2. A financial system consists of
   (i) Financial institutions and financial instruments
   (ii) SEBI which is a financial intermediary
   (iii) Stock exchanges which are components of capital market
   (iv) Before Independence, Indian financial system was stric regulated.

   [Ans. : (iii)]

3. A financial market
   (i) Facilitates trading in securities but has no role in payme mechanism
   (ii) Is a place where sellers and buyers of securities get togethe
   (iii) Serves as intermediary for mobilisation of savings.
   (iv) Has nothing to do with short-term lending and borrowing.

   [Ans. : (iii)]

4. Indian financial system was liberalised in
   (i) 1991
   (ii) 1947
   (iii) 1951
   (iv) 2005

   [Ans. : (i)]



5. During the pre-reform period, Indian financial system
   (i) Was dominated by private sector enterprises
   (ii) Was dominated by government and public sector
   (iii) Was dominated by foreign companies
   (iv) Was working on capitalist basis

   [Ans. : (ii)]

6. Development banks were established in India
   (i) Before Independence
   (ii) Between 1948 and 1991
   (iii) By private sector
   (iv) By the Reserve Bank of India Act.

   **[Ans. : (ii) Between 1948 and 1991]**

7. Life Insurance Corporation was established

(i) to compete with private sector insurance companies.

(ii) In 1956 by nationalising all private life insurance companies.

(iii) For providing long-term finance to industries

(iv) For starting mutual funds in India

[Ans. : (ii)]

8. During the post liberalisation period

(i) Major private banks were nationalised

(ii) SEBI was established to regulate working of stock exchanges.

(iii) Reserve Bank of India was nationalised

(iv) Investors' protection was ignored.

[Ans. : (ii)]

9. Financial Intermediaries consisted of

(i) Banks, non-banking institutions, mutual funds and insura companies

(ii) Capital market and money market

(iii) Financial instruments and financial services only.

(iv) Primary and secondary markets only.

[Ans. : (i)]

10. Derivatives consist of

(i) future, forward and option trading

(ii) Equity shares and preference shares

(iii) Bank drafts and commercial papers

(iv) Government bonds only

[Ans. : (i)]



11. In functions of Financial system is included

(i) helping in selection of project excluded

(ii) serving as a valuable link between savings and inve

(iii) providing information is not a part of its functions

(iv) providing long-term funds is not included.

[Ans. : (ii)]

## MCQS (MULTIPLE CHOICE QUESTIONS)

### (A) RBI

**In the following statement, more than one answers are given. Select correct answer :**

**1.**

(i) Reserve Bank of India was nationalised in 1969.

(ii) Reserve Bank is like any other Commercial Bank.

(iii) Reserve Bank was established in 1934.

(iv) Reserve Bank was setup under Companies Act.

[Ans. : (iii)]

**2.** Reserve Bank has the following functions :

(i) It works as a Central Bank of India

(ii) It has no power to control co-operative banks

(iii) It is not an autonomous body, but is controlled by the central government

(iv) It cannot issue currency notes as it is a function of Government of India.

[Ans. : (i)]

**3.** Reserve Bank of India was set to take on the functions carried on by

(i) Imperial Bank of India

(ii) Bank of India

(iii) State Bank of India

(iv) Bank of England

[Ans. : (i)]

**4.** The promotional functions of RBI means

(i) Controlling banking structure in India

(ii) Helping growth of agriculture and industrial sector of India

(iii) To finance government in times of financial crisis

(iv) To issue currency notes.

[Ans. : (ii)]

5. RBI
   (i) Cannot control the liquidity of banking sector
   (ii) Cannot control commercial banks to fix rates of interest on deposits
   (iii) Can decide the fiscal policy
   (iv) Can issue currency notes of any amount

   **[Ans. : (iii)]**

## (B) SEBI

1. Securities and Exchange Board of India was established in
   (i) 1949
   (ii) 1947
   (iii) 1956
   (iv) 1992

   **[Ans. : (iv)]**



2. SEBI was established
   (i) To control the stock exchanges in India
   (ii) To buy and sell securities on behalf on government
   (iii) To control only operations of mutual funds
   (iv) To finance long-term funds to industries

   **[Ans. : (i)]**
3. Before the establishment of SEBI, the regulation of Stock markets was managed by
   (i) Government of India
   (ii) Controller of Capital Issues
   (iii) Reserve Bank of India
   (iv) IFCI

   **[Ans. : (ii)]**
4. The main function of SEBI is
   (i) To register and regulate the securities issues and dealings in secondary markets.
   (ii) To fix prices of securities of new issues by companies.
   (iii) Not to control and regulate mutual funds.
   (iv) To help governments in issuing their bonds.

