			
76		NAV of a close end scheme needs to be calculated and published	
	A	Weekly	
	B	Daily	
	C	Monthly	
	D	Quarterly	
77		Which of the following combinations of sale and repurchase prices is admissible for an open-end scheme as per SEBI guidelines?	
	A	Rs10 – Rs9	
	B	Rs10 – Rs9.20	
	C	Rs12 – Rs11	
	D	Rs12 – Rs11.25	

78		Mutual Funds shall ensure that sale price for new units issued by the fund is -	
	A	Not less than 107% of NAV	
	B	Not less than 105% of NAV	
	C	Not more than 107% of NAV	
	D	Not more than 105% of NAV	
79		Re-purchase price specified by SEBI is -	
	A	Minimum 93% of NAV for open-end schemes	
	B	Minimum 95% of NAV for close-end schemes	
	C	Both the above	
	D	None of the above	
80		Maximum permissible spread between sale and re-purchase price is	
	A	7% calculated on sale price	
	B	7% calculated on re-purchase price	
	C	5% calculated on sale price	
	D	5% calculated on re-purchase price	
	E	None of the above	
81		Cap on initial expenses in floating a scheme is -	
	A	2.5% on resources mobilized	
	B	5% on resources mobilized	
	C	6% on resources mobilized	
	D	8% on resources mobilized	
82		No mutual fund shall make an investment in listed securities of group companies of the sponsor, that is in excess of -	
	A	30% of net assets	
	B	25% of net assets	
	C	20% of net assets	
	D	10% of net assets	
83		Management fees are not payable on	
	A	Issue expenses not written off	
	B	Inter-scheme investments	
	C	Investment by AMC in the scheme	
	D	All the above	
84		For a security to be treated as non-traded for valuation purposes, it should not have been traded	
	A	On the valuation date in any stock exchange	
	B	For the last 30 days in the stock exchange where it is "principally traded"	
	C	For the last 30 days in any stock exchange	
	D	For the last 60 days in any stock exchange	
	E	None of the above	

85		A load-scheme had average weekly net assets of Rs.200 crore throughout the year. Maximum management fee that could be charged for the year is -	
	A	Rs.2.5 crore	
	B	Rs.2 crore	
	C	Rs.2.25 crore	
	D	Rs.5 crore	
86		NAV of an open end scheme needs to be calculated and published	
	A	Weekly	
	B	Daily	
	C	Monthly	
	D	Quarterly	
87		A scheme with 1000 unit holders has the following items in its balance sheet - Unit Capital Rs.10,000; investments at market value Rs.25,000; other assets Rs.3,500; Other liabilities Rs.2,000; issue expenses not written off Rs.500; reserves Rs.17,000. What is the scheme's NAV per unit?	
	A	Rs27	
	B	Rs29	
	C	Rs10	
	D	Rs27,000	
	E	None of the above	
88		The position on tax benefit under section 88 for investment in units of pension scheme floated by a mutual fund is -	
	A	benefit not available	
	B	available upto a cap of Rs.10,000, but within overall limit of Rs.60,000 for all section 88 investments	
	C	available without cap, but within overall limit of Rs.60,000 for all section 88 investments	
	D	available upto Rs.80,000	
89		The unit capital of a mutual fund scheme is Rs.20 million. The market value of investments is Rs.55 million. If the number of units outstanding is 1 million, what is the NAV per unit?	
	A	Rs. 20	
	B	Rs. 75	
	C	Rs. 55	
	D	Cannot be determined	
90		Expenses need not be accrued for purposes of NAV calculations, if such non-accrual does not affect the NAV by more than	
	A	5%	
	B	0.5%	
	C	1%	
	D	3%	

91		Under the MF Regulations, the following cannot be charged to the schemes -	
	A	Expenses on investment management / general management	
	B	Insurance premium paid by the fund	
	C	Cost of statutory advertisements	
	D	All the above	
92		Which of the following statements is true	
	A	Unamortised portion of initial issue expenses shall be included under assets for NAV calculations	
	B	Investment management fee cannot be recovered on the item mentioned in 'A' above	
	C	'A' above cannot be included for calculating expense limits	
	D	All the above	
	E	B and C	
93		Dividend on a share should be recognized by the scheme on	
	A	Date of declaration of dividend by the company	
	B	Date on which the share becomes ex-dividend in the stock market	
	C	Book closure date	
	D	Date of actual receipt	
94		Purchase / sale of investments should be recognized in the accounts of a scheme -	
	A	On the trade date	
	B	On the settlement date	
95		A scheme purchased 1000 TISCO shares at Rs.120 per share, followed by a further purchase of 500 shares of TISCO at Rs.90 per share. It later sold 500 shares at Rs. 120. What is the scheme's net gain on the sale?	
	A	No gain - no loss	
	B	Realised capital gain of Rs.10 per share	
	C	Realised capital gain of Rs.30 per share	
	D	Cannot be determined	
96		An asset shall be classified as non-performing, if the interest and / or principal amount have not been received -	
	A	On the day such income / installment has fallen due	
	B	For one month from the day such income / installment has fallen due	
	C	For one quarter from the day such income / installment has fallen due	
	D	None of the above	
97		The provisions related to non-performing assets apply to	
	A	All secured debt securities	
	B	All unsecured debt securities	
	C	All debt securities	

98		What is the period over which NPAs need to be fully provided	
	A	On the day such income / installment has fallen due	
	B	One quarter from the day such income / installment has fallen due	
	C	18 months from the date interest became overdue	
	D	15 months from the date interest became overdue	
	E	24 months from the date interest became overdue	
99		Deep discount bonds would be classified as NPA if	
	A	Rating of the bond comes down to grade 'BB' or below	
	B	The company is defaulting on its other commitments	
	C	Net worth is fully eroded	
	D	Any two of the above	
	E	A and C	
100		An equity / equity related security is considered as a thinly traded security if	
	A	The trading value in a month is less than Rs5 lacs	
	B	The trading volume in a month is less than 50,000 shares	
	C	Both the above	
	D	A or B	
101		Securities with a call option are to be valued on the basis of	
	A	Yield to call	
	B	Yield to maturity	
	C	Higher of the values determined under A and B	
	D	Lower of the values determined under A and B	
102		To get the benefit of dividend stripping, the investor would need to	
	A	Buy the securities more than 3 months prior to the record date for the dividend	
	B	Sell the securities more than 3 months after the record date for the dividend	
	C	Both the above	
	D	A or B	
<b>Chapter 7 – Investor Services</b>			
103		The benefit of opening a mutual fund account is -	
	A	Cheque writing facility	
	B	Further investments without elaborate forms and procedures	
	C	Both the above	
104		When an investor invests in a scheme, he is entitled to receive -	
	A	Investment certificate	
	B	Fund account statement showing purchase, redemption etc	
	C	Both the above	
	D	Either A or B at the option of the investor	
	E	Either A or B at the option of the Fund	



105		Loan against investors' holding in a mutual fund can be given by	
	A	The mutual fund	
	B	Bank or any other lender	
	C	Both the above	
<b>Chapter 8 – Investment Management</b>			
106		Dividend yield is calculated as -	
	A	Dividend / Last traded price of the share	
	B	Dividend / Face value of the share	
	C	Dividend / Book value of the share	
107		A mutual fund may	
	A	Lend money to corporates	
	B	Trade in options	
	C	Invest in financial derivatives	
	D	All of the above	
108		A mutual fund shall not	
	A	Underwrite issues	
	B	Invest in financial derivatives	
	C	Borrow moneys from corporates	
	D	Lend money to corporates	
	E	Lend securities under SEBI's stock lending scheme	
109		The most significant risk in a well-diversified debt scheme is -	
	A	Re-investment risk	
	B	Credit risk	
	C	Interest rate risk	
	D	Liquidity risk	
110		Price risk is not inherent in -	
	A	Fixed Rate Instruments	
	B	Floating Rate Instruments	
	C	Zero Coupon Instruments	
	D	All the above	
	E	None of the above	
111		A 5 year deep discount bond issued by ICICI would	
	A	be redeemed at value lower than issue price with no payments in between	
	B	be redeemed at value higher than issue price with no payments in between	
	C	be redeemed at value higher than issue price with payments in between	
	D	be redeemed at value lower than issue price with payments in between	
112		A debenture with a face value of Rs. 1000 and a 2 year term to maturity has yield to maturity (YTM) of 9 per cent. The coupon rate is 12 per cent per annum, payable half-annually. What is its price?	
	A	Rs. 1000.00	
	B	Rs. 995.35	
	C	Rs. 990.10	
	D	Rs. 1052.80	

113		Maximum permissible investment by a mutual fund in money market securities during the first 6 months from allotment of units in an IPO is -	
	A	100 per cent	
	B	60 per cent	
	C	50 per cent	
	D	Depends on whether it is an equity scheme or a debt scheme	
114		"Duration" refers to	
	A	Change in valuation of debt securities with respect to change in interest rates	
	B	Change in valuation of debt and equity with respect to change in interest rates	
	C	Change in valuation of debt securities with respect to change in BSE sensex	
	D	Term to maturity of any debt instruments	
	E	Original tenor of any debt instrument	
115		When the government / RBI wants to borrow for less than 1 year in the local currency market, it issues -	
	A	Government Securities	
	B	Treasury Bills	
	C	Commercial Paper	
	D	Certificate of Deposit	
116		Price risk is not inherent in -	
	A	Fixed rate instruments	
	B	Floating rate instruments	
	C	Zero coupon instruments	
	D	All the above	
	E	None of the above	
117		A scheme that has net assets of Rs.100 crores wants to invest in the equity of a company for the first time. It can invest a maximum of -	
	A	Rs15crore	
	B	Rs5crore	
	C	Rs10crore	
	D	Rs20crore	
	E	Rs25crore	
118		The role of a security dealer is to -	
	A	Decide on asset allocation	
	B	Track stocks and sectors	
	C	Execute buy and sell orders	
119		The relationship between current yield and yield to maturity is -	
	A	Current yield is always lower than yield to maturity	
	B	Current yield is always higher than yield to maturity	
	C	Both are the same	
	D	None of the above	

120		Yield spread means	
	A	The additional yield on a government security as compared to the rate of inflation	
	B	The additional yield on a bond as compared to the yield of a benchmark security	
	C	Term structure of interest rates	
	D	Sovereign yield curve	
	E	C and D	
121		The following is not a risk for a debt investor -	
	A	Reduction in value of security	
	B	Call Option	
	C	Put option	
	D	Re-investment	
	E	Exchange Rate	
<b>Chapter 9 – Measuring and Evaluating Mutual Fund Performance</b>			
122		The risk level in a hedge fund is	
	A	High	
	B	Low	
123		The following is a better benchmark for money market funds in India	
	A	I-Sec's IBEX	
	B	NSE's MIBID / MIBOR	
	C	BSE Sensex	
124		Best benchmark for the Index Based Fund is	
	A	Any Market Index	
	B	Any Sector Index	
	C	Pre-specified index	
	D	None of the above.	
125		NAV of a scheme has gone up from Rs.10 to Rs.11.50 in 15 months. The CAGR is -	
	A	12 per cent	
	B	$(11.5 / 10)^{(12/15)} - 1$	
	C	$(11.5 / 10)^{(15/12)} - 1$	
	D	$(10 / 11.5)^{(15/12)} - 1$	
	E	$(10 / 11.5)^{(12/15)} - 1$	
126		Which of the following statements is true?	
	A	Total Return is a theoretically sound method of evaluating funds	
	B	Cumulative Aggregate is superior to Average Annualised Returns for evaluating funds	
	C	XIRR and Compounded Annual Growth Rate calculations for the same scheme can give different returns	
	D	None of the above	

<b>Chapter 10 – Helping Investors with Financial Planning</b>			
127		The objective of financial planning is -	
	A	To ensure that the investor gets the maximum returns	
	B	To ensure that the investor earns a return that is commensurate with the risk he can take	
	C	To ensure that the investor has the right amount of money at the right time to achieve financial goals	
	D	None of the above	
128		A mutual fund distributor who offers financial planning service, benefits because -	
	A	He is able to establish long term relationships	
	B	He is able to earn optimal profits	
	C	Both A and B	
	D	None of the above	
129		The following is the least important skill that a financial planner needs to possess	
	A	Ability to build client trust	
	B	Good knowledge of financial products and options	
	C	Familiarity with taxation and estate planning	
	D	Knowledge of the hottest tips in the equity market	
130		The following is a recommended financial planning sequence	
	A	Define the client-planner relationship; Define Client Goals; Evaluate Client Financial Status; Develop financial planning recommendations	
	B	Evaluate client financial status; Define client goals; Define client-planner relationship; Develop financial planning recommendations	
	C	Define client goals; Evaluate client financial status, Develop financial planning recommendations; Define client-planner relationship	
	D	Develop financial planning recommendations; Evaluate client financial status; Define client goals; Define client-planner relationship	
131		Which of the following is true	
	A	Financial planning is equivalent to tax planning	
	B	Financial planning is equivalent to retirement planning	
	C	Financial planning is important only for people over 35	
	D	Financial planning is equivalent to investing	
	E	None of the above	

132		Goal oriented investing means	
	A	Setting broad financial targets and investing as per risk preference of the individual	
	B	Viewing each financial goal distinctly, and making a specific asset allocation and investment for each goal	
	C	Whatever money becomes available from time to time, to be invested as per risk preference	
	D	None of the above	
<b>Chapter 11 – Recommending Financial Planning Strategies to Investors</b>			
133		Value Averaging means	
	A	Investing / dis-investing constant amounts every period	
	B	Keeping the target value of investment constant and investing / disinvesting depending on how the market has changed.	
	C	Investing in under valued stocks	
134		The limitation of rupee cost averaging is	
	A	It does not tell the investor when to switch from losing to winning funds	
	B	It tells the investor when to buy or sell the fund	
	C	It does not tell the investor when to buy or sell the fund	
	D	Both a and c	
135		Asset allocation for a financial planner means -	
	A	Determining how much is to be invested in each security	
	B	How the investment should be distributed between different asset classes	
	C	How the investment should be distributed between different mutual funds having the same risk profile	
	D	How a fund manager distributes his investments within a scheme	
136		In a fixed asset allocation -	
	A	The investor would make incremental investments as per a fixed distribution between assets	
	B	Moneys would be transferred from high return assets to low return assets, if there is nothing incremental to invest	
	C	None of the above	
137		In a tactical asset allocation -	
	A	The asset allocation would be changed in line with changes in the investor's age, salary etc.	
	B	The asset allocation would be changed in line with market view	
	C	None of the above	

<b>Chapter 12 – Selecting the Right Investment Products for Investors</b>			
138		RBI Relief Bonds are attractive investment options for	
	A	High net worth individuals	
	B	Retired people	
	C	Institutional investors	
139		Indira Vikas Patra is liked because of -	
	A	Good returns	
	B	Tax-free returns	
	C	No record of identity of investors	
	D	All the above	
140		A Triple Cover Policy is	
	A	an endowment policy plus term insurance of double the sum assured	
	B	a policy that covers three members of a single family	
	C	a policy where a surviving policyholder will never get his money back	
141		The term 'rider' in an insurance policy refers to -	
	A	Spouse getting a free ride in basic insurance policy	
	B	Add-on to the basic policy	
	C	Condition under which the insurer may contest or void the policy	
142		Gold and real estate are attractive investment options in -	
	A	High inflation economies	
	B	Low inflation economies	
	C	Inflation does not make a difference	
<b>Chapter 13 – Helping Investors Understand Risks in Fund Investing</b>			
143		Which of the following Fixed Deposit can be recommended	
	A	Company giving highest returns without Rating	
	B	Company giving moderate returns with highest ratings	
	C	Company paying maximum brokerage	
	D	Well known companies' FD	
144		Of the following types of equity funds, the highest potential risk is with	
	A	Diversified funds	
	B	Sector funds	
	C	Growth funds	
	D	Index funds	
145		A person looking for an investment with lowest risk of principal loss would prefer	
	A	A debt fund	
	B	A bank deposit	
	C	A gilt fund	

146		Which of the following is the right comparison	
	A	A long-term life insurance policy and long term bond	
	B	A bank FD with a Monthly Income Plan	
	C	A Monthly Income Plan with a monthly interest Fixed Deposit	
	D	None of the above	
147		Volatility of a mutual fund is influenced by	
	A	Number of securities in the portfolio	
	B	Nature of securities in the portfolio	
	C	Fund manager's success in timing the market	
	D	All the above	
148		Which of the following is not true?	
	A	Standard deviation measures the fluctuations of a fund's returns around a mean level	
	B	Standard deviation is relevant for both debt and equity funds	
	C	R-squared measures how much of a fund's fluctuations is attributable to movements in the overall market	
	D	Beta of less than one means that the fund is more volatile than the market	
149		Which of the following is true?	
	A	Sharpe ratio divides risk premium by the fund's standard deviation	
	B	Treynor ratio divides risk premium by the fund's beta	
	C	Alpha compares the fund's actual results with what would have been expected given the fund's beta and the market index performance	
	D	A and B	
	E	A, B and C	
<b>Chapter 14 – Recommending Model Portfolios and Selecting the Right Funds</b>			
150		Which of the following would you suggest for an investor who is in the early accumulation phase in life	
	A	Equity 70%, Debt 20%, Liquid 10%	
	B	Equity 50%, Debt 30%, Liquid 20%	
	C	Equity 75%, Debt 5%, Liquid 20%	
	D	Equity 30%, Debt 50%, Liquid 20%	
151		The Ex-Mark of an Index Fund is likely to be around	
	A	0%	
	B	50%	
	C	100%	
	D	None of the above	

