



International School of Financial Markets

Mutual Fund questions Bank

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ISFM
Way to **Financial Abundance**
Best Stock Markets School

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ISFM Mutual Fund 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 networth 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**



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- c. the repurchase price fixed by the fund in 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. an 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:
a. Account balance should not fall below the minimum capital required
b. Checks issued must be for at least the minimum amount specified.
c. Number of checks per month must not exceed a specified number
d. **Both a & b above**
27. The performance of a fund is largely measured by the success of
a. the marketing function
b. the operations function
c. **the portfolio market function**
d. none of the above
28. Generally invest in
a. unlisted
b. **market-traded**
c. thinly traded
d. privately placed
29. Which of the following is not an equity instrument
a. preference shares
b. equity warrants
c. **ordinary debentures**
d. convertible debentures
30. The drawback of an ordinary share is
A. possibility of capital appreciation
B. ownership privilege of the company
C. guaranteed dividend income

D. 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
- R.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
 - 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**
 - 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
- True**
 - False
43. The offer document need not be revised if the management or the controlling interest in the AMC change
- True
 - False**
44. An AMC cannot explain adverse variations between expense estimates for the scheme on offer and actual expenses for past schemes in
- financial newspapers
 - business channels on TV
 - the offer document**
 - AMFI newsletter
45. Information on estimated expenses to be incurred by a scheme is not found in the offer document, but in brochures of the fund
- True
 - 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
- a. expenses for past schemes in
- b. financial newspapers
- c. business channels on TV**
- d. offer document
- e. 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
- e. True**
- f. False
52. The following information about the constitution of the mutual fund is found in both the offer document and key information memorandum
- e. activities of the sponsor
- f. summary of trust deed provisions
- g. name and addresses of the board of trustees
- h. all of the above**
53. The investment objectives of the fund an investor selects for investment
- e. are of no relevance
- f. should be the same as his own investment objectives**
- g. change with market movements
- h. 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
- e. the type of securities in which the scheme will invest principally
- f. asset allocation pattern
- g. policy of diversification
- h. 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 at least the following percentage of its total assets in the indicated type of security/industry/sector
- e. 100%
- f. 80%
- g. 65%**
- h. 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
- e. the offer document
- f. the key information memorandum
- g. both (a) and (b)**
- h. none of the above
57. The names and background of key personnel of the AMC
- e. need not be disclosed to investors
- f. are of no relevance as they may change
- g. are disclosed in the offer document**
- h. are declared in newspaper advertisements
58. The minimum amount to be raised, and the maximum target amount
- e. are not known before the offer is concluded
- f. can be decided based on investor response to the offer
- g. are defined as per SEBI Regulations before the offer is made**
- h. 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
- e. True
- f. False**
60. Offer related information required to be listed in

the offer document and key information memorandum includes

- e. dates of opening, closing, earliest closing, allotment and despatch of certificates
- f. procedure for transfer and transmission of units
- g. both the above
- h. neither of the above**

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

- e. one fiscal year
- f. 2 fiscal years
- g. 3 fiscal years**
- h. 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

- e. True**
- f. False

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

- e. various plans under the scheme (e.g. dividend reinvestment plan)
- f. minimum initial (and subsequent) investment
- g. details of who can invest
- h. details of other competing mutual funds**

64. A scheme's policy on dividends and distribution

- e. is decided by the fund manager as per its market outlook
- f. can be changed to suit the requirements of the AMC
- g. need not be consistent
- h. 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:

- e. not true
- f. in the interest of investor protection**
- g. applied only to some mutual funds, not all
- h. 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

- e. 50%
- f. 40%**

- g. 25%**
- h. 10%

67. Mutual funds are allowed to borrow

- e. freely to meet their requirements
- f. for investment purposes
- g. only to meet redemption demands**
- h. not allowed at all

68. As a part of borrowing policy, the following need not be disclosed in an offer document

- e. purpose and circumstances of borrowing
- f. regulatory limits on borrowing
- g. potential risk to AMC and unit-holders
- h. names of lenders**

69. Valuation norms for non-traded securities should be disclosed

- e. at the end of every financial year
- f. every quarter
- g. in the offer document at the time of launch of the scheme**
- h. should not be disclosed, being confidential information

70. Procedure for redemption or repurchase need not

- e. be described in the offer document
- f. include how redemption or repurchase price of units would be determined
- g. include names of centres where redemption can be effected
- h. 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