   **[Ans. : (i)]**

5. SEBI

(i) Has the power to fix issue price of securities of companies

(ii) Has the right to register and recognise the stock exchanges

(iii) Is working as a depository of securities

(iv) Has nothing to do with insider trading in securities.

[Ans. : (ii)]

## (C) IRDA

**In the following statements multiple answers are given. Select the correct answer in each of them.**

1. (i) IRDA was established in 1938

(ii) IRDA was set up in 1972.

(iii) IRDA was established in 1999 by an Act of the parliament.

(iv) IRDA regulates only general insurance.

[Ans. : (iii)]

2. According to the constitution of IRDA

(i) It should have a chairman and not more than 9 members.

(ii) Prohibits setting up insurance companies in private sector.

(iii) Cannot control and regulate the rates and terms and condition of insurance policies.

(iv) Cannot regulate investment of funds of insurance companies.

[Ans. : (i)]

3. IRDA was established

(i) under the Insurance Act, 1938

(ii) under the General Insurance Business Act of 1972

(iii) Life Insurance Corporation Act., 1956

(iv) IRDA Act of 1999

[Ans. : (iv)]

4. The main objective of IRDA was

(i) to take care of the policyholders' interest

(ii) to nationalise life and general insurance in India

(iii) to see that insurance companies make fat profits

(iv) only to advise the government on policy matters relating insurance sector

[Ans. : (i)]

5. Under Sec. 14 of IRDA Act, 1999, IRDA has the power to :

(i) Regulate investment of funds by insurance companies

(ii) Cannot specify any code of conduct for surveyors

(iii) Has to leave the determining of rates of premium to insurance campanies unrestricted.

(iv) Not to interfere in re-insurance business.

[Ans. : (i)]

(v) Call / Notice Money market.

## MCQS (MULTIPLE CHOICE QUESTIONS)

**In the following statements more than one answer are given. Sel the correct answer.**

1. Money Market

   (i) is a market for short term funds

   (ii) is a market for long term funds.

   (iii) is a market for issuing securities like shares

   (iv) is a market in which shares are bought and sold

   [Ans. : (i)]

2. The following is an instrument of money market

   (i) Debentures

   (ii) Government bonds

   (iii) Treasury Bills

(iv) Equity Shares

**[Ans. : (iii)]**

3. Indigenous Bankers are a part of
   (i) Organised money market
   (ii) Unorganised money market
   (iii) Capital market
   (iv) Have nothing to do with money market

   **[Ans. : (ii)]**

4. Treasury Bills
   (i) Of 14 days duration are popular
   (ii) Of 182 duration have been discontinued
   (iii) Are issued directly to buyers on contract basis
   (iv) Is an instrument of capital market

   **[Ans. : (i)]**



5. To develop Bill market
   (i) Industrial Development Bank was set up
   (ii) SEBI was given powers
   (iii) Discount and Finance House of India Ltd. was established
   (iv) Rate of discount on rediscounting is strictly pegged at 12.5 per cent.

   **[Ans. : (iii)]**

## MCQS (MULTIPLE CHOICE QUESTIONS)

**In the following statements more than one answer are given. Select the correct answer.**

1. Capital Market in India.
   (i) is still undeveloped
   (ii) is controlled by controller of capital issues
   (iii) Is controlled by SEBI
   (iv) Developed rapidly under planning after independence
   **[Ans. : (iii)]**

2. Private placement of shares
   (i) Can be undertaken by private limited companies
   (ii) Can be arranged by all types of companies
   (iii) Can be offered to directors of the company only.
   (iv) Can be undertaken by prosperous companies only
   **[Ans. : (ii)]**

3. The security prices are fixed
   (i) by controller of capital issues
   (ii) by SEBI
   (iii) by company itself
   (iv) by Government of India
   **[Ans. : (iii)]**

4. The right shares can be offered to
   (i) any investor who applies for it
   (ii) Only existing shareholders u/s 81 of Companies Act.
   (iii) Only some preferred persons by directors
   (iv) All existing shareholders who have to compulsorily subscribe to it.
   **[Ans. : (ii)]**

5. Capital market and money market are

(i) Complementary to each other

(ii) Are competitors for providing funds to corporates

(iii) Both facilitate issues of shares by companies

(iv) Both interested in purchasing Treasury Bills of the government.