152		Beta of a scheme is 1.5. This means that	
	A	It is less risky than the market	
	B	It is more risky than the market	
	C	The scheme is a good performer	
	D	None of the above	
153		Which of the following is true	
	A	Gross dividend yield of "growth" funds is likely to be higher than that of "value" funds	
	B	Gross dividend yield of "value" funds is likely to be higher than that of "growth" funds	
	C	None of the above	
154		Which of the following would you look at while selecting a money market mutual fund?	
	A	Cost	
	B	Portfolio Quality	
	C	Yield	
	D	All the above	





### Answer Key to Question Bank

1	B	2	D	3	B	4	D	5	A
6	C	7	B	8	B	9	B	10	B
11	A	12	C	13	B	14	C	15	A
16	D	17	B	18	A	19	B	20	E
21	C	22	A	23	B	24	A	25	B
26	B	27	A	28	B	29	B	30	C
31	C	32	C	33	A	34	C	35	B
36	D	37	D	38	C	39	B	40	C
41	D	42	B	43	C	44	C	45	A
46	D	47	A	48	E	49	C	50	B
51	A	52	A	53	B	54	C	55	C
56	B	57	D	58	A	59	E	60	E
61	A	62	E	63	E	64	D	65	D
66	C	67	D	68	B	69	B	70	A
71	B	72	A	73	D	74	A	75	D
76	A	77	D	78	C	79	C	80	A
81	C	82	B	83	D	84	C	85	C
86	B	87	A	88	C	89	D	90	C
91	A	92	D	93	B	94	A	95	B
96	C	97	C	98	C	99	D	100	C
101	D	102	D	103	B	104	D	105	B
106	A	107	C	108	D	109	C	110	B
111	B	112	D	113	A	114	A	115	B
116	B	117	C	118	C	119	D	120	B
121	C	122	A	123	B	124	C	125	B
126	C	127	C	128	C	129	D	130	A
131	E	132	B	133	B	134	D	135	B
136	B	137	B	138	A	139	C	140	A
141	B	142	A	143	B	144	B	145	B
146	D	147	D	148	D	149	E	150	A
151	C	152	B	153	B	154	D		

ASSET MANAGEMENT

1. An investor pays money to purchase units in a mutual fund. After deducting the entry load, remaining money is
  - a. Invested in a well-diversified portfolio of securities as per the investment objective
  - b. Maintained in a bank as fixed deposit
  - c. Invested in land, building, plant and machinery required for the mutual fund
  - d. Used to pay the management fee and other recurring expenses of the fund
2. Net Asset Value per unit means
  - a.  $(\text{Book value of assets} - \text{liabilities}) / \text{Units outstanding}$ ,
  - b.  $\text{Unit capital} / \text{Units outstanding}$
  - c.  $\text{Net assets} / \text{Initial number of units}$
  - d.  $(\text{Market value of assets} - \text{Liabilities}) / \text{Units outstanding}$
3. When you place deposit with a bank, u become
  - a. a borrower from the bank
  - b. a lender to the bank
  - c. a shareholder of the bank
  - d. a unit holder in the bank
4. During new fund offer (NFO) Units of an open – ended fund are purchased from the
  - a. Broker
  - b. The mutual Fund itself
  - c. Depository
  - d. Stock Exchange
5. Ownership of the mutual fund by the unit holders is
  - a. Beneficial.
  - b. Mutual and beneficial.
  - c. Individual
  - d. Mutual
6. Directly investing in equity shares is better then investing in equity shares through a mutual fund because of
  - a. Tailor – made portfolio
  - b. Absence of Distribution expense
  - c. Control over costs
  - d. All of the above.
7. Mutual fund schemes in India follow accounting policies laid down by
  - a. SEBI
  - b. Institute of Chartered Accounts of India
  - c. Indian Trust Act 1982.
  - d. Association of Mutual Funds in India
8. The value of funds net assets is Rs. 1000. There are 100 units outstanding. Mr. Singh owns 3 units. The Value of his ownership is
  - a. Rs.300
  - b. Rs.30
  - c. Rs.3
  - d. Not Possible to calculate unless more information is given

9. A person who purchase debentures issued by a company is a lender to the company. An income fund invests in debentures issued by a company. A unit holder of this income fund.

- a. Is a lender to the company
- b. Is a share holder in that company
- c. has no relationship to that company
- d. Is a creditor to that company.

10. Private sector was permitted to enter the mutual fund industry in India in the year

- a. 1993
- b. 1963
- c. 1987
- d. 1996

11. In India the first mutual fund was established:

- a. before SEBI regulation 1996.
- b. before UTI was established in 1963.
- c. after SEBI regulation 1996.
- d. when public sector mutual funds were established in 1987.

11. The Assets under management in the Indian mutual fund industry as at end of financial year 2004-2005 was close to.

- a. Rs 153 cr.
- b. Rs. 1530cr
- c. Rs.15300cr.
- d. Rs 153,000cr

12. Identify the CORRECT statements?

- a. Investing in a mutual fund is likely to be less risky compared to directly investing in the market.
- b. A mutual fund enables a small investor build a diversified portfolio
- c. Investment in a mutual fund offers more liquidity.
- d. All are correct.

13. When you invest in an open-ended mutual fund scheme, which of the following decisions is /are not taken by you?

- a. Which share to buy and which share to sell?
- b. What prospective changes would be made to the load structure?
- c. At what NAV you should exit?
- d. The first two decisions.

14. The correct description of a mutual fund is

- a. It is a company
- b. it is a development financial institution
- c. It is a financial intermediary
- d. it is non-banking finance company

15. The birth place of mutual funds is.

- a. UK
- b. Japan
- c. Canada
- d. USA

16. Important development (s) that took place in the Indian mutual fund industry Feb 2003 was:

- a. Repealing: of UTI Act
- b. Establishment of UTIMF
- b. Creation of level playing field
- d. All of the above.

17. Distributors are required to abide by a code of conduct as prescribed by SEBI. This code is based on

- a. AGNI
- b. AMFI
- c. ARN
- d. ANMI

18. An open end fund

- a. is open for one-time sale of fixed number of units
- b. offers repurchase facility subject to certain obvious conditions
- c. is always obliged to keep issuing new units at all times
- d. offers repurchase facility unconditionally at all times

19. A gilt fund is a special type of fund that invests

- a. in dated securities only
- b. in very high quality equity only
- c. Mainly in very high quality corporate bonds
- d. mainly in high quality money market instruments

20. The period from 2004 onwards is known in the Indian mutual funds industry as

- a. Period of consolidation and growth
- b. Emergence of large and uniform industry
- c. Emergence of private funds
- d. Entry of public sector funds.

21. The union budget 1999 is considered important for the Indian mutual fund industry because.

- a. It made UTI at par with other mutual funds.
- b. It abolished the distinction between short – term capital gain and long – term capital gain for mutual fund unit holders.
- c. It exempted all mutual fund dividends from income tax in the hands of unit holders
- d. It removed tax on capital gains and dividends in the hands of units holders

22. The second mutual fund in the India was established by

- a. SBI
- b. Canara Bank
- c. Morgan Stanley
- d. LIC

23. Which is Correct?

- a. UTIMF was established by an Act of Parliament
- b. UTIMF has voluntarily adopted SEBI Regulations
- c. UTIMF launched US 64
- d. UTIMF was not the first mutual fund in India

24. A person who analyses shares based on finances and operations of the company is known as
- Chartist
  - Portfolio analyst
  - Technical Analyst
  - Fundamental Analyst
25. What is an "Equity Warrant"?
- It is nothing but an Equity share of a company
  - It is a debit instrument that offers fixed interest rate
  - It is an instrument that gives the holder the right to purchase equity shares in a company at fixed price in future
  - None of the above
26. Which of the following SEBI restrictions applies to a scheme's investment in unlisted shares?
- A Close-ended scheme may invest a maximum of 10% of its NAV in unlisted shares
  - An open-end scheme may invest a maximum of 5% of its NAV in unlisted shares
  - (a) and (b) above
  - None of the above
27. How would you measure the performance of an Equity Index Fund?
- There is no need to benchmark an equity index fund
  - By comparing it with return on Government securities
  - By Comparing its performance with a money market mutual fund
  - By comparing its performance with the Index it is designed to track
28. In an open-ended fund NAV per unit is Rs.11 Entry load is 2% An Investor invests Rs.110 she will get
- less than 10 units
  - 10 units
  - more than 10 units
  - 11 units
29. Units from an open-ended mutual fund are bought from
- NSE
  - AMFI
  - SEBI
  - Agencies appointed by the AMC
30. A bond with a coupon rate of 9% when current coupons for bonds of similar maturities are 11% will sell:
- At a price which is not related to interest rates for similar maturities
  - Above face value
  - At face value
  - Below face value
31. Distributors need to abide by rules and good conduct towards investors, because

- a. AMFI code of conduct requires them to do so      b. The AMC they represent requires them to do so      c. Good conduct means good business for them      d. For all of the above reasons

32. Insider trading means:

- a. Personal trading transaction done by anyone with knowledge of the fund decisions in the concerned security
- b. Personal trading transaction done by an insider of the AMC /fund
- c. Personal trading transaction done by anyone associated with the fund
- d. Personal trading transaction done without prior approval of the AMC

33. Responsibility to ensure ethical behavior on part of all mutual fund participants finally rests on

- a. Fund Trustees
- b. SEBI
- c. AMFI
- d Distributors

34. Fund House ratings by CRISIL, can be used by distributors

- a. to know CRISIL's opinion on the fund management practices and over all management quality of an AMC / fund house
- b. to know risk of default by the AMC . Fund house
- c. to evaluate the performance of the schemes managed by the AMC / FUND HOUSE
- d. to compare the performance of the schemes managed by different fund houses

35. Asset allocation of a portfolio should be re-evaluated every time there is change in the

- a. Family size and requirement
- b. market condition
- c. Job of the investor
- d. all of the above

36. When would you review the financial plans of your client?

- a. Whenever the investor's personal circumstances or financial goals change
- b. Whenever stock market prices fall sharply
- c. Shortly before the filing of the Income Tax returns of your client
- d. Each year at the time of the presentation of the Government budget

37. A five-year deep discount bond would?

- a. Pay interest on a quarterly basis
- b. Pay interest on a yearly basis
- c. Be redeemed on maturity at the face value which is higher than the issue price with no payments in between
- d. Would offer yield tax free income

38. Sharpe and Treynor ratios are measures of

- a. Average return
- b. risk
- c. risk adjusted return
- d. beta of the portfolio

39. Jacob recommend of the following risk allocation for a low risk portfolio:

- a. 50% govt. Securities fund + 50% Money Market funds
  - b. 50% govt. Securities fund + 50% Index fund
  - c. 50% govt. Securities fund + 50% international funds
  - d. 50% govt. Securities fund + 50% aggressive growth funds
40. Which classification of mutual funds does not exist?
- a. Pension fund or provident fund
  - b. Closed – end or open – end
  - c. Load fund or no load fund
  - d. Active fund or passive fund
41. Unit capital is found in the
- a. Liability side of scheme's balance sheet
  - b. asset side of the balance sheet
  - c. Revenue account
  - d. equalization account
42. A sponsor of a mutual fund
- a. can act as the distributor of the mutual fund
  - b. cannot act as the distributor of the mutual fund
  - c. can act as the trustee of the mutual fund
  - d. can act as the custodian of the mutual fund
43. To create investor awareness about mutual funds, a booklet titled “Making Mutual Fund Work for you – The Investors Guide” was published by
- a. SEBI
  - b. AMFI
  - c. Unit Trust of India
  - d. Investor Education and Protection fund
44. Distributors will find the information on performance of a scheme as compared to its benchmark in the
- a. Key information Memorandum
  - b. Offer Document
  - c. Fund Advertisements
  - d. all of the above
45. SEBI guidelines on personal investment and trading apply to
- a. AMC employees and fund trustees
  - b. only AMC employees
  - c. Only fund trustee's
  - d. anyone concerned with the funds
46. The “Load” charged to an investor in a mutual fund goes to meet the
- a. Selling and distribution expenses
  - b. expenses of AMFI
  - c. Printing stationery and posting expenses
  - d. marketing and sales promotion expenses
47. Which of the following statements is an adequate description of reality?
- a. When compared to gilt funds, securities in debt funds have higher risk of default

- b. Growth and risk are associated with equity funds
- c. Debt fund have higher NAV fluctuation when compared to money markets funds
- d. All these statements describe reality adequately

48. Which of the following is true?

- a. A fund sponsor can contribute to the initial corpus of the trust
- b. A fund sponsor can contribute to the capital of the AMC
- c. A fund sponsor can invest in his own fund's schemes
- d. All of the above

49. A unit holder purchased 200 units of a mutual fund at NAV of Rs.12, each. There was no entry load. The fund purchased securities worth Rs.2400 using this money. After one year the fund had 20,000 units. The value of unit holders holding in that mutual fund would be

- a. Rs.2400
- b. 1% of the value of fund's portfolio at the time
- c. 1% of the net assets of the fund at that time
- d. cannot say with the given data

50. Which of the following is NOT a characteristic of mutual fund

- a. Pooling of investments
- b. market risk
- c. Uniform unit holder rights
- d. Safety of principal

51. Which of the following is incorrect?

- a. A value fund tries to seek out fundamentally sound companies whose shares are currently overpriced in the market
- b. A balanced fund hold assets more or less in equal proportions between debt /money market securities and equities
- c. A growth fund would invest in the equity shares of companies whose earning are expected to rise at an above average rate
- d. A fund that invests only in ASEAN countries is an example of specialty fund

52. The annualized value of contingent deferred sales charge would

- a. Increase if the investor stays with the fund longer
- b. Remain content regardless of how long the investor stays with the fund
- c. Decrease if the investor stays with the fund longer
- d. None of the above.

53. Which is / are the characteristic(s) of fixed term plans noticed in the Indian mutual fund industry?

- a. Close – ended
- b. Maturity shorter than one year
- c. Not listed on stock exchange
- d. all of these

54. Each unit holder of a mutual fund is

- a. a creditor to that mutual fund
- b. a debtor to that mutual fund
- c. a trustee of that mutual fund
- d. part owner of the assets of that mutual fund



55. Mutual funds offer the advance of portfolio diversification. This is best expressed by the statement.

- a. do not put all eggs in one basket
- b. one bird in hand is better than two in the bush
- c. What goes up must come down
- d. risk and return always goes hand in hand

56. Fund A invests in shares of companies in India. Fund B invests in shares of companies in India and USA. We can say that

- a. Definitely A is more diversified than B
- b. Definitely A and B are well-diversified
- c. We need more information to identify which of them is better diversified
- d. Definitely B is more diversified than A

57. Value averaging means:

- a. Investing the same amount of funds regularly
- b. Investing in one lump sum amount
- c. Keeping the target value of investment constant by investing the amount by which the investment value has gone down
- d. None of the above

58. A fund has to Beta of greater than 1. This means:

- a. The fund is more volatile than the market
- b. the fund is as volatile as the market.
- c. The fund is less volatile than the market
- d. none of the above.

59. For a small investor in India, which of the following is expected to have a higher level of liquidity?

- a. Equity shares in an unlisted company
- b. Debenture issued by a company
- c. Unit of an open-ended MF
- d. Real estate.

60. In a mutual fund, the NAV per unit is 12. Total number of units is 100. Total assets of this fund would be

- a. less than Rs 1200
- b. exactly Rs 1200.
- c. more than Rs 1200
- d. cannot say anything without additional information.

61. A close ended mutual fund has a fixed

- a. market value of assets under management
- b. net asset value per unit.
- c. unit capital and number of units
- d. number of units.

62. An open end scheme can change its fundamental attributes.

- a. by obtaining the consent of 75% of unit-holders at least
- b. by allowing unit-holders to exit the scheme after six months without any exit load
- c. by informing each unit-holder individually of the proposed change and by allowing units holders to exit the scheme without any exit load.**

d. After obtaining prior approval from SEBI

63. If an investor failed to claim the redemption proceeds after 3 years of due date he has right to receive an amount equal to:

- a. Prevailing NAV
- b. Face value of the unit
- c. due date NAV plus interest @ 15% p.a.
- d. NAV at the end of three years after the due date.

64. Right to timely service includes.

- a. the right to obtain information from the trustees that may have adverse bearing on their investments.
- b. Right to nominate a person in whom all the beneficial ownership rights in the units will vest in the event of death
- c. Right to receive dividend warrants in 30 days from the date of declaration
- d. Right to receive a copy of the annual financial statement of the fund.

65. Yield curve is a graph that shows.

- a. yields of various equities of various firm.
- b. Yield from mutual funds.
- c. Yields of various bonds of various maturities using one set of bonds such as G Secs
- d. None of the above.

66. A unit of an open-end fund was purchased when its NAV was Rs 40/-At year end, its NAV was Rs 44. The percentage annualized change in NAV is.

- a. 12%
- b. 10%
- c. 25.00%
- d. 15.00%

67. As per SEBI (Mutual Fund) Regulation, who acts as the protector of unit-holder's interest?

- a. Trustees
- b. SEBI
- c. Ministry of Finance
- d. Compliance officer

68. A no load bond scheme of a mutual fund has weekly average net assets of Rs.200 crores it can charge maximum investment management fee of

- a. Rs. 4.25 Cr
- b. 2.5 Cr
- c. 2 cr
- d. 5 cr

69. Units of mutual fund are short term capital assets if

- a. They are held for not more than twelve months preceding the date of transfer.
- b. They are held for less than twelve months preceding the date of transfer.
- c. They are held for not more than three years preceding the date of transfer.
- d. They are held for less than three years preceding the date of transfer.

70. An investor has opted for a Systematic Transfer Plan. This means.

- a. he can transfer on a periodic basis a specified amount from one scheme to another
- b. he is required to invest a fixed sum periodically
- c. the investment would provide the benefit of rupee cost averaging
- d. He can transfer on a periodic basis a specified amount from the scheme to his bank account

71. Which of the following is NOT required to appear on the cover page of the offer document?

- a. Date new fund offer opens
- b. Date new fund offer closes
- c. Earliest closing date (if any) for the new fund offer
- d. Date on which approved by trustees.

72. A mutual fund launched a new scheme. It issued 10 crores units. The offer document mentioned entry load of 2.25% of face value. During the New Fund Offer period issue expenses were Rs 8 crores. How much of this is borne out of entry load?

- a. 2.25 cr
- b. Rs. 6 cr
- c. Rs 8 cr
- d. Rs 3.75 cr

73. A mutual fund launched a new scheme. It issued 10 crores units. The offer document mentioned entry load of 2.25% of face value. During the new fund offer period issue expenses were Rs. 8 crores. If initial issue expense is amortized over 5 years period, what would be the opening NAV per unit if management fees and other recurring expenses are zero? Assume that there is no reflection in value of underlying assets.

- a. 9.9998
- b. 10.00
- c. 9.4000
- d. 9.775

The logo for Prudential Asset Management is displayed. It features the word "PRUDENTIAL" in large, bold, red capital letters. Below it, the words "ASSET MANAGEMENT" are written in smaller, blue capital letters. To the right of the text is a stylized graphic of a person's head and shoulders, rendered in a light blue or grey tone.

## AMFI Practice Test Answers

1. a
2. d
3. b
4. b
5. d
6. d
7. a
8. b
9. c
10. a
11. d
12. d
13. d
14. c
15. d
16. d
17. a
18. d
19. a
20. a
21. c
22. a
23. b
24. d
25. c
26. c
27. d
28. a
29. d
30. d
31. d
32. a
33. b
34. a
35. d
36. a
37. c
38. c
39. a
40. a
41. a
42. b
43. b
44. d
45. d
46. a
47. d
48. d
49. d



- 50. d
- 51. a
- 52. c
- 53. c
- 54. d
- 55. a
- 56. c
- 57. c
- 58. a
- 59. c
- 60. d
- 61. c
- 62. c
- 63. d
- 64. c
- 65. c
- 66. b
- 67. a
- 68. a
- 69. a
- 70. a
- 71. d
- 72. b
- 73. a



### Sample Test - 1

1. A mutual fund is not (1 mark)
  - a. A portfolio of stocks, bonds and other securities
  - b. A company that manages investment portfolios
  - c. A pool of funds used to purchase securities on behalf of investors
  - d. A collective investment vehicle
2. After UTI, the first mutual funds were started by (1 mark)
  - a. Private sector banks
  - b. Public sector banks
  - c. Financial institutions
  - d. Non-banking Finance Companies
3. Mutual fund can benefit from economics of scale because of (1 mark)
  - a. Portfolio diversification
  - b. Risk reduction
  - c. Large volume of trades
  - d. None of the above
4. Equity Linked Savings Scheme does not have which of the following features? (2 marks)
  - a. It entitles the unit holder to tax rebate
  - b. The investment is locked in for 3 years
  - c. A minimum stated level of investments is made in equity and equity related instruments
  - d. None of the above
5. A close ended mutual fund has a fixed (1 mark)
  - a. NAV
  - b. Fund Size
  - c. Rate of Return
  - d. Number of Distributors
6. Of the following fund types, the highest risk is associated with (1 mark)
  - a. Balanced Funds
  - b. Gilt Funds
  - c. Equity Growth Funds
  - d. Debt Funds
7. The custodian of a mutual fund: (2 marks)
  - a. Is appointed for safekeeping of securities
  - b. Need not be an entity independent of the sponsors
  - c. Not required to be registered with SEBI
  - d. Does not give or receive deliveries of physical securities
8. The Mutual fund is constituted as (1 mark)
  - a. A Trust
  - b. A Private limited company
  - c. An asset management company
  - d. A trustee company

9. A Self Regulatory Organisation can regulate (1 mark)
- a. All entities in the market
  - b. Only its own members in a limited way
  - c. Its own members with total jurisdiction
  - d. No entity at all
10. Bank owned Mutual Funds are supervised by (1 mark)
- a. SEBI
  - b. RBI
  - c. Jointly by SEBI & RBI
  - d. AMFI
11. In case of merger of two AMC, 75% of the unit holders have to approve the merger in case of (1 mark)
- a. Open ended funds
  - b. Both open and close ended funds
  - c. Close ended funds
  - d. None of the above
12. The first level regulator of AMCs is (1 mark)
- a. Board of Trustees
  - b. Company Law Board
  - c. SEBI
  - d. RBI
13. As per SEBI guidelines, a due diligence certificate is not (2 marks)
- a. Signed by a Compliance Officer of the mutual fund
  - b. A certificate that all legal formalities of a scheme are completed
  - c. Attached to Annual report
  - d. A part of offer document
14. An offer document contains an AMCs investor grievances history for the past (1 mark)
- a. 1 fiscal year
  - b. 2 fiscal year
  - c. 3 fiscal year
  - d. Six months
15. For scheme to be able to change its fundamental attributes, the fund managers must obtain the consent of (2 marks)
- a. 50% of the unit holders
  - b. 50% of the trustees
  - c. 75% of the unit holders
  - d. None of the above
16. SEBI does not require the following to be included in the offer document issued by a mutual fund (1 mark)
- a. Details of the Sponsor and the AMC
  - b. Description of the Scheme & investment objective/strategy
  - c. Investors' Rights and Services

d. Performance of other mutual funds

17. Mutual funds do not justify the need for paying commission to agents when the investors skip out of

the scheme before a specified period. In India this practice is adopted by (2 marks)

- a. Agents voluntarily paying back the commission to the Mutual fund
- b. Trail commission is not paid to the agents
- c. None of the above
- d. The whole of commission is paid to the agents

18. An aggrieved unit-holder of a mutual fund can sue (1 mark)

- a. The AMC
- b. The trustees
- c. The sponsor if returns have been guaranteed by them
- d. None of the above

19. Distributors or agents (1 mark)

- a. Can distribute several mutual funds simultaneously
- b. Cannot appoint sub-agents or sub-brokers
- c. Should be only individuals not companies or banks
- d. Should not be an employee or associate of the AMC

20. If a charitable trust approaches a distributor with an application for investment in a mutual fund, the distributor should (2 marks)

- a. Accept the application without wasting time
- b. Reject the application outright
- c. Refer to the offer document
- d. Accept the application as a direct application

21. One of your friends who have invested in a mutual fund is about to get Canadian citizenship. What would you advise? (2 marks)

- a. He should transfer the investment to his relative
- b. He should get RBI approval for continuing
- c. If he does not need the money, he can continue
- d. He should immediately redeem his investment since foreign citizens are not eligible investors

22. The AMFI code of ethics does not cover the following prescriptions (1 mark)

- a. Adequate disclosures should be made to the investors
- b. Funds should be managed in accordance with stated investment objectives
- c. Conflict of interest should be avoided in dealings with directors or employees
- d. Each investment decision should be approved by investors

23. Unit holders' right to information does not include (2 marks)

- a. Obtaining from the trustees any information having an adverse effect on their investments
- b. Inspecting major documents of a fund
- c. Receiving of a copy of the annual financial statements of that fund
- d. Approving investment decisions of the fund



24. A Debt fund distributes 10% dividend. How much tax does the investor have to pay on this dividend?

(2 marks)

- a. 10%
- b. 12%
- c. 20%
- d. None

25. Contingent Deferred Sales Charge (CDSC) (1 mark)

- a. Is higher for investors who stay invested in the scheme longer
- b. Is lower for investors who stay invested in the scheme longer
- c. Is the same for all investors irrespective of how long they stay invested
- d. Is not allowed to be charged to mutual fund investors in India

26. The amount required to buy 100 units of a scheme having an entry load of 1.5% and NAV of Rs.20 is:(2 marks)

- a. Rs.2000
- b. Rs.2015
- c. Rs.1985
- d. Rs.2030

27. A high P/E multiple of a fund in comparison to average market multiple could be of (1 mark)

- a. Value fund
- b. Growth fund
- c. Balanced fund
- d. Equity diversified fund

28. A company whose earnings are strongly related to the state of economy is a (1 mark)

- a. Economy stocks
- b. Cyclical Stocks
- c. Value Stocks
- d. Growth stocks

29. A value manager does not look for (2 marks)

- a. Stocks that are currently undervalued in the market
- b. Stocks whose worth will be recognized by the market in the long term
- c. High current yield
- d. Long term capital appreciation

30. A bond's rating indicates its (1 mark)

- a. Reinvestment risk
- b. Default risk
- c. Inflation risk
- d. Interest-rate risk

31. When interest rates rise, bond prices (2 marks)

- a. Also rise
- b. Fall
- c. Are not affected
- d. Fluctuate either up or down

32. As per SEBI, mutual funds can borrow for short term to the extent of (2 marks)

- a. Total net assets
- b. 50% of net assets
- c. 25% of net assets
- d. 20% of net assets

33. A mutual fund is not allowed to invest in the sponsor company, (2 marks)

- a. >25% of its net assets
- b. >10% of its net assets
- c. Not at all
- d. >5% of net assets

34. Liabilities in the balance sheet of a mutual fund are (1 mark)

- a. In the form of long-term loans
- b. Strictly short term in nature
- c. Combination of long term and short term
- d. Not allowed as per regulations

35. A fund's weekly average net assets are Rs. 1000 crore. What is the limit on the expenses of the fund?

(2 marks)

- a. Rs. 10.5 crore
- b. Rs. 10.25 crore
- c. Rs. 20.5 crore
- d. Rs. 17.5 crore

36. A fund's investments at market value total Rs.700 crores, Total liabilities stand at Rs.50 lacs and the number of units outstanding is 28 Crores. What is the NAV? (2 marks)

- a. Rs.30.19
- b. Rs.24.98
- c. Rs.32.15
- d. Rs.40.49

37. For valuation of traded securities, which of the following is not true? (1 mark)

- a. The security is valued at the last quoted price
- b. The security is valued on the basis of earnings capitalisation
- c. Marking to market is applied
- d. If the security has not been traded on valuation date, the trading price on any previous date may be used, provided that date is not more than 30 days prior to valuation date.

38. A high portfolio turnover in an equity fund means (1 mark)

- a. The fund is very active in market
- b. Transaction costs are high
- c. The fund may be quite risky
- d. All of the above

39. An actively managed equity fund expects to (1 mark)

- a. Be able to beat the benchmarks
- b. Earn the same returns as the benchmark

- c. Have no benchmarks
  - d. Under-perform when compared with the benchmark
40. An Investor buys one unit of a fund at an NAV of Rs.20. He receives a dividend of Rs.3 when the NAV is Rs. 21. The unit is redeemed at an NAV of Rs.22. Total Return is (2 marks)
- a. 25.71%
  - b. Rs. 27.51
  - c. 21.27%
  - d. Rs. 21.75%
41. For evaluating sectoral funds, the preferred benchmark would be the (1 mark)
- a. BSE Sensex
  - b. S&P CNX Nifty
  - c. BSE 200
  - d. S&P CNX Sectoral Indices
42. The appropriate benchmark for evaluating a fund's performance depends on (1 mark)
- a. The fund manager
  - b. The investment objective of the fund
  - c. SEBI
  - d. AMFI
43. The Expense Ratio as a measure of a fund's performance is defined as (2 marks)
- a. Total expenses and average net assets
  - b. Total expenses and total assets
  - c. Average expenses and average net assets
  - d. None of the above
44. The most suitable measure of fund performance for all fund types is (1 mark)
- a. NAV Change
  - b. Total Return
  - c. Total Return with reinvestment
  - d. None of the above
45. Financial planners and their clients should focus on (1 mark)
- a. Allocating funds to asset classes (e.g. debt, equity etc.)
  - b. Allocating funds to individual securities
  - c. Tracking stocks which they feel have potential
  - d. None of the above
46. Financial Planning comprises (1 mark)
- a. Defining a client's profile and goals
  - b. Recommending appropriate asset allocation
  - c. Monitoring financial planning recommendations
  - d. All of the above
47. Which of the following is the first step in financial planning (1 mark)
- a. Asset Allocation
  - b. Selection of fund
  - c. Studying the features of a scheme
  - d. None of the above

48. Within an asset class, which individual security to invest in should be decided by (2 marks)?

- a. The financial planner
- b. The investor himself
- c. A professional fund manager
- d. An objective advisor

49. The biggest disadvantage of investment in real estate is (1 mark)

- a. Less potential for capital appreciation
- b. High purchase price
- c. Depreciation in value as time passes
- d. Value gets eroded due to inflation

50. The current yield on Indira Vikas Patra works out to (1 mark)

- a. 10.5%
- b. 11%
- c. 10%
- d. 9%

51. The maturity period of RBI Relief Bonds is (2 marks)

- a. 5 years
- b. 6 years
- c. 7 years
- d. 8 years

52. The most important factor look for when investing in a corporate fixed deposit is the (1 mark)

- a. Yield
- b. Rate of interest
- c. Credit rating of the deposit
- d. None of the above

53. The most important reason for an investor to prefer a bank deposit to a mutual fund is (2 marks)

- a. The creditworthiness of the bank
- b. Because the bank does not invest in securities
- c. That the bank offers a guarantee
- d. All of the above

54. Annual contribution to Public Provident Fund should be (2 marks)

- a. Rs.10000
- b. Between 100 and Rs.60000
- c. Between Rs.600 and Rs.1000
- d. None of the above

55. Compounding of interest is best explained by a (1 mark)

- a. Balanced fund
- b. Growth fund
- c. Value fund

d. Income fund

56. Listing of shares at a stock exchange ensures (1 mark)

- a. Guaranteed returns
- b. Long term capital appreciation
- c. Low risk
- d. High liquidity

57 The annual yield on RBI Relief Bonds is (2 marks)

- a. 9.5%
- b. 9.5% before tax
- c. 8.5% before tax
- d. 8.5% after tax

58. Flexible asset allocation means (2 marks)

- a. Continuously changing the ratio of various assets in the portfolio
- b. Not doing any re-balancing and letting the profits run
- c. Active switching
- d. None of the above

59. A very high proportion of investment in all types of equity funds is advisable for investors (1 mark)

- a. In distribution phase
- b. In accumulation phase
- c. In transition phase
- d. Who are wealth preserving affluent individuals

60. For older investors who want to transfer their wealth (2 marks)

- a. Financial planning is required
- b. The right investment strategy depends upon who the beneficiaries are
- c. The right investment strategy depends upon the state of the stock market
- d. All the funds can be invested in aggressive equity funds

61. Of the following, which would be suitable for a retiree with a modest risk appetite(1 mark)

- a. Value Fund
- b. Diversified Equity Fund
- c. Growth Fund
- d. Balanced Fund

62. The strategy advisable for an investor to maximise investment return in the long run is (2 marks)

- a. Buy and hold on to investments for a long time
- b. Liquidate poorly performing investments from time to time
- c. Liquidate good performing investments from time to time
- d. Switch from poor performers to good performers

63. The transition phase of an investor's wealth cycle is when the (1 mark)

- a. Financial goals have been already met
- b. The investor has retired
- c. Financial goals are approaching

d. Investor suddenly gets a windfall

64. Which of the following lets an investor book profits in a rising market and increase holdings in a falling market (2 marks)

- a. Fixed Rates of Asset Allocation
- b. Flexible Ratio of Asset Allocation
- c. Investment without any asset allocation plan
- d. Buy and Hold Strategy

65. A criticism of rupee-cost averaging is (2 marks)

- a. Investment is for the same amount at regular intervals
- b. Over a period of time, the average purchase price will work out lower than if one tries to guess the market highs and lows
- c. It does not tell you when to buy, sell or switch from one scheme to another
- d. Rupee cost averaging has no serious shortcomings

66. A wealth preserving affluent investor is likely to invest pre-dominantly in (2 marks)

- a. Equity securities
- b. Debt funds and fixed income securities
- c. Money market
- d. Real estate

67. A fund with stable positive earnings (1 mark)

- a. Gives higher returns
- b. Is less risky
- c. Gives lower returns
- d. Is more risky

68. Investors should be advised to avoid investing in a debt fund with a (2 marks)

- a. Lower rated portfolio and higher expense ratio
- b. Higher rated portfolio and lower expense ratio
- c. Lower rated portfolio and lower expense ratio
- d. None of the above

69. Which of the following funds should a risk-averse investor choose? (2 marks)

- a. Gross dividend yield 15% Beta 1.5, Ex-Marks 90
- b. Gross dividend yield 10%, Beta 1, Ex-Marks 70
- c. Gross dividend yield 11%, Beta 0.9, Ex-Marks 80
- d. Gross dividend yield 12%, Beta 1.2, Ex-Marks 80

**Answers**  
**Sample Test – 1**

1. b.
2. b
3. c
4. d
5. b
6. c.
7. a
8. a
9. b
10. c
11. c
12. a
13. c
14. c
15. d
16. d
17. b
18. b
19. a
20. c
21. d
22. d
23. d
24. d
25. b
26. d
27. b
28. b
29. c
30. b
31. b
32. d
33. a
34. b
35. c
36. b
37. b
38. d
39. a
40. a
41. d
42. b
43. a
44. c
45. a
46. d
47. a
48. c
49. b



- 50. a
- 51. a
- 52. c
- 53. a
- 54. b
- 55. b
- 56. d
- 57. d
- 58. b
- 59. b
- 60. b
- 61. d
- 62. d
- 63. c
- 64. a
- 65. c
- 66. b
- 67. b
- 68. a
- 69. c