[Ans. : (i)]

## MCQS (MULTIPLE CHOICE QUESTIONS)

**In the following sub-questions more than one answer are give Select the correct answer. give explanation wtherever necessar**

1. Capital market

   (i) Mainly consists of stock markets.

   (ii) Security market consists of government agencies.

   (iii) Comprises share market only.

   (iv) Is meant for debt securities only.

   [Ans. : (i)]

2. Stock exchanges
   (i) Are places where people become rich over night.
   (ii) Are indices of economic progress of the country.
   (iii) Are controlled by controller of capital Issues.
   (iv) Are controlled by SEBI

   [Ans. : (iv)]



3. Indian stock exchanges are
   (i) Places in which trading rings are provided
   (ii) Corporatised and demutualised in recent years.
   (iii) Constituents of SEBI
   (iv) Are not governed by Securities Contracts (Regulation) Act, 1956.

   [Ans. : (ii)]

4. Listing of securities
   (i) means registering securities with Government of India.
   (ii) Means registering the securities with SEBI.
   (iii) Means registering the securities with recognised stock exchanges.
   (iv) Is not compulsory for the securities to be dealt with.

   [Ans. : (iii)]

5. All stock exchanges are managed by
   (i) Governing body as they are association of persons.
   (ii) Board of Directors as they are incorporated as a joint stock companies.
   (iii) SEBI to protect the interest of investors.
   (iv) A committee of shareholders of stock exchanges.

   [Ans. : (ii)]

6. All recognised stock exchanges are controlled by
   (i) The Acts of parliament like Securities Contracts (Regulation) Act, 1956, Companies Act only.
   (ii) Department of Company Affairs of the Government of India.
   (iii) SEBI by issuing various guidelines and directives etc.
   (iv) Comptroller and Auditor General of India (CAG)

   [Ans. : (iii)]

## MCQS (MULTIPLE CHOICE QUESTIONS)

- **In the following subquestions two or more answers are given. You have to select correct answer :**

1. The functions of a commercial banks are

(i) Only borrowing and lending

(ii) Besides traditional functions, some non-traditional functions also

(iii) To lend money to only joint stock companies.

(iv) Not to deal in Government securities

[Ans. : (ii)]

2. When a bank accepts deposits from public,
   (i) it issues debentures
   (ii) it issues deposit receipts
   (iii) it issues equity shares
   (iv) it issues a promissory note

   **[Ans. : (ii)]**

3. A banking company is
   (i) Any company which transacts the business of banking in India.
   (ii) An organisation which collects deposits for those who want to use it.
   (iii) Governed by Indian Companies Act.
   (iv) Controlled by SEBI

   **[Ans. : (i)]**

4. The following is a non-traditional function
   (i) to accept deposits and lend them
   (ii) to act as an agent of customers in collecting dividend.
   (iii) Crediting interest to customers' account on their deposits
   (iv) To discount customer's bills

   **[Ans. : (ii)]**

5. The following is one of the Apex Banks.
   (i) Regional rural banks
   (ii) Welknown foreign Bank
   (iii) Reserve bank of India
   (iv) Industrial Financial Corporation of India (Now IFCI Ltd.)