## Sample Test 2

1. The Board of Trustees of the UTI does not have nominees from (1 mark)
  - a. RBI
  - b. LIC
  - c. IDBI
  - d. The Bombay Stock Exchange (BSE)
2. A gilt fund is a special type of fund that invests (1 mark)
  - a. In very high quality equity only
  - b. In instruments issued by companies with a sound track record
  - c. In short-term securities
  - d. In government securities only
3. The private sector was granted permission to enter the mutual fund industry in (1 mark)
  - a. 1992
  - b. 1993
  - c. 1998
  - d. 1995
4. A close-ended scheme is quoted on the stock exchange at a discount to its NAV when (2 marks)
  - a. The markets are bearish
  - b. Investors perceive that the fund will be unable to maintain the NAV
  - c. The assets of the fund are undervalued
  - d. None of the above
5. In the re-investment option offered by mutual funds, the number of units held by an investor increases because of (2 marks)
  - a. Growth in net asset value
  - b. Reinvestment of dividend
  - c. Interest received on the fund's assets
  - d. None of the above
6. Transfer Agents of a mutual fund are not responsible for (1 mark)
  - a. Issuing and redeeming units of the mutual fund
  - b. Updating investor records
  - c. Preparing transfer documents
  - d. Investing the funds in securities markets
7. Who is the primary guardian of unit holders' funds/assets (1 mark)?
  - a. The AMC
  - b. The Trustees
  - c. The Registrars
  - d. The custodians
8. If the schemes of a mutual fund are taken over by another mutual fund, which of the following is false?(2 marks)
  - a. There is a change in the AMC of the schemes that are taken over
  - b. There is a change in the Sponsor of the schemes that are taken over

- c. The scheme has to be wound up compulsorily
  - d. The schemes' offer documents have to be changed and updated.
9. The amount of authority enjoyed by a self-regulatory organisation is defined by (1 mark)
- a. The apex regulatory authority
  - b. Company law board
  - c. Its own members
  - d. RBI



10. The role of AMFI in the mutual funds industry is not to (1 mark)
- a. Promote the interests of the unit holders
  - b. Set a Code of Ethics
  - c. Regulate mutual funds
  - d. Increase public awareness of mutual funds in the country
11. A due diligence certificate does not certify that (2 marks)
- a. The draft offer document forwarded to SEBI is in accordance with SEBI regulations
  - b. All legal requirements connected with launching of the scheme have been complied with
  - c. Disclosures made in the offer document are true, fair and adequate
  - d. The AMC guarantees a good performance
12. Along with the application, it is mandatory to distribute (1 mark)
- a. Investment rebate
  - b. Offer document
  - c. Key information memorandum
  - d. None of the above
13. An offer document contains the summary of expenses history of all schemes for the past (2 marks)
- a. 1 fiscal year
  - b. 2 fiscal year
  - c. 3 fiscal year
  - d. Six months
14. Excess distribution expenses are to be borne by the (1 mark)
- a. AMC
  - b. Unit holders
  - c. SEBI
  - d. AMFI
15. Offer Document of a mutual fund is (1 mark)
- a. Required by investors
  - b. Required by the AMC for its own reference
  - c. Required as per SEBI regulations
  - d. Not mandatory as per SEBI
16. Procedure for redemption or repurchase need not (2 marks)
- a. Be described in the offer document
  - b. Include how redemption or repurchase price of units would be determined
  - c. Include names of centers where redemption can be effected
  - d. Indicate the redemption or repurchase price as at the end of the current fiscal year
17. SEBI guidelines for agents includes (2 marks)
- a. Agents can sell products of a single mutual fund
  - b. Agents can sell products of mutual funds with whom he has entered into agreements
  - c. Agents could be only individuals
  - d. None of the above
18. Agents are compensated by mutual funds (1 mark)
- a. Through salaries

- b. Through commissions
- c. Through an annual fee
- d. Not in cash but in kind

19. An agent's appointment by a fund (1 mark)

- a. Requires SEBI's approval
- b. Is a lengthy and cumbersome process
- c. Is mandatorily preceded by an AMFI test
- d. Does not require any approval



20. An investor buys units in a fund that has given excellent returns in the past, but his expectations are not met, as the fund does not perform well this year. The investor can (2 marks)
- Sue the AMC
  - Sue the Trustees
  - Sue the agent
  - None of the above
21. Are Overseas Corporate Bodies allowed to invest in Mutual Funds (1 mark)?
- No
  - Yes
  - If Ministry of Finance approves
  - If AMFI approves
22. Documents available to investors for inspection do not include (1 mark)
- Memorandum and Articles of Association of AMC
  - Consent of auditors and legal advisors
  - Investment management reports
  - Reports based on which actual investments are made
23. Distribution tax should be taken into account when computing net returns from (2 marks)
- Equity funds
  - Debt funds
  - Both the above
  - None of the above
24. A mutual fund declares Re 1 as distribution. The income in the hands of unit holders is (2 marks)
- Taxable at 20%
  - Not taxable in the hands of unit holders
  - Information is inadequate to assess tax liability
  - Income tax will be assessed as per unit holder's liability
25. For a close-ended fund, the repurchase price should not be lower than (2 marks)
- NAV
  - 95% of NAV
  - 93% of NAV
  - 97% of NAV
26. The "load" charged to an investor in a mutual fund is (1 mark)
- Entry fee
  - Cost of the paper on which the unit certificates are printed
  - The fee the agent charges to the investor
  - The expenses incurred by fund managers for marketing a mutual fund scheme
27. A passive fund has the following feature (2 marks)
- A passive fund tracks the index
  - A passive fund matches the performance of the index
  - A passive fund selects the stocks that are present in the index
  - All of the above

28. A growth manager looks for (1 mark)
- a. High current income
  - b. Undervalued stocks
  - c. Above average earnings growth
  - d. None of the above
29. An owner of preference shares is given which of the following rights (2 marks)
- a. Voting rights
  - b. Fixed dividend income from post-tax profits
  - c. Voting rights and unlimited dividend income
  - d. No guaranteed rights
30. Continuous tracking of the companies in which a mutual fund has invested is done by (1 mark)
- a. Continuous tracking systems
  - b. Equity analysts
  - c. Trustees
  - d. Security dealers
31. Dividend yield for a stock is (1 mark)
- a. Dividend per share
  - b. Dividend per face value
  - c. Dividend per share to current market price
  - d. None of the above
32. Which of the following is applicable to the debt market in India? (1 mark)
- a. The debt market is a wholesale market
  - b. There are large players like banks, financial institutions, mutual funds, etc
  - c. Government securities are traded on a large scale
  - d. All of the above
33. A bond with a coupon of 9% when interest rates for similar maturities are 11% will sell (2 marks)
- a. Above par
  - b. Below par
  - c. At par
  - d. At a price unrelated to the prevailing interest rate
34. Certificates of Deposits (CDs) are issued by (1 mark)
- a. Regional Rural Banks
  - b. Corporates
  - c. Scheduled commercial banks
  - d. None of the above
35. Current yield relates interest on a security to (1 mark)
- a. Its current market price
  - b. Its face value
  - c. Its fair value
  - d. The current price of T-Bills
36. A mutual fund may transfer investments from one scheme to another (1 mark)

- a. Not at all
- b. At current market rates
- c. At cost price
- d. At a fixed premium over market rate

37. Mutual funds are allowed to borrow (2 marks)

- a. Freely to meet their requirements
- b. For investment purposes only
- c. Only to meet redemption demands
- d. Not allowed at all

38. Which of the following measures are not taken by SEBI for protecting investors of mutual funds

(2 marks)

- a. Mandating minimum levels of diversification for mutual funds
- b. Ensuring that the funds are not used to favour a few companies
- c. Tracking the securities that each fund has invested in
- d. Ensuring that the funds are invested in approved securities only

39. In a mutual fund investors' subscriptions are accounted for as (1 mark)

- a. Liabilities
- b. Deposits
- c. Unit capital
- d. None of the above

40. A fund's NAV is affected by (2 marks)

- a. Purchase and sale of investment securities
- b. Valuation of all investment securities held
- c. Units sold or redeemed
- d. All of the above

41. Which of the following expenses cannot be charged to the scheme (1 mark)

- a. Audit fees
- b. Costs related to investor communication
- c. Winding costs for terminating the scheme
- d. Penalties and fines for infraction of laws

42. The valuation norm for non-investment grade, performing assets is done: (2 marks)

- a. On YTM basis using the Crisil valuation methodology
- b. On YTM basis with 25% discount
- c. At 25% discount to face value
- d. At face value

43. Valuation norms for non-traded securities should be disclosed (1 mark)

- a. At the end of every financial year
- b. Every quarter
- c. In the offer document at the time of launch of the scheme
- d. Should not be disclosed, being confidential information

44. As per SEBI guidelines, a security is to be treated as untraded when (1 mark)

- a. Security is never traded on stock exchange

- b. Security is not traded for 30 days
- c. Security is not traded for 60 days
- d. None of the above

45. Ex-marks with 100 % could be for the following fund: (1 mark)

- a. Growth fund
- b. Index fund
- c. Value fund
- d. Balanced fund

46. A high turnover rate for a fund indicates (1 mark)

- a. High transaction costs
- b. Greater efficiency
- c. High returns to the investor
- d. A rising market

47. An investor can assess the performance of his mutual fund by comparing it with the performance of (2 marks)

- a. Other mutual fund of the same type
- b. The stock market
- c. Other financial products
- d. All of the above

48. If the NAV of an open-ended fund was Rs.16 at the beginning of the year and Rs.22 after 13 months, the annualized change in NAV is (2 marks)

- a. 6.0%
- b. 34.6%
- c. 40.6%
- d. 37.5%

49. The choice of an appropriate benchmark for evaluating a fund's performance depends on (1 mark)

- a. The fund manager
- b. The investment objective of the fund
- c. SEBI
- d. AMFI

50. When comparing a fund's performance with that of its peer group, the following cannot be compared (2 mark)

- a. Two debt funds with 5 year maturities
- b. A broad-based equity fund with an IT Sector Fund
- c. A bond fund with a bond index
- d. A government securities fund with a government security

51. Which of the following is false? (2 marks)

- a. ROI is a measure similar to Total Return with Reinvestment of distribution
- b. Total Return with Reinvestment of distributions assumes reinvestment at NAV on the distribution date
- c. As a measure of performance, Total Return with Reinvestment of distribution seeks to overcome the shortcomings of simple Total Return



d. Because of its simplicity, simple Total Return is preferred in practice to Total Return with Reinvestment of distribution

52. Financial planning allows a person (1 mark)

- a. To become a billionaire
- b. To achieve financial goals through proper management of finances
- c. To invest in foreign countries
- d. None of the above

53. Financial Planning comprises (1 mark)

- a. Defining a client's profile and goals
- b. Recommending appropriate asset allocation
- c. Monitoring financial planning recommendations
- d. All of the above

54. Financial planning does not include: (2 marks)

- a. Enabling investors to define financial goals
- b. Assessing the investors risk and return requirements
- c. Recommending an appropriate asset allocation
- d. Selecting securities that will be included in the investor's portfolio

55. A small investor can build a diversified portfolio by (1 mark)

- a. Buying one share each of all listed companies
- b. Investing in a mutual fund
- c. Borrowing enough money to buy shares of well-managed companies
- d. None of the above

56. Direct investment in stock market can be a better option than investing through mutual funds if the investor (2 marks)

- a. Wants better returns than those offered by mutual funds
- b. Has large capital, knowledge and resources for research
- c. Has identified a bullish phase in the stock market
- d. Wants to invest for the long term

57. Indira Vikas Patra is an investment product popular with (1 mark)

- a. Rural investors
- b. Investors in high tax bracket
- c. Urban investors
- d. Investors who want to protect their identity

58. Most individuals invest in life insurance policies for (1 mark)

- a. Risk protection
- b. Tax benefits
- c. Easy liquidity
- d. High returns

59. Which of the following about PPF is false? (2 marks)
- a. Investments have to be made from taxable income of the relevant year.
  - b. Investments once made cannot be withdrawn until maturity.
  - c. Both interest and principal are tax free in the year of withdrawal.
  - d. Investments enjoy tax benefits under Section 88 of the IT Act.
60. The difference between debenture and bond is: (2 marks)
- a. Bonds are issued by corporations and debentures are issued by PSUs.
  - b. Bonds are unsecured and debentures are secured.
  - c. Bonds are backed by loans and debentures are backed by assets
  - d. None of the above.
61. A criticism of rupee-cost averaging is (2 marks)
- a. Investment is for the same amount at regular intervals
  - b. Over a period of time, the average purchase price will work out lower than if one tries to guess the market highs and lows
  - c. It does not tell you when to buy, sell or switch from one scheme to another
  - d. Rupee cost averaging has no serious shortcomings
62. A high proportion of investment in income funds is required by (1 mark)
- a. Accumulating investors
  - b. Affluent investors
  - c. Investors in the inter-generational transfer phase
  - d. Investors in the distribution phase
63. A high proportion of investment in equity funds is advisable for investors (1 mark)
- a. In distribution phase
  - b. In accumulation phase
  - c. In transition phase
  - d. Who are wealth preserving affluent individuals
64. Investors who follow the fixed Asset Allocation approach (2 marks)
- a. Maintain balance in their portfolio by liquidating a part of the position in the asset class which has given higher return and reinvesting in the other asset class which has lower return
  - b. Are not disciplined
  - c. Increase their equity position when equity prices tend to climb
  - d. None of the above
65. Mutual fund investors should be advised to expect (1 mark)
- a. Low post tax returns
  - b. Dramatic results
  - c. Better returns than every other available option
  - d. Only realistic wealth accumulation
66. Which of the following fund types are comparable (2 marks)
- a. An aggressive equity fund and a money market mutual fund
  - b. A value fund and a government securities fund
  - c. A bond fund and a debt fund
  - d. A diversified equity fund and a debt fund

67. Which of the following is a disadvantage of standard deviation (2 marks)

- a. Standard Deviation measures total risk, not just market risk
- b. It is based on past returns, which does not necessarily indicate further performance
- c. It is an independent number
- d. All types of funds can be measured with standard deviation

68. Which of the following is most risky? (1 mark)

- a. Investing in a money market mutual fund
- b. Investing in an index fund
- c. Short term investment in an equity fund
- d. Long term investment in an equity fund



69. Yield-to-maturity of a debt fund is more important if the investment objective is (2 marks)
- a. Current income
  - b. Total return
  - c. Liquidity
  - d. All of the above



## Sample test 2

1. d
2. d
3. b
4. b
5. b
6. d
7. d
8. c
9. a
10. c
11. d
12. c
13. c
14. a
15. c
16. d
17. b
18. b
19. c
20. d
21. b
22. d
23. b
24. b
25. b
26. d
27. d
28. c
29. b
30. b
31. c
32. d
33. b
34. c
35. a
36. b
37. c
38. c
39. c
40. d
41. d
42. c
43. c
44. b
45. b
46. a
47. d
48. b
49. b
50. b



- 51. d
- 52. b
- 53. d
- 54. d
- 55. b
- 56. b
- 57. d
- 58. b
- 59. b
- 60. b
- 61. c
- 62. d
- 63. b
- 64. a
- 65. d
- 66. c
- 67. b
- 68. c
- 69. b
- 70.



### Sample Test 3

1. A systematic withdrawal plan is ideal for investors who
  - a. Seek growth as the main objective
  - b. Wish to benefit from market fluctuations
  - c. Prefer a regular income stream
  - d. Not sure about themselves
2. Gilt funds invest in
  - a. IT sector
  - b. AAA securities
  - c. Money market securities
  - d. Government bonds
3. Which of the following is recommended by Bogle for older investors in accumulation stage?
  - a. 50% in equity and 50% in debt
  - b. 60% in equity and 40% in debt
  - c. 70% equity and 30% debt
  - d. 40% equity and 60% debt
4. Illiquid securities in a portfolio
  - a. Cannot be transferred across schemes
  - b. Cannot be more than 15% of net assets
  - c. Cannot be more than 20% of net assets
  - d. a and b are true
  - e. a and c are true
5. Which of the following cannot invest in mutual funds?
  - a. NRIs
  - b. Charitable trusts
  - c. FIIs
  - d. Foreign investors
6. Which of the following is true for assured return schemes?
  - a. Name and net worth of guarantor to be given
  - b. Performance of past assured return schemes to be given
  - c. Whether assurance in earlier scheme was met to be stated
  - d. All of the above
7. Your friend in Dubai wants to invest in a mutual fund. She should be advised to read
  - a. Trust deed
  - b. SEBI regulations
  - c. Offer document
  - d. AMC balance sheet
  - e. All of the above
8. While deciding on asset allocation, an investor must consider
  - a. The stage of his life
  - b. The purpose of making investment
  - c. His risk appetite

d. All of the above

9. Mutual funds should be recommended as

a. Investments to achieve long term goals

b. A get-rich quick option

c. Investments to take advantage of stock market

d. All of the above





10. A fund manager who believes in the growth philosophy looks for companies with

- a. Above average earnings growth
- b. Large equity base
- c. Likely to go for public issue
- d. All of the above

11. An open ended fund can change its fundamental attributes by

- a. Allowing investors to exit after 6 months
- b. Allowing investors to exit at NAV without a load
- c. With consent of 75% of investors
- d. None of the above

12. Which of the following is not a SRO?

- a. BSE
- b. NSE
- c. AMFI
- d. None of the above

13. Which of the following do not provide a guarantee on capital?

- a. PPF
- b. NSC
- c. Post office deposits
- d. Units of mutual funds

14. Which are the benchmarks used to evaluate fund performance

- a. Return on benchmarks like S&P and Sensex
- b. Return on other funds
- c. Return on comparable instruments
- d. All of the above

15. Mutual funds can borrow:

- a. upto 25% of net assets
- b. upto 20% of net assets
- c. For period not exceeding 6 months
- d. Both a and c
- e. Both b and c

16. The second mutual fund to be set up in India after UTI was

- a. Canbank Mutual Fund
- b. Kothari Pioneer Mutual Fund
- c. Morgan Stanley Mutual Fund
- d. SBI Mutual Fund

17. The following is the fund you would advice to an investor who wants to invest for one year

- a. A debt fund with expense ratio of 1.15% and a entry load of 2%
- b. A debt fund with expense ratio of 1.2 % and a entry load of 2.5 %
- c. A debt fund with expense ratio of 1.5% and an entry load of 4%
- d. A debt fund with expense ratio of 0.5 % and entry load of 3%

18. Mutual funds are described as \_\_\_\_\_ in the SEBI Regulations, 1996

- a. Companies
- b. AMCs
- c. Trusts
- d. Agencies

19. What proportion of a mutual funds trustees have to be independent from the sponsor?

- a. 50%
- b. 2/3rd of trustees
- c. 3/4th of the trustees
- d. 60% of the trustees

20. Which of the following cannot be distributors of a mutual fund

- a. Sponsor
- b. Associate of sponsor
- c. Associate of AMC
- d. Employees of AMC

21. Stock exchanges can act as regulators of:

- a. SEBI registered mutual funds
- b. Closed end funds listed on the exchange
- c. All sectoral funds
- d. All equity mutual funds

22. A mutual fund cannot invest more than \_\_\_\_\_% of its net assets in un-rated debt of one issuer. Total investments in un-rated debt cannot exceed \_\_\_\_\_% of net assets.

- a. 10; 20
- b. 15; 25
- c. 10; 25
- d. 15;20

23. Which of the following is an ideal allocation for a wealth preserving affluent investor?

- a. 50% equity;50% debt
- b. 70% equity; 30% debt
- c. 30% equity;70% debt
- d. 100% equity

24. If a 8% bond with face value of Rs. 1,000 is selling for Rs. 1,100, what is the current yield?

- a. 8%
- b. 7.27%
- c. 7.8%
- d. 8.2%

25. If you maintain a flexible asset allocation you would

- a. Rebalance debt and equity periodically
- b. Rebalance debt and equity frequently
- c. Generally avoid portfolio re-balancing
- d. Keep fixed percentage in debt and equity at all times.

26. Which of the following will NOT require financial planning?
- a. A 40 years old doctor with substantial savings
  - b. A retiree who is currently getting an income of 4,000 but would want Rs.10,000 a month
  - c. An old person wanting to transfer all his wealth to his grandchildren
  - d. A young professional aged 26 years
27. What is the portfolio you will recommend to a young couple with two incomes and two children?
- a. 10% money market; 30% aggressive equity; 25% diversified equity; 35% bond funds
  - b. 40% aggressive equity; 30% money market; 30% bond fund
  - c. 60% equity; 30% money market; 10% debt
  - d. 70% bond funds; 30% equity funds
28. Financial planning is:
- a. Investing funds to achieve a highest possible rate of return
  - b. Resorting to tax planning to keep taxes as low as possible
  - c. Planning for retirement with maximum income possible
  - d. Process of solving financial problems and reaching financial goals



29. You have just won a huge sum in a lottery. What should your ideal allocation be?

- a. Invest everything in sectoral funds, as NAV is very low.
- b. Invest in government bonds, as risk is low.
- c. Invest in money market funds and decide over the next few months
- d. Consider the impact of tax
- e. Both c and d

30. Which of the following is true for closed end funds?

- a. The fund offers to buy and sell units at NAV
- b. The corpus of the fund is constant
- c. The net assets of fund does not change
- d. None of the above

31. Which of the following represents the transition phase?

- a. Investor has no need for investment income
- b. Investor has a long term horizon
- c. Investor cannot take risks
- d. Investor's financial goals are approaching.

32. P/E of which of these stocks is usually high?

- a. Value stocks
- b. Cyclical stocks
- c. Small cap stocks
- d. Growth stocks

33. If an AMC does not resolve an investor's complaint, investor can appeal to:

- a. SEBI
- b. Ministry of Finance
- c. Office of the public trustee
- d. Company Law Board

34. Mutual funds can lend funds in the form of

- a. Loans
- b. Promissory notes
- c. Securities
- d. None of the above

35. An offer document of an open ended fund has to be revised

- a. Once in 3 years
- b. Not at all
- c. Every year
- d. Once in two years

36. A FII can invest in a mutual fund through its

- a. Non resident external account
- b. Non resident ordinary account
- c. Non resident rupee account
- d. RBI current account

37. You invest Rs. 25,000 in a mutual fund. After 2 years you redeem your units at Rs. 32,000. Ignoring indexation and surcharge, what is the capital gain tax on

this transaction?

- a. Rs. 7,000
- b. Rs. 700
- c. Rs.1,400
- d. Depends on the marginal rate of taxation

38. If a fund's NAV is Rs. 12, what is the maximum sale price it can charge, according to SEBI regulations?

- a. Rs. 12.70
- b. Rs. 12.84
- c. Rs. 13.68
- d. Rs. 11.16

39. Debt securities with less than 182 days to maturity are valued at

- a. Face value
- b. YTM basis
- c. Accrual basis
- d. Duration basis

40. If a scheme holds more than 15% in illiquid securities, all securities above that limit have to

- a. Be valued at book value
- b. Be valued at a discount of 25%
- c. Valued at cost price
- d. Assigned a value of zero

41. Ex-Marks of an equity fund measures its

- a. Performance
- b. Risk
- c. Both the above
- d. None of the above

42. Which of the following is untrue of an automatic reinvestment plan?

- a. The plan allows for automatic reinvestment of all income and capital gains
- b. Automatic reinvestment allows for accumulation of additional units of the fund
- c. The major benefit of automatic reinvestment is compounding
- d. The benefit of automatic reinvestment is often lost on account of the heavy load charge on the reinvestment

43. Retired investors should

- a. Not draw down on their capital
- b. Not invest in securities which bear risk of capital erosion
- c. Continue holding a major portion of their holding in equity growth funds
- d. Never invest in equity

44. A criticism of rupee-cost averaging is

- a. Investment is for the same amount at regular intervals
- b. Over a period of time, the average purchase price will work out lower than if one tries to guess the market highs and lows
- c. It does not tell you when to buy, sell or switch from one scheme to another
- d. Rupee cost averaging has no serious shortcomings

45. A 55 year old investor, who is employed and earning well, can be said to be in
- a. Accumulation stage
  - b. Transition stage
  - c. Distribution stage
  - d. Inter-generational wealth transfer stage
46. In order to decide an appropriate index as benchmark for an actively traded fund, one should consider
- a. Fund size and portfolio composition
  - b. Whether the fund is broad based or focused on specific type of securities
  - c. Investment objective of the fund
  - d. All of the above
  - e. None of the above
47. An equity investor wants to maximise his return in the long run. He should
- a. Buy and hold investments for a long time
  - b. Invest in gold and silver only
  - c. Keep selling good performing funds
  - d. Keep selling off poor performing schemes and replace them with good performing schemes.



48. Which is the most important factor one should consider before investing in company fixed deposit?

- a. Interest rate on the deposit
- b. Assets against which deposits are secured
- c. Its credit rating
- d. All of the above
- e. Only a and c are true

49. After developing a financial plan for a client, financial planners should

- a. Leave it as it is
- b. Review it periodically
- c. Review it once in five years
- d. None of the above

50. The KIM of a mutual fund scheme is available

- a. At the AMC office
- b. At the offices of authorised agents
- c. At the branches of all banks
- d. Only a and b

51. Investors can inspect the following documents

- a. Trust deed
- b. Agreements with various constituents
- c. Memorandum and articles of association of AMC and Trustee company
- d. All of the above

52. A bond has been issued with a call provision. This means the issuer may call it back whenever the interest

- a. Fall
- b. Rise
- c. Change
- d. Are lower than the coupon rate

53. In determining the holding cost of an investment

- a. Average cost method is to be followed
- b. The weighted average cost method is to be followed
- c. The market value method to be followed
- d. Either a or b

54. As per wealth cycle guide, during the accumulation stage

- a. The client looks to build wealth
- b. The clients' goals are approaching
- c. Client cashes out
- d. Client feels the need to take care of the next generation

55. If the commission paid to agents exceeds the distribution expense rates specified in the offer

document, the excess has to be borne by

- a. AMC
- b. Trustees

- c. Unit holders
- d. DRF of the mutual fund
- e. Investor protection fund

56. Unit holders who do not agree with the merger of a fund's scheme have the option to

- a. Exit from the scheme if it is an open ended scheme
- b. Exit from the scheme after 6 months
- c. Cannot exit if the AMC does not permit such withdrawal
- d. Can exit only after approval of SEBI





57. While choosing between a bank deposit and a debt income fund, the investor must consider
- Credit rating of the bank
  - Quality of the mutual fund assets
  - His investment objective and risk appetite
  - All of the above
58. The jurisdiction for resolving legal disputes concerning a mutual fund is
- Given in the offer document
  - Stated in the stock exchanges
  - Decided by company law board
  - Decided by BSE
59. Passive fund is expected to
- Beat the return of the index
  - Furnish the returns of the market index
  - Keep the costs low
  - Both c and d
60. Which classification of mutual fund does not exist?
- Closed end or open end
  - Load fund or no load fund
  - Pension fund or insurance fund
  - Active fund or passive fund
61. An investor cannot plead ignorance of the procedures while investing in a mutual fund because
- Mutual fund is a risky investment
  - Law does not permit the investor to sue the Trust
  - While applying the investors sign an agreement stating they have read and understood the terms and conditions
  - An investor is expected to be careful while investing
62. A portfolio turnover of 200% implies that an average security stays in a portfolio for
- 6 months
  - 12 months
  - 48 months
  - 36 months
63. Sharpe and Treynor ratios are measures of
- Risk
  - Return
  - Risk adjusted return
  - Beta of the portfolio
64. Company Law Board can hear complaints against
- Agents
  - The board of trustees
  - Distributors
  - Stock exchanges where close ended funds are listed

65. Closed end funds have to calculate and publish their NAV
- Daily
  - Monthly
  - Quarterly
  - Half yearly
  - Can compute NAV every week, but disclosures have to be made every day
66. If you bought a fund at Rs. 14 and sold after 2 years at Rs. 22, what is the annualised rate of return, using the change in NAV method?
- 57.14%
  - 28.57%
  - 36.36%
  - 18.18%

### Sample Test 3

- c
- d
- c
- d
- d
- d
- c
- d
- a
- a
- b
- c
- d
- d
- e
- d
- a
- c
- b
- d
- b
- c
- c
- b
- c
- c
- a
- d
- d
- a
- d
- e
- b
- d
- a
- c
- d



- 36. c
- 37. b
- 38. b
- 39. c
- 40. d
- 41. b
- 42. d
- 43. b
- 44. c
- 45. b
- 46. d
- 47. d
- 48. e
- 49. b
- 50. d
- 51. d
- 52. d
- 53. d
- 54. a
- 55. a
- 56. a
- 57. d
- 58. a
- 59. d
- 60. c
- 61. c
- 62. a
- 63. c
- 64. b
- 65. e
- 66. a



## SESSION 1

### Questions: Chapter 1

#### Fill in the blanks

- 1) A Mutual fund is a \_\_\_\_\_.
- 2) Private sector mutual funds were permitted in the year \_\_\_\_\_.
- 3) Mutual fund investors cannot control \_\_\_\_\_ of a fund.
- 4) Mutual funds can invest only in \_\_\_\_\_ securities.
- 5) Gilt funds invest in \_\_\_\_\_.
- 6) UTI launched its first product in the year \_\_\_\_\_.
- 7) Closed ended funds were usually trading at \_\_\_\_\_ to NAV.

#### True or false

- 1) Mutual fund belongs to the investors who have pooled their money.
- 2) Professional management of a fund always results in profit.
- 3) Diversification enables reduction of risk.
- 4) In the growth option number of units held by an investor vary.
- 5) In open-ended funds the pool of money remains constant.
- 6) Debt funds invest in corporate and government debt products.
- 7) The NAV of growth and dividend options are the same.
- 8) Units of an open-ended fund can be sold back to the mutual fund.
- 9) A liquid fund does not usually invest in equities.
- 10) An open-ended fund has to be listed on an exchange.
- 11) The transaction costs of a mutual fund are lower than direct investing by investors.
- 12) Gilt funds do not invest in treasury bills.
- 13) Investing in Mutual funds offers liquidity to investors.
- 14) ELSS schemes have to be closed-ended funds.
- 15) In the re-investment option, number of units held by the investor is constant.

ASSET MANAGEMENT

## Answers to Chapter 1

### Answers to Fill in the Blanks:

- |                  |                          |
|------------------|--------------------------|
| 1. Pool of Money | 5. Government Securities |
| 2. 1993          | 6. 1964                  |
| 3. Dividends     | 7. Discount              |
| 4. Marketable    |                          |

### Answers to True & False:

- |          |           |           |
|----------|-----------|-----------|
| 1. True  | 6. True   | 11. True  |
| 2. False | 7. False  | 12. False |
| 3. True  | 8. True   | 13. True  |
| 4. False | 9. True   | 14. False |
| 5. False | 10. False | 15. False |



## Questions: Chapter 2

### Fill in the blanks

- 1) The structure of mutual fund is governed by\_\_\_\_\_.
- 2) The sponsor is the \_\_\_\_\_ of the mutual fund.
- 3) Sponsor must have at least \_\_\_\_\_years of business interest in financial markets.
- 4) Mutual funds in India are formed as \_\_\_\_\_.
- 5) Trustees are appointed by \_\_\_\_\_.
- 6) Mutual fund is managed by \_\_\_\_\_.
- 7) The minimum number of members on the Board of trustees is \_\_\_\_\_.
- 8) At least \_\_\_\_\_ of trustees have to be independent.
- 9) Application forms are processed by \_\_\_\_\_.
- 10) Trustee appoints AMC on the advise of \_\_\_\_\_.
- 11) Sponsor must hold at least \_\_\_\_\_% of the AMC's capital
- 12) AMC's net worth has to be at least \_\_\_\_\_.
- 13) At least \_\_\_\_\_% of the AMC directors should be independent
- 14) The unit holders are \_\_\_\_\_ owners and the Trust is the \_\_\_\_\_ owner of the mutual fund's assets.
- 15) The trustees rights and obligations are spelt out in the \_\_\_\_\_.
- 16) The AMC and the trustees enter into an \_\_\_\_\_ agreement.
- 17) If \_\_\_\_\_% of unit holders jointly decide; the services of the AMC can be terminated.
- 18) Appointment of trustees requires \_\_\_\_\_ approval.
- 19) Scheme take-over does not result in merger of \_\_\_\_\_.
- 20) Trust is the \_\_\_\_\_.

### True or False

- 1) AMC usually appoints all the other constituents, except custodians.
- 2) Trust can be formulated as a company.
- 3) Mutual fund structure in India is two tier.
- 4) AMC net worth should be 10 crores.
- 5) The schemes are formulated by AMC and approved by Trustees
- 6) Auditors of the fund and the AMC can be the same firm.
- 7) The AMC is the mutual fund.
- 8) An independent director of an AMC can be a director of another AMC.
- 9) Merger of AMCs requires only SEBI approval.
- 10) Trust is the Mutual fund.
- 11) Trustees can terminate the services of the AMC.
- 12) If a sponsor buys the stake of another sponsor in an AMC, the AMC is taken over.
- 13) Investors are given an option to exit at NAV without load in case of merger AMCs.
- 14) AMCs should be registered with SEBI.
- 15) The trustees can be structured in the form of a trustee company.
- 16) The AMC can be structured as a private limited company.

- 17) High court approval is needed for scheme take over.
- 18) If two AMC's merge, the sponsors' stake is altered.
- 19) Sponsors have unlimited liability towards unit holders.
- 20) AMC of a fund can be Trustee of another fund.
- 21) Custodian is appointed before all other constituents.
- 22) Investor can sue the trust company or board of trustees.
- 23) Trustee appoints the R&T agent.
- 24) AMC enters into a trust deed with trust.
- 25) Sponsors enter into an Investment management agreement with the AMC.