   **[Ans. : (iii)]**

## MCQS (MULTIPLE CHOICE QUESTIONS)

**In the following sub-questions, two or more answers are given. Select the correct answer.**

1. Commercial banks were nationalised
   (i) In two instalments, in 1969 and 1980.
   (ii) All commercial banks at one stroke.
   (iii) After economic reforms of 1990s
   (iv) So that government may not have any financial difficulities.
   **[Ans. : (i)]**
2. The main objective of Nationalisation of banks was :
   (i) To channelise the credit towards priority sector
   (ii) The prime minister was interested in nationalisation.
   (iii) To stop malpractices in private banks.
   (iv) To win elections
   **[Ans. : (i)]**
3. After nationalisation
   (i) the nationalised banks became inefficient
   (ii) Banks did not open branches in rural areas
   (iii) Banks introduced many technological changes in its management
   (iv) Many scams took place
   **[Ans. : (iii)]**
4. After nationalisation
   (i) The Banking Regulation Act does not apply to nationalised banks.
   (ii) Separate guidelines of accepting deposits were issued by RBI to nationalised banks.
   (iii) Commercial banks are now exclusively under the control of finance minitry of GOI.
   (iv) Commercial banks are allowed to give advances to priority sector besides their usual functions.
   **[Ans. : (iv)]**
5. Nationalisation of banks was carried out
   (i) After independence in 1951
   (ii) In 1980 when 20 banks were nationalised

(iii) In post reform period of 1990s

(iv) In two parts in 1969 and 1980

[Ans. : (iv)]

(C) NON PERFORMING ASSETS (NPAs)

## MCQS (MULTIPLE CHOICE QUESTIONS)

**In following sub-questions two or more answers are given. Select the correct answer.**

1. Non performing assets arise.
   (i) because the government compels the bank to give advances to small scale industries.
   (ii) Because the management does not take proper care in granting loans.
   (iii) Because Reserve Bank has no proper control over loans and advances of banks.
   (iv) Because people are not conscious about banking practices.
   **[Ans. : (ii)]**



2. Interest on NPA, if received,
   (i) goes to reduce bad debts.
   (ii) Is credited to profits & loss A/c.
   (iii) Is credited to Reserve Fund.
   (iv) Cannot be used to distribute dividend.
   **[Ans. : (ii)]**

3. for provisioning of NPA
   (i) NPAs are divided into 2 types : good loans and doubtful loans.
   (ii) Only one group called loss assets.
   (iii) Are treated doubtful debts.
   (iv) Are classified into four categories, namely, standard, sub-standard doubtful assets and loss assets.
   **[Ans. : (iv)]**

4. provision on advances should be made as follows :
   (i) 0.25% on standard assets.
   (ii) 20% of the balance outstanding should be made for sub-standard assets.
   (iii) 50% of doubtful advances without security.
   (iv) 100% provision must be made for loss assets.
   [Ans. : (i)]
5. For management of NPAs
   (i) Send their recovery officers to borrowers.
   (ii) Lokadalats are not resorted to
   (iii) One time settlement of debts is the best solution.
   (iv) Banks cannot go to debt recovery Tribunals.
   [Ans. : (iii)]

## MCQS (MULTIPLE CHOICE QUESTIONS)

### (A) INSURANCE

In following sub-questions, two or more answers are given. You have to select the correct answer.

1. Insurance business
   (i) developed is India after independence
   (ii) is governed by Insurance Act, 1938.
   (iii) Is now controlled by SEBI
   (iv) has declined after economic reforms of 1990s.
   **[Ans. : (ii)]**
2. LIC was set up in India.
   (i) to nationalise all types of insurance business
   (ii) to nationalise life insurance business in India
   (iii) to control and supervise Life insurance business in India.
   (iv) To provide finance for medical treatment.
   **[Ans. : (ii)]**
3. Insurance business is based on
   (i) Distribution of risk principle
   (ii) Protecting the life of the insured.
   (iii) Making huge profits from premium income.
   (iv) Having tax benefits
   **[Ans. : (i)]**
4. General Insurance Corporation of India.
   (i) was established in 1956
   (ii) was established in 1972
   (iii) is not allowed to do Re-insurance business
   (iv) was established to control the whole field of insurance business in India
   **[Ans. : (ii)]**
5. Private insurance companies were allowed to operate in India in
   (i) 2000 when IRDA was passed
   (ii) 1972 when general insurance corporation was set up.

(iii) In 1992 when liberal economic policy was adopted.

(iv) Only to cover rural population.

[Ans. : (i)]

6. After privatisation of insurance business

(i) Importance of LIC has been reduced

(ii) LIC is still an outstanding life insurance company

(iii) LIC entered the general insurance business

(iv) All nationalised banks have started life insurance business.

[Ans. : (ii)]

## (B) MUTUAL FUNDS



1. Mutual Fund business in India is controlled by

(i) Unit Trust of India

(ii) SEBI

(iii) IRDA

(iv) Government of India

[Ans. : (ii)]

2. Mutual Fund is a mechanism for

(i) Collecting savings by industrial companies

(ii) Buying government securities

(iii) Pooling of resources by issuing units to the investors.