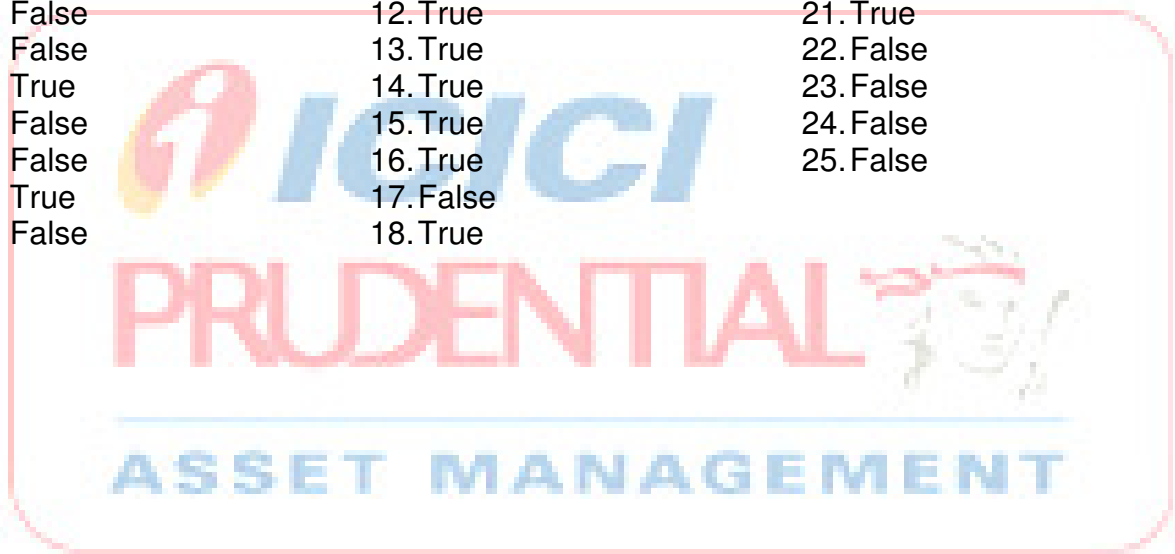
## Answers to Chapter 2

### Answers to Fill in the Blanks:

- |              |                            |
|--------------|----------------------------|
| 1. SEBI      | 12. 10 crore               |
| 2. Promoter  | 13. 50                     |
| 3. 5         | 14. Beneficial, Registered |
| 4. Trust     | 15. Trust Deed             |
| 5. Sponsor   | 16. Investment Management  |
| 6. AMC       | 17. 75                     |
| 7. 4         | 18. SEBI                   |
| 8. 2/3       | 19. AMC                    |
| 9. R&T Agent | 20. Mutual Fund            |
| 10. Sponsor  |                            |
| 11. 40       |                            |

### Answers to True & False:

- |          |           |           |
|----------|-----------|-----------|
| 1. True  | 10. True  | 19. False |
| 2. True  | 11. True  | 20. False |
| 3. False | 12. True  | 21. True  |
| 4. False | 13. True  | 22. False |
| 5. True  | 14. True  | 23. False |
| 6. False | 15. True  | 24. False |
| 7. False | 16. True  | 25. False |
| 8. True  | 17. False |           |
| 9. False | 18. True  |           |





### Questions: Chapter 3

#### Fill in the blanks

- 1) The regulator for the call money market is \_\_\_\_\_.
- 2) The money market mutual funds are regulated by \_\_\_\_\_.
- 3) SEBI (Mutual Fund) Regulations were enacted in the year \_\_\_\_\_.
- 4) The RBI and SEBI are supervised by \_\_\_\_\_.
- 5) The AMC has to submit its annual reports to \_\_\_\_\_.
- 6) Any grievance against the AMC can be addressed to \_\_\_\_\_.
- 7) The regulatory authority under the companies act is \_\_\_\_\_.
- 8) The UTI is governed by \_\_\_\_\_.
- 9) Listed mutual funds have to abide by \_\_\_\_\_ of the stock exchanges
- 10) Public trusts are regulated by \_\_\_\_\_.
- 11) UTI Act was enacted in the year \_\_\_\_\_.
- 12) The industry association for mutual funds is called \_\_\_\_\_.
- 13) The Chairman of the UTI is appointed by \_\_\_\_\_.
- 14) The schemes of the UTI, except US 64, are under subject to \_\_\_\_\_ regulations.
- 15) UTI can make \_\_\_\_\_, while other mutual funds are not permitted to do so.

#### True or false

- 1) SEBI was formed in 1992.
- 2) Bank sponsored mutual funds are regulated by the RBI.
- 3) The Ministry of Finance supervises SEBI.
- 4) Mutual funds will have to withdraw from the call money market in a phased manner.
- 5) US64 scheme of UTI is under SEBI regulation.
- 6) In order to list a mutual fund scheme, a listing agreement has to be signed with the stock exchange.
- 7) Grievances against the Trustee Company can be addressed to the Company Law Board.
- 8) UTI is not allowed to make loans.
- 9) The charity commissioner is the chief regulator of public trusts.
- 10) AMFI is a SEBI registered SRO.
- 11) US 64 can repurchase units up to a certain limit at administered prices
- 12) The UTI Act has been replaced by the SEBI Regulations.
- 13) AMC has to file periodic reports with the Registrar of Company.

### Answers to Chapter 3

Answers to the Fill in the Blanks:

- |            |                                  |
|------------|----------------------------------|
| 1. RBI     | 9. Listing regulations           |
| 2. SEBI    | 10. Office of the public trustee |
| 3. 1996    | 11. 1963                         |
| 4. MoF     | 12. AMFI                         |
| 5. RoC     | 13. MoF                          |
| 6. DCA     | 14. SEBI                         |
| 7. CLB     | 15. Loans                        |
| 8. UTI Act |                                  |

Answers to True & False:

- |          |           |           |
|----------|-----------|-----------|
| 1. True  | 6. True   | 11. True  |
| 2. False | 7. True   | 12. False |
| 3. True  | 8. False  | 13. True  |
| 4. True  | 9. True   |           |
| 5. False | 10. False |           |



## SESSION 2

### Questions: Chapter 4

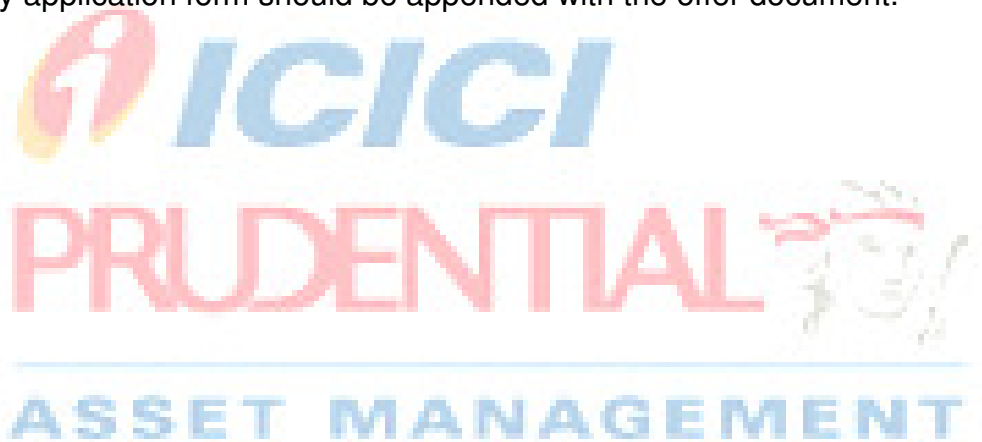
#### Fill in the blanks

- 1) The mutual fund is required to file detailed \_\_\_\_\_ with SEBI also called \_\_\_\_\_ or \_\_\_\_\_.
- 2) The offer document of an open-ended fund is valid for \_\_\_\_\_ years.
- 3) The sponsor's financial history for \_\_\_\_\_ years are to be provided in the offer document.
- 4) The offer document for close-ended scheme is issued during \_\_\_\_\_.
- 5) If the fundamental attributes of a scheme have to be changed, unit holders have a right to exit at \_\_\_\_\_ load.
- 6) Abridged offer document is called \_\_\_\_\_ and it is mandatory to make it available with \_\_\_\_\_.
- 7) Offer document is to be prepared as per format and norms laid down by \_\_\_\_\_.
- 8) If a scheme invests in unlisted shares, it has to state this as a \_\_\_\_\_ risk factor.
- 9) If units are held by 3 investors jointly, redemption proceeds are payable to \_\_\_\_\_.
- 10) Bank details have to be mandatorily provided to process \_\_\_\_\_.
- 11) Trail commissions depend on \_\_\_\_\_ of the investor
- 12) The legal document between the investor and the mutual fund is \_\_\_\_\_.
- 13) Repurchase price cannot be less than \_\_\_\_\_ of sale price.
- 14) Potential investors cannot sue the \_\_\_\_\_.
- 15) Long-term capital gains without indexation are taxable at \_\_\_\_\_.

#### True or False

- 1) The investment pattern of a scheme has to be disclosed on the cover page.
- 2) The AMC issues the offer document on behalf of the trustees.
- 3) SEBI approval is necessary for anything contained in the offer document.
- 4) The KIM has to be appended to every application form.
- 5) The offer document once issued by an open-ended scheme is not amended.
- 6) Standard risk factors are to be mention on the cover page of the offer document
- 7) Once an investor signs on an application form it is assumed that he /she must have read the offer document.
- 8) Investors can buy or sale units only from the mutual fund.
- 9) If a scheme has limited liquidity, this has to be stated as a standard risk factor.
- 10) If the scheme on offer is the first scheme of the mutual fund, this has to be stated as a scheme specific risk factor.
- 11) The due diligence certificate is signed by the CEO of the AMC.
- 12) Investment pattern of the scheme is a fundamental attribute.

- 13) Whether the scheme is open or close-ended is a fundamental attribute.
- 14) Overseas corporate bodies cannot buy units.
- 15) A prospective investor cannot seek any remedies.
- 16) Investors have to approve changes in the fundamental attributes of a scheme.
- 17) Investors cannot lodge complaints against the AMC with the Company Law Board.
- 18) Load is imposed to account for fund management expenses.
- 19) Exit load is always a fixed rate.
- 20) CDSC is an exit load that varies with holding period.
- 21) Sale price cannot be more than 107% of NAV for open-ended funds.
- 22) Investor can sue the trust.
- 23) For close-ended funds the repurchase price can be less than 95% of NAV.
- 24) Maximum load that can be charged is 10%.
- 25) Short-term capital gains are taxable at 20% plus surcharge.
- 26) If units are bought on 31 March 1999 and sold on 1 April 2000, the capital gains cannot be indexed.
- 27) Income under re-investment option is treated like capital gains.
- 28) The due diligence certificate is signed by the trustees.
- 29) Repurchase price cannot be less than 93% of the sale price, for an open-ended fund.
- 30) Every application form should be appended with the offer document.



## Answers of Chapter 4

Answers to the Fill in the Blanks:

- |    |   |     |                  |
|----|---|-----|------------------|
| 1. | <b>Information Memorandum, Offer Document, Prospectus</b> | 9.  | First Holder     |
| 2. | 2   | 10. | Redemption       |
| 3. | 3   | 11. | Holding Period   |
| 4. | IPO   | 12. | Application form |
| 5. | Zero  | 13. | 93%              |
| 6. | KIM, Application Form                                     | 14. | Trust            |
| 7. | SEBI  | 15. | 10 % +Surcharge  |
| 8. | Scheme Specific   |     |                  |

Answers to True & False

- |     |       |     |       |     |       |
|-----|-------|-----|-------|-----|-------|
| 1.  | False | 11. | False | 21. | True  |
| 2.  | True  | 12. | True  | 22. | False |
| 3.  | False | 13. | True  | 23. | False |
| 4.  | True  | 14. | False | 24. | False |
| 5.  | False | 15. | True  | 25. | False |
| 6.  | False | 16. | False | 26. | False |
| 7.  | True  | 17. | False | 27. | False |
| 8.  | False | 18. | False | 28. | False |
| 9.  | False | 19. | False | 29. | True  |
| 10. | True  | 20. | True  | 30. | False |

**PRUDENTIAL**  
**ASSET MANAGEMENT**

## SESSION 3

### Questions: Chapter 5

#### Fill in the blanks

- 1) If equity markets move up, P/E ratios will move \_\_\_\_\_.
- 2) If equity markets move down, dividend yield will move \_\_\_\_\_.
- 3) Returns from small stock companies are found to be \_\_\_\_\_ than returns from large cap companies.
- 4) A passive fund invests in the same securities, in the same proportion as in an \_\_\_\_\_.
- 5) Current yield will be \_\_\_\_\_ than coupon rate if interest rates have gone down.
- 6) If interest rates go down, price of bonds will go \_\_\_\_\_.
- 7) Market risk refers to \_\_\_\_\_ Risk.
- 8) If the interest rate goes up, yield of bonds will go \_\_\_\_\_.
- 9) If credit rating of a bond moves from AAA to AA, its yield will \_\_\_\_\_ and price will \_\_\_\_\_.
- 10) If yield curve is sloping up, long-term rates are \_\_\_\_\_ than short-term rates.
- 11) Duration of bond is in \_\_\_\_\_ proportion to the Coupon rate.
- 12) If duration of a bond is 2 years and interest rates fall by 50 bps, the price will \_\_\_\_\_ by \_\_\_\_\_ %
- 13) Investment by a fund in one company cannot exceed \_\_\_\_\_ % of net assets.
- 14) Investment in unrated debt cannot exceed \_\_\_\_\_ % of net assets for the scheme, and \_\_\_\_\_ % for all schemes.
- 15) Investment in unlisted companies cannot exceed \_\_\_\_\_ % of net assets for closed end funds and \_\_\_\_\_ % of net assets for open-ended funds.
- 16) Limit on a fund investing in another fund is \_\_\_\_\_ %.
- 17) Mutual funds can borrow up to \_\_\_\_\_ % of net assets for a period not exceeding \_\_\_\_\_.
- 18) Inter-scheme transfers have to be made at \_\_\_\_\_ price.
- 19) Investment in sponsor companies cannot exceed \_\_\_\_\_ % of net assets.
- 20) If rating of bond is change from AA- to AAA the price of bond will \_\_\_\_\_ & the yield \_\_\_\_\_.

#### True or false

- 1) P/E ratio and Dividend yield are in inverse proportion.
- 2) Mutual funds cannot borrow.
- 3) Mutual funds cannot invest in unlisted securities of sponsors.
- 4) A lower P/E ratio is indicative of a Bull Market.
- 5) Mutual funds cannot use derivatives.
- 6) Lower dividend yield indicates a Bull Market.
- 7) Mutual funds cannot transfer illiquid securities between schemes.
- 8) The current yield of bond increases if the interest rate falls.

- 9) Investments in another mutual fund scheme do not earn investment management fees.
- 10) If duration is high, interest rate risk is high.
- 11) If yield spread is higher, credit risk is higher.
- 12) If current yield has fallen, interest rates have gone up.
- 13) If YTM increases, bond prices will decrease.
- 14) Mutual fund cannot invest into listed securities of sponsors companies.
- 15) Investments by mutual fund are on delivery basis.
- 16) A passive fund is never re-balanced.
- 17) Mutual fund can invest into ADR/GDR.
- 18) Mutual funds cannot invest in un-rated securities.
- 19) Mutual funds can invest in unlisted securities of sponsor or its associates company.
- 20) Sectoral funds can invest more than 10% of its NAV in a single company.



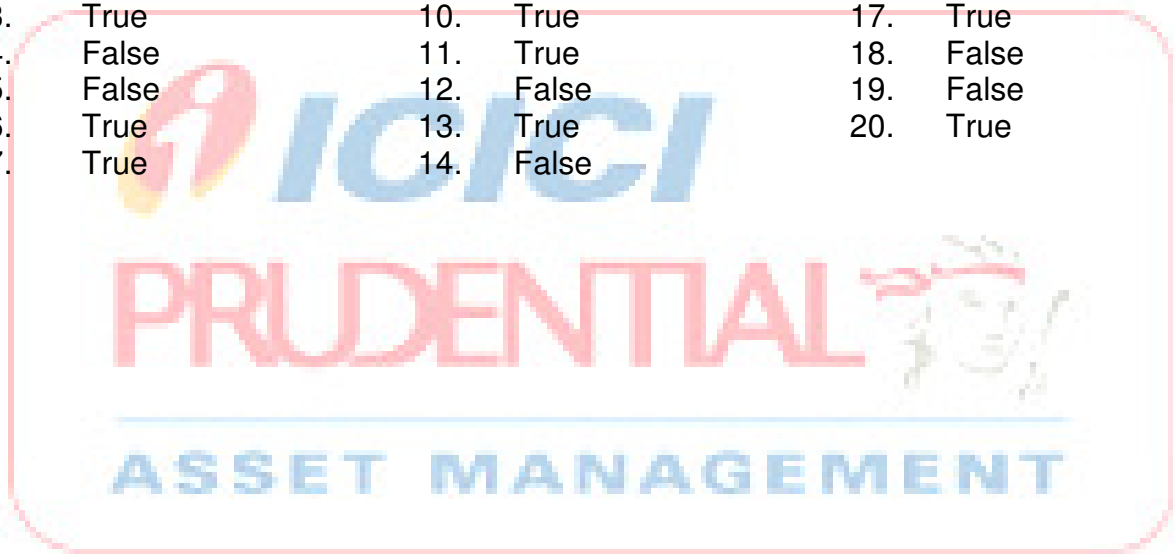
## ***Answers of Chapter 5***

### Answers to the Fill in the Blanks:

- |                    |                     |
|--------------------|---------------------|
| 1. UP              | 11. Inverse         |
| 2. UP              | 12. Increases, 1%   |
| 3. Greater         | 13. 10%             |
| 4. Index           | 14. 10%,25%         |
| 5. Lower           | 15. 10%, 5 %        |
| 6. UP              | 16. 5%              |
| 7. Interest Rate   | 17. 20%, 6 months   |
| 8. Down            | 18. Market          |
| 9. Increases, Fall | 19. 25 %            |
| 10. Higher         | 20. Rise, Decreases |

### Answers to True & False:

- |          |           |           |
|----------|-----------|-----------|
| 1. True  | 8. False  | 15. True  |
| 2. False | 9. True   | 16. False |
| 3. True  | 10. True  | 17. True  |
| 4. False | 11. True  | 18. False |
| 5. False | 12. False | 19. False |
| 6. True  | 13. True  | 20. True  |
| 7. True  | 14. False |           |





## SESSION 4

### Questions: Chapter 6

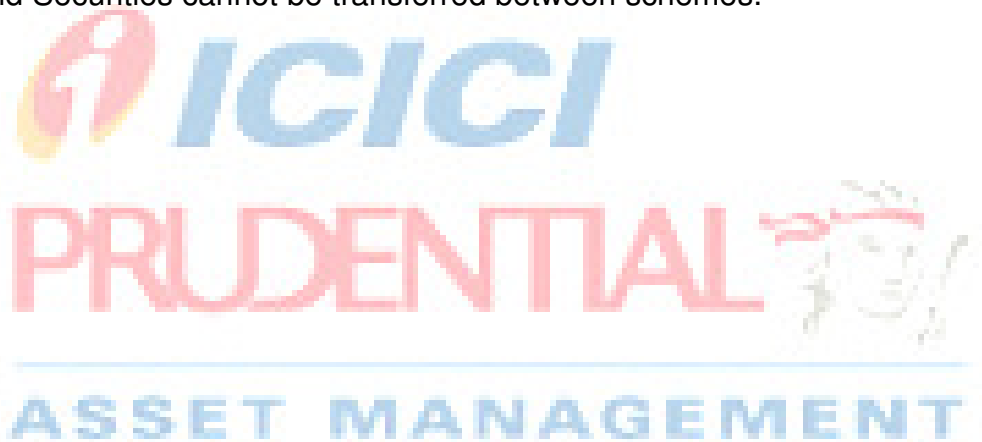
#### Fill in the blanks

- 1) The investment management fee for net assets above Rs. 100 crore is \_\_\_\_%.
- 2) Open-ended funds have to compute and disclose NAVs \_\_\_\_.
- 3) Net asset computation cannot be impacted by errors in computation arising due to accounting for accrued income, by more than \_\_\_\_%.
- 4) Dividend has to be accounted for on \_\_\_\_ date.
- 5) Investments are accounted for on \_\_\_\_ date.
- 6) Investments are to be valued at \_\_\_\_ cost for determining profit or loss on sale of securities.
- 7) Net asset computation cannot be impacted by errors in computation arising due to sale and repurchase of units, by more than \_\_\_\_%.
- 8) Initial issue expenses cannot exceed \_\_\_\_% of \_\_\_\_.
- 9) A fund whose initial issue expenses are borne by the AMC is called \_\_\_\_ fund. The AMC receives \_\_\_\_ fee on such funds.
- 10) Initial issue expenses of open-ended funds are amortised over a period not exceeding \_\_\_\_ years.
- 11) Mutual funds cannot pay dividend out of \_\_\_\_\_. Such amounts are accounted for in the \_\_\_\_\_ account.
- 12) Initial issue expenses of closed end funds are amortised over a \_\_\_\_\_ of scheme.
- 13) Annual report has to be published within \_\_\_\_\_ months of accounts closing date.
- 14) Portfolio has to be disclosed to the investors once in \_\_\_\_\_ months.
- 15) If a single unit holder holds more than \_\_\_\_\_% of net assets, the number of such unit holders and their percentage holding in the net assets, have to be disclosed.
- 16) An asset is non-performing if interest and/or principal is due for over \_\_\_\_\_ months.
- 17) An equity share is considered illiquid if it is not traded for over \_\_\_\_\_ days.
- 18) An equity share is considered thinly traded if the traded value in a month is less than \_\_\_\_\_, and the total volume traded is less than \_\_\_\_\_ shares in a month.
- 19) Valuation of debt instruments with less than 182 days to maturity is done on \_\_\_\_\_ basis.
- 20) Illiquid securities should not exceed \_\_\_\_\_% of the net assets.

#### True or False

- 1) NAV is not affected by accrued income.
- 2) Deferred revenue expenses are not included in computing NAV.
- 3) Bond funds are allowed 25bps less expenses than other funds.
- 4) Unrealised appreciation can be distributed.

- 5) The initial issue expense for closed-ended funds are amortised over 5 years.
- 6) Dividend should be accrued on the ex-dividend date.
- 7) NAV is not affected by the sale and purchase of securities.
- 8) A no load fund does not incur any operational expenses.
- 9) Close-ended funds have to compute NAV every week but disclosure to be made everyday.
- 10) NAV is affected by the sale and repurchase of units.
- 11) Expenses incurred that are above the regulatory limit are borne by sponsor or AMC.
- 12) Costs incurred by AMC for the mandatory advertisements and communications to investors is not an allowable expense.
- 13) Interest accrued on an NPA is provided for immediately on classification of asset.
- 14) The Principal needs not be provided for, if an asset becomes an NPA due to default of interest payment only.
- 15) A summary of accounts of the mutual fund has to be sent to all investors.
- 16) An asset classified as NPA can never be reclassified as standard asset.
- 17) Illiquidity discount for equity shares is 25%.
- 18) Income equalisation account is credited for every sale of units.
- 19) Fixed assets are held usually in fund accounts.
- 20) Illiquid Securities cannot be transferred between schemes.



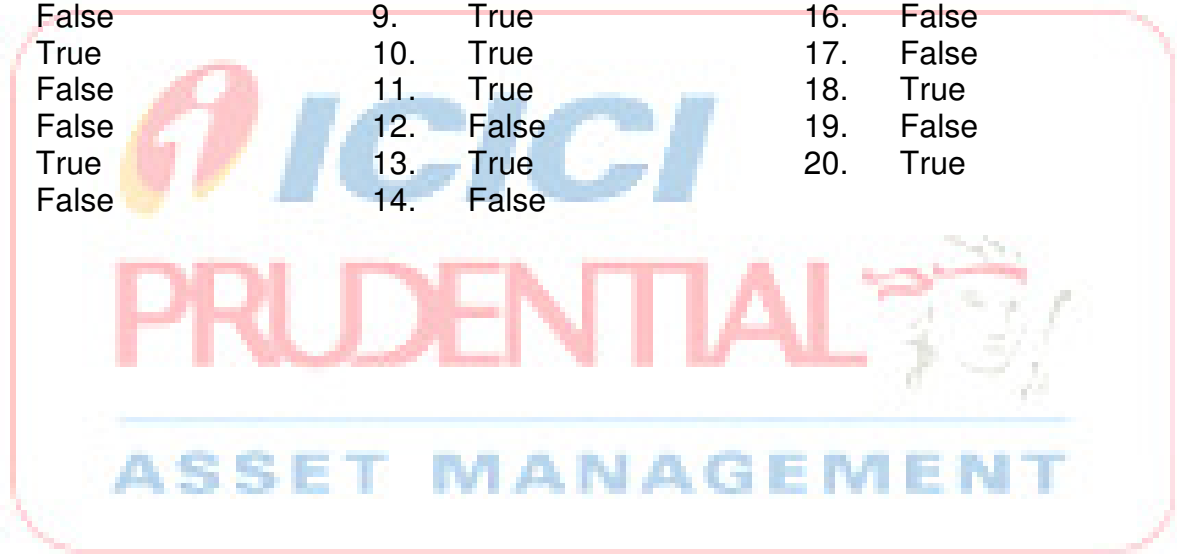
## Answers of Chapter 6

### Answers to the Fill in the Blanks:

- |                            |  |
|----------------------------|--|
| 1. 1%                      | 11. Unrealised Profits,<br>Income equalisation |
| 2. Everyday                | 12. Life                                       |
| 3. 1%                      | 13. Six  |
| 4. Ex-dividend             | 14. Six  |
| 5. Trade                   | 15. 25%  |
| 6. Average                 | 16. Three                                      |
| 7. 2%                      | 17. 30   |
| 8. 6%, Amount<br>Mobilised | 18. 5 Lakhs, 50,000                            |
| 9. No Load, 1%             | 19. Accrual                                    |
| 10. 5                      | 20. 15%  |

### Answers to True & False:

- |          |           |           |
|----------|-----------|-----------|
| 1. False | 8. False  | 15. True  |
| 2. False | 9. True   | 16. False |
| 3. True  | 10. True  | 17. False |
| 4. False | 11. True  | 18. True  |
| 5. False | 12. False | 19. False |
| 6. True  | 13. True  | 20. True  |
| 7. False | 14. False |           |



## SESSION 5

### Questions: Chapter 7

#### Fill in the blanks

- 1) Two sources of income for an investor from mutual fund are \_\_\_\_\_ and \_\_\_\_\_.
- 2) In ROI method of computing return, dividend is re-invested at \_\_\_\_\_.
- 3) Mutual funds should disclose their returns for \_\_\_\_, \_\_\_\_ and \_\_\_\_ years.
- 4) A benchmark is an \_\_\_\_\_ portfolio.
- 5) For an index fund, Ex-marks will be \_\_\_\_\_.
- 6) If a fund is assuming higher risk than the market index, its beta will be \_\_\_\_\_.
- 7) The benchmark for a balanced fund is \_\_\_\_\_ and \_\_\_\_\_ combined in the same proportion as \_\_\_\_\_ of the fund.
- 8) Sharpe ratio measures return per unit of \_\_\_\_\_, defined by \_\_\_\_\_.
- 9) Expense ratio is ratio of funds \_\_\_\_\_ to \_\_\_\_\_.
- 10) Turnover rate is ratio of aggregate \_\_\_\_\_ to the \_\_\_\_\_ of the fund.
- 11) Tracking error is very important in \_\_\_\_\_ fund.
- 12) Portfolio turnover is \_\_\_\_\_ for liquid funds.

#### True or False

- 1) Change in NAV method does not account for dividend.
- 2) Simple total return takes into account the reinvestment of the dividend.
- 3) SEBI norms require that returns be computed on CAGR basis.
- 4) ROI method of calculating return assumes reinvestment of dividend at NAV.
- 5) Return for periods less than a year cannot be annualized.
- 6) A benchmark represents an influential independent portfolio.
- 7) Risk is measured by standard deviation.
- 8) An equity funds return can be compared with the return of balanced funds.
- 9) Value of the benchmark cannot be publicly available.
- 10) A benchmark once chosen cannot be altered without trustee approval.
- 11) Tracking error of an index fund has to be maximized.
- 12) A fund with higher Sharpe ratio than the market is outperforming the market.
- 13) Balanced fund with 75% in equity should use an equity index as the benchmark.
- 14) A liquid fund has lower turnover rate.
- 15) Income funds with more than 60% in debt should use a bond index as benchmark.

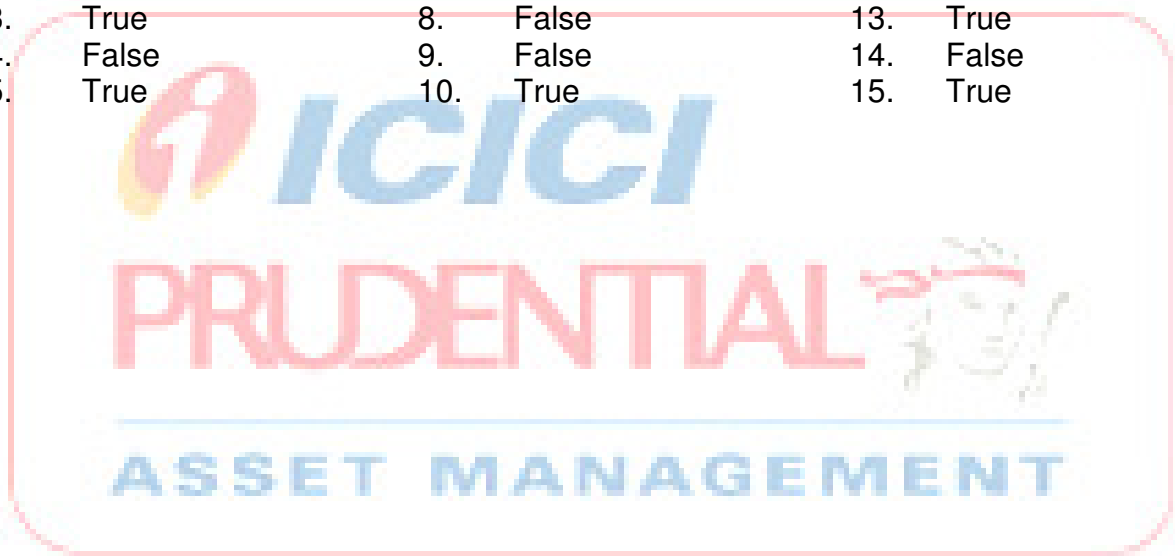
## **Answers of Chapter 7**

### Answers to the Fill in the Blanks:

- |   |                               |
|---|-------------------------------|
| 1. Dividend, Capital gains                    | 8. Risk, Standard Deviation   |
| 2. Ex-dividend NAV                            | 9. Expenses, Net Asset        |
| 3. 1,3, & 5                                   | 10. Sales/Purchase, Net asset |
| 4. Independent                                | 11. Index                     |
| 5. 100  | 12. High                      |
| 6. Greater than 1                             |                               |
| 7. Equity Index, Debt Index, Asset Allocation |                               |

### Answers to True & False:

- |          |          |           |
|----------|----------|-----------|
| 1. True  | 6. False | 11. False |
| 2. False | 7. True  | 12. True  |
| 3. True  | 8. False | 13. True  |
| 4. False | 9. False | 14. False |
| 5. True  | 10. True | 15. True  |



## SESSION 6

### Questions: Chapter 8

#### Fill in the blanks

- 1) Investors in \_\_\_\_\_ stage prefer long-term risky investments.
- 2) Investors who value safety the most; choose \_\_\_\_\_ over mutual funds.
- 3) PPF account is to be held for a minimum of \_\_\_\_\_ years.
- 4) RBI relief bond is for \_\_\_\_\_ years it earns \_\_\_\_\_% interest and the maximum allowable investment is Rs. \_\_\_\_\_.
- 5) Short term rated security issued by companies is called \_\_\_\_\_.
- 6) Compounding enables investors to earn \_\_\_\_\_ on interest.
- 7) Graham's strategy recommends \_\_\_\_\_ holding in debt funds and \_\_\_\_\_ holding in equity funds.
- 8) Expense ratio is very important for \_\_\_\_\_.
- 9) Rupee cost averaging means investing \_\_\_\_\_ amount periodically.
- 10) Value cost averaging enables \_\_\_\_\_.
- 11) The principles of financial planning are \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_ and \_\_\_\_\_.
- 12) According to Bogle an investor's exposure to debt investments should be equal to his \_\_\_\_\_.
- 13) A better performing equity fund will have \_\_\_\_\_ ex marks, \_\_\_\_\_ beta and \_\_\_\_\_ gross dividend yield.
- 14) Higher expense ratios lead to \_\_\_\_\_.
- 15) The low expense ratio is a very significant selection criterion for \_\_\_\_\_ funds.

#### True or False

- 1) Financial planning refers to planning for your income.
- 2) Investors in corporate fixed deposit should focus on credit risk of the product.
- 3) PPF investment in a year cannot exceed Rs. 60000.
- 4) RBI relief bonds are not transferable.
- 5) Retail investors cannot invest in Government securities.
- 6) Value averaging enables investors to earn better returns than rupee cost averaging.
- 7) Post office recurring deposit is transferable.
- 8) SIPs help investors to do rupee cost averaging.
- 9) Older investors in accumulation phase have greater investment in equity, than older investors in distribution phase.
- 10) Rupee cost averaging does contain an element of re-balancing.
- 11) Flexible asset allocation strategy will lead to higher exposure in equity for investors in accumulation phase.
- 12) Fund selection is the last stage in developing a model portfolio.
- 13) Fund age is an important criterion for equity rather than debt funds.
- 14) Expense ratio of debt fund is not an important criterion for selection of fund.
- 15) Mutual fund is very important in individual's financial planning.

## ***Answers of Chapter 8***

### Answers to the Fill in the Blanks:

- |   |                     |
|---|---------------------|
| 1. Accumulation   | 6. Interest         |
| 2. Bank Deposits  | 7. 50%, 50%         |
| 3. 15   | 8. Debt Fund        |
| 4. 5,8,200000   | 9. Fixed            |
| 5. Commercial Paper   | 10. Profit Booking  |
| 11. Power of Compounding,<br>Start Early,<br>Invest Regularly,<br>Realistic Expectation |                     |
| 12. Age   | 14. Yield Sacrifice |
| 13. Higher, Lower, Higher   | 15. Money Market    |

### Answers to True & False:

1. False
2. True
3. True
4. False
5. False
6. True
7. False
8. True
9. True
10. False
11. True
12. True
13. True
14. False
15. True



## PRACTISE PROBLEMS

### **Pricing Principles: Applying Load to NAV**

- Computing sale and repurchase prices
- Computing regulatory limits on prices
- Computing number of units given NAV, for sale and repurchase
- Computing value given units, for sale and repurchase
- Effecting inter-fund switch

***The NAV of ABC Fund on January 2, 2002 was Rs. 28.50. If the fund charged 2% as entry load and 0.25% as exit load, what are the sale and repurchase prices to the investor?***

**Ans. (Sale Price Rs. 29.07, Repurchase Price Rs. 28.4288)**

***The NAV of XYZ Bond Fund on January 18, 2003 was Rs. 25.8750. If the fund charged 1.25% as entry load and 0.25% as exit load, what are the sale and repurchase prices to the investor?***

**Ans. (Sale Price Rs. 26.1984, Repurchase Price Rs. 25.8103)**

***The NAV of PQR Equity Fund on June 9, 2002 was Rs. 30.30. If the fund charged 1% as entry load and 0.50% as exit load, what are the sale and repurchase prices to the investor?***

**Ans. (Sale Price Rs. 30.603, Repurchase Price Rs. 30.1485)**

***The NAV of a bond fund was 32.7250. The fund charged 1.75% as entry load and 1.25% as exit load. If an investor wants to invest Rs. 16000 into this fund, what is the number of units he will get?***

**Ans. (Sale Price Rs. 33.2977, Number of Units 480.5138)**

***The NAV of an equity fund was 35.1250. The fund charged 2% as entry load and 0% as exit load. If an investor wants to invest Rs. 64000 into this fund, what is the number of units he will get?***

**Ans. (Sale Price Rs. 35.8275, Number of Units 1786.3373)**

***The NAV of an equity fund was 40.15. The fund charged 1.00% as entry load and 1.5% as exit load. If an investor wants to withdraw Rs. 22000 from the fund, what is the number of units he will repurchase?***

**Ans. (Repurchase Price Rs. 39.54775, Number of Units 556.2895)**

***The NAV of an equity fund was 23.75. The fund charged 2.50% as entry load and 0.25% as exit load. If an investor wants to withdraw Rs. 33000 from the fund, what is the number of units he will repurchase?***

**Ans. (Repurchase Price Rs.23.69063, Number of Units 1392.9558)**



***The NAV of a bond fund was Rs. 25.750. The entry and exit loads were 0.5% and 1.25% respectively. If an investor wants to buy 1500 units, what is the amount he has to pay?***