(iv) Providing long-term finance to industries.

[Ans. : (iii)]

3. Open-ended mutual funds :

(i) are meant for collecting saving for a fixed period of time and is closed to subscription after a particular date

(ii) are very common in India as compared to close–ended fund.

(iii) Do not declare dividend every year on they are growth funds.

(iv) Do not provide liquidity to investors.

[Ans. : (ii)]

4. Investment in mutual funds is not risky because

(i) The money collected by them is invested in government securities only.

(ii) They are managed by experts.

(iii) SEBI's guidlines and restrictions of law control them.

(iv) Controller of Mutual Funds controls them.

[Ans. : (iii)]

5. Bank of India was the first nationalised bank to start mutual fun
   (i) because the Government of India amended Banking Regulati Act. in 1987
   (ii) because it wanted to start long-term financing of industries.
   (iii) Because it wanted to earn a good name in banking sector
   (iv) Because it has surplus staff.

[Ans. : (i)]

## MCQS (MULTIPLE CHOICE QUESTIONS)

**In following sub-questions two or more answers are given. You have to select the correct answer :**

1. A share
   (i) is a part of share capital of a joint stock company.
   (ii) Is a creditorship security.
   (iii) Is a security on which dividend is payable every year as per companies Act.
   (iv) Is a security on which dividend can not be paid.

   **[Ans. : (i)]**

2. A preference share
   (i) is a security for which company's assets are mortgaged..
   (ii) Has a variety of shares.
   (iii) Is a security on which dividend is payable compulsorily every year.
   (iv) Holder of which has a right to attend Annual General Meeting every year.

   **[Ans. : (ii)]**

3. A debenture is a security
   (i) the holder of which is a creditor of the company.
   (ii) On which interest is paid only if there is a profit
   (iii) On which capital is returned after preference share holders are paid their capital in full in case of liquidation.
   (iv) Which cannot be redeemed during the lifetime of the company

   **[Ans. : (i)]**

4. The following instrument can be issued by a commercial bank only.
   (i) Commercial paper
   (ii) Commercial Bills
   (iii) Treasury Bills
   (iv) Certificate of deposit

   **[Ans. : (iv)]**



5. Convertible debentures can be issued by
   (i) Government agencies only

(ii) Public sector companies only

(iii) Any joint stock company registered under the Companies Act.

(iv) Private sector companies only.

[Ans. : (iii)]

6. Derivatives are instruments

(i) which are highly liquid

(ii) in which put and call options are included

(iii) are ready delivery contracts

(iv) cannot be traded on stock exchanges

[Ans. : (ii)]

7. Zero-interest fully convertible debentures

(i) carry a low rate of interest every quarter.

(ii) Does not yield any interest

(iii) Interest is included in redemption price.

(iv) Are banned in India.

[Ans. : (iii)]

8. Commercial Bills

(i) Are drawn by RBI only

(ii) Are highly liquid and secured

(iii) Are bills drawn by brokers of stock exchanges

(iv) Have developed in India as a short term money market instrument very fast.

[Ans. : (ii)]

9. Option transaction

(i) means a contract in which a customer can purchase or sell security in future at a price fixed at the time of contract.

(ii) Are transactions in which only one option is given to the customer

(iii) Are prohibited in India

(iv) Option buyer has to pay commission to seller on maturity

[Ans. : (i)]

10. Euro Issues

(i) are devices of raising funds by Indian companies in foreign markets.

(ii) Have to be listed on Indian stock exchanges

(iii) Are instruments to raise funds in Indian currency in foreign markets

(iv) Are devices used by European companies to raise funds in Indian market.

[Ans. : (i)]

1) No one is involved in the Indian Financial System?

(A) Finance market (B) Financial Intermidiaries

(C) Financial Instrument (D) Money

2) Types of Finance market

(A) 3 (B) 2 (C) 4 (D) 1

3) Which of the following is not a financial Instrument?

(A) The Treasury Bills (B) Call money

(C) Equity shares (D) CBLO

4) What period is the money market called?

(A) Short term (B) Long term

(C) medium term (D) Not a single

5) Who regulates the money market?

(A) RBI (B) SEBI

(C) IRDA (D) SBI

6) What period is the Capital market called?

(A) Long term (B) medium term

(C) Short term (D) Not a single

7) Who regulates the Capital market?

(A) SEBI (B) IRDA

(C) RBI (D) Share market

8) Who issues treasury bills on behalf of the government?

(A) State Government (B) RBI

(C) Financial Intermediaries (D) Capital market

9) When was the Reserve Bank of India Act implemented?

(A) 1990 (B) 1934 (C) 1935 (D) 1950

10) How has economic liberalization been implemented in India?

(A) 1989 (B) 1991 (C) 1993 (D) 1995

11) What is the year of establishment of Reserve Bank of India?

(A) 1935 (B) 1945 (C) 1949 (D) 1969

12) When was the Bombay Stock Exchange established?

(A) 1877 (B) 1957 (C) 1995 (D) 2001

13) When was the National Stock Exchange established?

(A) 1990 (B) 1992 (C) 1994 (D) 1996

14) When did FERA come into force?

(A) 1970 (B) 1965 (C) 1973 (D) 1960

15) When was SEBI established?

(A) 1929 (B) 1992 (C) 1930 (D) 1892

16) Which stock market has it's own administrative rules?

(A) Delhi Stock market
(B) Bombay Stock market
(C) Kolkata Stock market
(D) Ahmedabad Stock market

17) Which of the following is not a Stock market Feature?

(A) Stock market Recognition
(B) Membership
(C) By-Laws
(D) meeting of Stock market

18) Where was the world's first Stock market established?

(A) USA (B) London (C) India (D) Japan

19) Describe the function of Capital market

(A) Allocation Function
(B) The function of the director
(C) The function of liquidity
(D) All of the above

20) When was the nationalization of banks in India?

(A) 1947 (B) 1951 (C) 1965 (D) 1969

21) Which of the following is not a characteristics of Money market ?

(A) Short term requirements

(B) Brokers

(C) Low cost of the deal

(D) Equipment of capital market

22) What are the types of NBFCs ?

(A) 2 (B) 3 (C) 4 (D) 5

23) When was UTI established ?

(A) 1961 (B) 1962 (C) 1963 (D) 1964

24) When did the IRDA come into force ?

(A) 1972 (B) 1991 (C) 2000 (D) 2005

25) Who controls the insurance companies ?

(A) RBI

(B) SEBI

(C) IRDA

(D) Central Government

26) When was the LIC established ?

(A) 1995 (B) 1956 (C) 1957 (D) 1998

27) How many banks were nationalized in 1969 ?

(A) 10 (B) 11 (C) 14 (D) 15

28) How many functions of a commercial Bank ?

(A) 2 (B) 3 (C) 4 (D) 5

29) Describe the benefits of a mutual fund.

(A) Experts Guide

(B) At Least risk

(C) Liquidity of cash

(D) All of the above

30) How many types of LIC?

(A) 2 (B) 3 (C) 4 (D) 5

31) Which shares are mandatory to issue?

(A) Equity shares

(B) Preference shares

(C) Sweat Equity shares

(D) All of the above

32) Which shareholders have the first right to receive Capital Back?

(A) Equity share holders

(B) Preference share holders

(C) Sweat equity share holders

(D) All of the above

33) Which shareholders have the right to vote?

(A) Preference share holder

(B) Equity share holder

(C) Sweat equity share holders

(D) All of the above

34) Which share is converted into Equity share?

(A) Convertible Preference share

(B) Participating Preference share

(C) Redeemable Preference share

(D) All of the above

35) What is the meaning of receiving short notice money?

(A) Call money (B) money

(C) Short money (D) All of the above

36) When was the commercial paper introduced in India?

(A) 1995 (B) 1990 (C) 1909 (D) 1945

37) Who can not invest in a Treasury Bill ?

(A) Banks

(B) Dealers

(C) Financial Institution

(D) The public

38) Deposit certificates can be excluded at least in multiples ______

(A) 10 thousand

(B) 50 thousand

(C) 1 Lakh

(D) 2 lath

39) How many types of Commercial Bills ?

(A) 2

(B) 3

(C) 4

(D) 5

40) What is called treasury bills ?

(A) T Bills

(B) R Bills

(C) J Bills

(D) E Bills