**Ans. (Sale Price Rs. 25.87876, Rs.38818.14)**

***The NAV of a bond fund was Rs. 20.250. The entry and exit loads were 0.5% and 1.25% respectively. If an investor wants to redeem 3500 units, what is the amount he will receive?***

**Ans. (Repurchase Price Rs. 19.9969, Number of Units 69989.15)**

***A mutual fund's NAV on January 20,2003 is Rs. 20.75. What are the regulatory limits on the sale and repurchase price?***

**Ans. (Max Sale Price Rs. 22.2025, Min Repurchase Price Rs. 19.2975**

**If Sale price is Rs. 22.2025; Than Min Repurchase price is Rs 20.75**

**If Repurchase price is Rs. 19.2975, Than Max Sale price is Rs 20.75)**

***An investor holds 2000 units in a bond fund. The current NAV is Rs. 11.5. He would like to switch his holdings to an equity fund, whose NAV is Rs. 20.35. If the exit load for the bond fund is 0.25% and the entry load for the equity fund is 1%, what is the value of his holding in the equity fund, after the switch?***

**Ans. (Repurchase Price of bond fund Rs11.4713,**

**Value at redemption Rs34413.9**

**Sale price of Equity fund Rs. 20.5535, No of units 1672.3572**

**Value in Equity fund Rs. 34073.169)**

***An investor holds 2200 units in a gilt fund. The current NAV is Rs. 10.75. He would like to switch his holdings to an equity fund, whose NAV is Rs. 13.95. If the entry and exit load for the gilt fund are 0.75% and 0% respectively and the entry and exit load for the equity fund are 0% and 0.50% respectively, what is the value of his holding in the equity fund, after the switch?***

**Ans.**

**(Repurchase Price of Gilt fund Rs10.75, Value at redemption Rs.23100**

**Sale price of Equity fund Rs. 13.95, No of units 1655.914 Value in Equity fund Rs. 23100.00)**

## Limits on Mutual Fund Expenses

- Computing expense limits given net assets
- Computing expense limits for bond funds
- Computing investment management fee
- Computing investment management fee for no-load funds

***The weekly average net assets of a mutual fund are Rs.85 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum expenses Rs. 2.125 Crore)**

***The weekly average net assets of a mutual fund are Rs.175 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum expenses Rs 4.1875 Crore)**

***The weekly average net assets of a mutual fund are Rs.600 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Expenses Rs 13.25 Crore)**

***The weekly average net assets of a mutual fund are Rs.2200 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Expenses Rs 41.25 Crore)**

***The weekly average net assets of a mutual fund are Rs.5700 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Expenses Rs 63.5 Crore)**

***The weekly average net assets of a bond fund are Rs.145 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Expenses Rs 3.15 Crore)**

***The weekly average net assets of a bond fund are Rs.350 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Expenses Rs 5.25 Crore)**

***The weekly average net assets of a bond fund are Rs.5550 crore. What is the maximum amount that can be charged towards expenses to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Expenses Rs 84.25 Crore)**

***The weekly average net assets of a fund are Rs.240 crore. What is the maximum amount that can be charged towards investment management fees to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Investment Management fee Rs 2.65 Crore)**

***The weekly average net assets of a fund are Rs.2800 crore. What is the maximum amount that can be charged towards investment management fees to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Investment Management fee Rs 28.25 Crore)**

***The weekly average net assets of a no-load fund are Rs.175 crore. What is the maximum amount that can be charged towards investment management fees to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Investment Management fee Rs 3.75 Crore)**

***The weekly average net assets of a no-load fund are Rs. 475 crore. What is the maximum amount that can be charged towards investment management fees to the fund, as per the SEBI Regulations?***

**Ans. (Maximum Investment Management fee Rs 9.75 Crore)**

Yield

- Current yield
- Price given YTM

***What is the current yield of a bond, whose coupon rate is 8.5% and market price is Rs. 112?***

**Ans. (Current Yield 7.589%)**

***What is the current yield of a bond, whose coupon rate is 11.5% and market price is Rs. 126.75?***

**Ans. (Current Yield 9.073%)**

***What is the current yield of a bond, whose coupon rate is 8% and market price is Rs. 121?***

**Ans. (Current Yield 6.6116%)**

***What is the current yield of a bond, whose coupon rate is 5% and market price is Rs. 91?***

**Ans. (Current Yield 5.4945%)**

***What is the price of a bond, whose face value is Rs. 100, coupon 11.5%, maturing in 2 years, if the YTM is 8%?***

**Ans. (Price of Bond Rs. 106.2414)**

***What is the price of a bond, whose face value is Rs. 100, maturing in 2 years, coupon 9.5%, if the YTM is 12%?***

**Ans. (Price of Bond Rs. 95.9948)**

**What is the price of a bond, whose face value is Rs. 100, coupon 10%, maturing in 3 years, if the YTM is 10%?**

**Ans. (Price of Bond Rs. 100)**

#### **Taxation**

- Computing capital gains chargeable to tax
- Computing amount of capital gains tax

**An investor purchased 1200 units of a mutual fund on April 20, 1998 for Rs. 13.50. He sold them on August 14, 2000 for Rs. 24.50. What are the capital gains chargeable to tax? (Cost of Inflation index for 1998-99 was 351 and for 2000-01 was 406)**

**Ans. (Capital Gain Without Indexation Rs.13, 200.00  
Capital gains With Indexation Rs. 10,661.5385)**

**An investor purchased 7000 units of a mutual fund on July 25, 1995 for Rs. 10.50. He sold them on September 24, 1999 for Rs. 55.5. What are the capital gains chargeable to tax? (Cost of Inflation index for 1995-96 was 281 and for 1999- 2000 was 389)**

**Ans. (Capital Gain Without Indexation Rs. 318, 500.00  
Capital gains With Indexation Rs. 286,750.89)**

**An investor purchased 1000 units of a mutual fund on October 6, 1998 for Rs. 13.50. He sold them on November 15, 1999 for Rs. 25.75. What are the capital gains chargeable to tax? (Cost of Inflation index for 1998-99 was 351 and for 1999-2000 was 389)**

**Ans. (Capital Gain Without Indexation Rs.12, 250.00  
Capital gains With Indexation Rs. 10,788.46)**

**An investor purchased 2000 units of a mutual fund on April 25, 1996 for Rs. 10.75. He sold them on April 25, 1999 for Rs. 30.75. What are the capital gains chargeable to tax? What is the amount of capital gains tax that he will pay? (Cost of Inflation index for 1996-97 was 305 and for 1999- 000 was 389)**

**Ans. (Without Indexation: Capital Gain Rs.40, 000.00; Tax Rs. 4200  
With Indexation: Capital Gain Rs. 34,078.688; Tax Rs 7155,75)**

**An investor purchased 7000 units of a mutual fund on September 28, 1998 for Rs. 11.5. He sold them on April 1, 2000 for Rs. 30.5. What are the capital gains chargeable to tax? What is the amount of capital gains tax that he will pay? (Cost of Inflation index for 1998-99 was 351 and for 2000-01 was 406)**

**Ans. (Without Indexation: Capital Gain Rs.133,000.00; Tax Rs. 13,965  
With Indexation: Capital Gain Rs. 120,386.04; Tax Rs 25281.06)**

## Accounting Principles

- Computing NAV
- Amortisation of initial issue expenses
- Calculation of realised and unrealised gains
- Provisioning norms

**A mutual fund's balance sheet is as follows:**

CHAPTER 8	Liabilities	Rs Cr	Assets	Rs Cr
Unit capital			Equity shares	152
18,00,00,000 units at Rs. 10 each		180	Debentures	65
Unit Premium Reserve		55	Money Market instruments	24
Current Liabilities		17	Other current assets	11
Total		252	Total	252

*What are the net assets of the fund? What is the Net Asset Value of a unit?*

*Ans. (Net Assets Rs. 235 Crore; NAV Rs. 13.0555)*

**A mutual fund's balance sheet is as follows:**

Liabilities	Rs Cr	Assets	Rs Cr
Unit capital		Equity shares	800
75,00,00,000 units at Rs. 10 each	750	Debentures	320
Reserves and Surplus	410	Money Market instruments	135
Current Liabilities	160	Other current assets	65
Total	1320	Total	1320

*What are the net assets of the fund? What is the Net Asset Value of a unit?*

*Ans. (Net Assets Rs. 1160 Crore; NAV Rs. 15.4666)*

**A mutual fund's balance sheet is as follows:**

Liabilities	Rs Cr	Assets	Rs Cr
Unit capital		Equity shares	900
60,00,00,000 units at Rs. 10 each	600	Debentures	450
Reserves and Surplus	950	Money market	250

		instruments	
Current Liabilities	195	Other current assets	145
Total	1745	Total	1745

If the value of the equity investments moves up to Rs. 1350 crore, and that of the debentures moves down to Rs. 410 crore, what is the new NAV of the fund?

Ans. (Net Assets Rs. 2155 Crore; NAV Rs. 35.91667)

**Given the following details about a mutual fund, calculate the net assets:**

Investments: Rs. 475 crore

Other assets: Rs. 55 crore

Accrued Expenses: Rs. 18 crore

Accrued Income: Rs. 12.75 crore

Current liabilities: Rs. 4.75 crore

Other liabilities: Rs. 10.06 crore

Ans. (Net Assets Rs. 509.94 Crore)

**Given the following details about a mutual fund, calculate the net assets:**

Investments: Rs. 65 crore

Other assets: Rs. 10 crore

Accrued Expenses: Rs. 7.75 crore

Deferred revenue expenditure: Rs. 3.45 crore

Accrued Income: Rs. 4.5 crore

Current liabilities: Rs. 2.5 crore

Other liabilities: Rs. 1.75 crore

What are the net assets for the purpose of computing the investment manager's fee?

Ans. (Net Assets Rs. 70.95 Crore;

Net Asset for Computing Investment Management Fee Rs. 67.5 Crore)

**A mutual fund incurs Rs. 7.75 crore as initial issue expense for mobilising Rs. 80 crore. How will this expense be treated in the books of the fund?**

Ans. (Allowable Initial Issue Expense Rs. 5.6 Crore;

Each Year Expense Rs. 1.12 Crore)



**A mutual fund incurs Rs. 17 crore as initial issue expense for mobilising Rs. 225 crore for a closed end scheme with a tenor of 5 years. How will this expense be treated in the books of the fund?**

Ans. (Allowable Initial Issue Expense Rs. 13.5 Crore;  
Each Year Expense Rs. 2.7 Crore)

**A mutual fund incurs Rs. 14.75 crore as initial issue expense for mobilising Rs. 425 crore. How will this expense be treated in the books of the fund?**

Ans. (Allowable Initial Issue Expense Rs. 14.75 Crore;  
Each Year Expense Rs. 2.95 Crore)

**A mutual fund incurs Rs. 6.75 crore as initial issue expense for mobilising Rs. 115 crore, for a closed end fund with a tenor of 4 years. How will this expense be treated in the books of the fund?**

Ans. (Allowable Initial Issue Expense Rs. 6.75 Crore;  
Each Year Expense Rs. 1.725 Crore)

**A mutual fund has 15 crore units and net assets of Rs. 450 crore. Of these net assets, Rs. 75 crore represents realised gains and Rs.150 crore represent unrealised gain. The fund has to redeem 3000 units at NAV. What is the impact of this redemption on the accounts of the mutual fund?**

Ans. (NAV of Fund Rs. 30.00

Face Value Rs 10

Realised gain per unit Rs. 5

Un-realised gain per unit Rs. 10

Unit Capital Account reduces by Rs. 30,000.00

Income Equalisation account reduces by Rs. 15,000.00

Unit premium reserve reduces by Rs. 30,000.00)

**A mutual fund has 18 crore units and net assets of Rs. 558 crore. Of these net assets, Rs. 162 crore represents realised gains and Rs.216 crore represent unrealised gain. The fund has sold 2800 units at NAV. What is the impact of this sale on the accounts of the mutual fund?**

Ans. (NAV of Fund Rs. 31.00

Face Value Rs 10

Realised gain per unit Rs. 9

Un-realised gain per unit Rs. 12

Unit Capital Account Increases by Rs. 28,000.00

Income Equalisation account increases by Rs. 25,200.00

Unit premium reserve reduces by Rs. 33,600.00)

**A mutual fund holds a debt instrument on which 11.5% coupon is payable semi-annually. The instrument will redeem on March 31, 2005 at Rs. 100. The last coupon was due on October 31, 2002. On February 1, 2003 the coupon interest still remained unpaid. On that date the value of the security in the books of the mutual fund was Rs. 95. What are the provisioning norms applicable to this instrument?**

**Ans. (Accrued Interest Rs 8.625 Crore;**

**Asset Value on 1 February ,2003 Rs.86.375 Crore**

Date	Provisioning	Amount provided	Residual value
April 30, 2003	10% of asset's value	8.6375	77.7375
July 31, 2003	20% of the asset value	17.275	60.4625
October 31, 2003	20% of asset value	17.275	43.1875
January 31, 2004	25% of the asset value	21.59375	21.59375
April 30, 2004	25% of the asset value	21.59375	0





## Valuation

- Valuation of illiquid equity shares
- Valuation of debt instruments on accrual basis

**XYZ Ltd. has 150,000 equity shares outstanding in its books on August 31, 2002. The company's net worth on that date is Rs. 45 lakh. The post tax profits are Rs. 8 lakh. The company's equity is not actively traded in the market. Companies belonging to the same industry are trading at a P/E multiple of 18. Estimate the fair value for XYZ, using the SEBI recommended valuation methodology.**

**Ans. (Book value of Share Rs 30**

**EPS RS. 5.3333**

**Capitalised Earning Value Rs. 24**

**Fair Value Rs. 25.2)**

**A company's shares are not traded on stock exchanges for the past 7 months. A mutual fund holding equity shares in this company has to mark the holdings to market. According to the last balance sheet of the company, its book value per share was Rs. 22 and the last Earnings per share was Rs. 4.50. Comparable companies in the same industry are being traded in the stock market at an average PE multiple of 11. What is the fair value of this share using SEBI Guidelines for valuation of illiquid equity shares?**

**Ans. (Fair Value Rs. 15.46875)**

**A company has been making losses and its latest EPS is negative at Rs. -9.55. Its shares are not traded on stock exchanges for the past 7 months. According to the last balance sheet of the company, its books value per share was Rs. 3.50. Comparable companies in the same industry are being traded in the stock market at an average PE multiple of 7.5. What is the fair value of this share using SEBI Guidelines for valuation of illiquid equity shares?**

**Ans. (Fair Value Rs. 1.575)**

**A mutual fund holds a 91-day Treasury bill, issued at Rs. 92.5, redeeming at Rs. 100. If there are 22 days to maturity, what is the value of the instrument on its books?**

**Ans. (Value Rs. 98.1868)**

**A mutual fund holds a 91-day Treasury bill, issued at Rs. 93.25, redeeming at Rs. 100. If there are 37 days to maturity, what is the value of the instrument on its books?**

**Ans. (Value Rs. 97.2555)**

**A mutual fund holds a 182-day Treasury bill, issued at Rs. 86.75, redeeming at Rs. 100. If there are 165 days to maturity, what is the value of the instrument on its books?**

**Ans. (Value Rs. 87.9876)**

**A mutual fund holds a 90-day commercial paper, issued at Rs. 94.72, redeeming at Rs. 100, 65 days later. What is the value of the instrument on its books?**

**Ans. (Value Rs. 96.18667)**

**A mutual fund holds a 90-day commercial paper, issued at Rs. 95.5, redeeming at Rs. 100, 22 days later. What is the value of the instrument on its books?**

**Ans. (Value Rs. 98.9)**



## Return Measures

- Percentage change in NAV
- Total return with dividends
- Total return with dividends re-invested

**The NAV of a fund on March 31, 2002 was Rs. 16.75. 3 months later, the NAV had grown to Rs. 18.25. Using the percentage change in NAV method, find out the annualised return.**

Ans. (Change in NAV 8.955%;  
Annualised Returns 35.82%)

**The NAV of a fund on January 2002 was Rs. 18.8825. 6 months later, the NAV had grown to Rs. 19.9995. Using the percentage change in NAV method, find out the annualised return.**

Ans. (Change in NAV 5.9155%;  
Annualised Returns 11.831%)

**The NAV of a fund on March 31, 2002 was Rs. 12.45. 5 months later, the NAV had grown to Rs. 14.285. Using the percentage change in NAV method, find out the annualised return.**

Ans. (Change in NAV 14.739%;  
Annualised Returns 5.8956%)

**An investor bought units of a mutual fund for Rs. 16.25. At the end of the year, the worth of his holding was Rs. 17.225 and he had received a dividend of 10%. Using the simple total return method, compute his return.**

Ans. (Simple Total Return 12.1538%)

**An investor bought units of a mutual fund for Rs. 21.65. At the end of the year, the worth of his holding was Rs. 20.925 and he had received a dividend of 16%. Using the simple total return method, compute his return.**

Ans. (Simple Total Return 4.0415%)

**An investor buys a mutual fund unit at Rs. 20.75. He subsequently receives a dividend of 15.5%, which he reinvests in the fund, at the then prevailing NAV of Rs. 21.25. At the end of the year, the NAV of the fund is Rs.22.65. What is the rate of return to the investor, using the total return with reinvestment method?**

Ans. (ROI 17.1187%)

**An investor buys a mutual fund unit at Rs. 23.75. He subsequently receives a dividend of 20%, which he reinvests in the fund, at the then prevailing NAV of Rs. 24.5. At the end of the year, the NAV of the fund is Rs.25.1.**

***What is the rate of return to the investor, using the total return with reinvestment method?***

***Ans. (ROI 14.3115%)***