- e. True
- f. False**

72. The accounting policies of a fund should be in accordance with

- e. GAAP
- f. SEBI regulations**
- g. ICAI Guidelines
- h. American GAAP

73. Tax treatment of investments does not

- e. form a section in the offer document
- f. describe the tax elements applicable to investors who invest in the fund
- g. form a section in the key information memorandum
- h. 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. Investors' rights under a scheme are
- uniform for all schemes of all funds
 - not defined
 - listed in the offer document**
 - available with stock exchanges
76. The offer document for a scheme should describe how the NAV of the scheme is to be computed
- True**
 - False
77. An offer document contains an AMC's investor grievance's history for the past
- one fiscal year
 - 2 fiscal years
 - 3 fiscal years**
 - six months
78. Any pending cases or penalties levied on the sponsors or AMC should be disclosed in the offer document
- True**
 - False
79. Who among the following are not eligible to invest in MF
- Indian Companies
 - Banks
 - Non Banking Finance Companies
 - Foreign Citizens**
80. NRIs are eligible to invest in Mutual Funds
- True**
 - False
81. The most important link between Mutual Fund and Investors is
- Government
 - SEBI
 - Fund distributors**
 - AMFI
82. Are Overseas Corporate Bodies allowed to invest in Mutual Funds
- No
 - Yes**
- g. if Ministry of Finance approves
h. if AMFI approves
83. Who among the following are not Institutional Investors
- Banks
 - Resident Individuals**
 - Provident Funds
 - Non Banking Finance Companies
84. It is compulsory to use fund agents/intermediaries for investing MFs
- True
 - 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 Fund 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
- 50000
 - 100000**
 - 75000
 - 150000
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

- h. None of the above
91. Mutual Fund agents/distributors are not allowed to sell Financial Products other than Mutual Funds
- True
 - False**
92. Are 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 Post Graduate university course
93. How many major distributor Companies are there in India selling Mutual Fund units
- approximately 9
 - approximately 11
 - approximately 10**
 - approximately 25
94. The offer document is not a legal document
- True
 - False**
95. A copy of all changes in the offer document has to be filed with SEBI
- True**
 - False
96. The legal responsibility for the accuracy of the statements made in the offer document lies with
- SEBI
 - the AMC**
 - AMFI
 - 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
- True**
 - False
98. The following need not be covered in a Key Information Memorandum
- Risk Factors
 - Opening, Closing and earliest Closing Date of the offer
 - Disclaimer Clause
 - Functions and responsibilities of the sponsor, trustees, AMC and Custodian responsibilities**
99. The front page of an offer document need not cover
- opening, closing and earliest closing date of the offer
 - disclaimer clause
 - legal and regulator compliance**
 - price of units
100. A "glossary" of Defined Terms must be included in the offer document
- True**
 - False
101. Standard risk factors are not
- market driven
 - common to all schemes
 - of relevance to novice investors
 - 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
- True**
 - False
103. Past performance of a sponsor/AMC mutual fund is not indicative of the future performance of the scheme. This is
- not true
 - a standard risk factor for all schemes**
 - a scheme-specific risk factor
 - applicable only to gilt funds
104. Risk arising from a scheme's investment objective/strategy and proposed asset allocation is
- not present
 - common to all schemes
 - specific to that scheme**
 - 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
- True**
 - False
106. If the AMC is managing a fund for the first time, this information can be found in
- newspapers
 - SEBI
 - AMFI Newsletter
 - Offer document**

107. A compliance officer
- stands guarantee to the information contained in the offer document**
 - belongs to SEBI**
 - cannot certify that the AMC's legal and procedural obligations are fulfilled
 - 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
- the managing director of the AMC
 - an executive director of the AMC
 - the compliance officer
 - Investor relations officer**
109. A due diligence certificate does not certify that
- the draft offer document forwarded to SEBI is in accordance with SEBI regulations
 - all legal requirements connected with launching of the scheme have been complied with
 - disclosures made in the offer document are true, fair and adequate
 - the AMC guarantees a good performance**
110. In developed countries, an important Mutual Fund marketing channel is through
- Insurance Companies
 - Banks**
 - Non-Banking Finance Companies
 - Retail Distributors
111. Emerging or new channel for distributors/marketing of Mutual Fund in India is
- Insurance Companies
 - Banks**
 - Qualified Mutual Fund agents
 - Direct Sales agents of respective mutual funds
112. Mutual Funds often use their own employees to mobilise funds from
- retail investors
 - High Networth individuals/institutional investors
 - all investors**
 - foreign investors
113. Retail distribution channels are a critical element in the distribution of mutual funds in India
- True**
 - False
114. "Sales Practices" cover the following areas
- desirable marketing practices
 - agents' responsibilities to the investor
 - ethical code of conduct
 - all of the above**
115. The following are not termed as "sales practices"
- agents commission
 - before-and after-sales service to investors
 - advertising of schemes
 - stock broking**
116. Sales practices are never mandated by regulators, but arise from convention only
- True
 - False**
117. Agents are compensated by mutual funds
- through salaries
 - through commissions**
 - through an annual fee
 - 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
- True**
 - False
119. Lowest commissions are paid on
- Equity funds
 - tax benefit schemes of mutual funds
 - debt funds**
 - 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

- i. **True**
- j. False

124. In India, Mutual fund agents' rate and services are at present defined by

- g. SEBI rules
- h. stock exchange bye-laws
- i. AMFI rules
- j. **convention**

125. Along with the application, it is mandatory to distribute

- i. investment rebate
- j. offer document
- k. **key information memorandum**
- l. none of the above

126. To sell funds effectively, an agent need not

- g. be fully aware of the important characteristics of the scheme
- h. know his/her client's risk profile
- i. give after sales service
- j. **offer large investment rebates**

127. For investors to correctly compare performance of different funds SEBI's advertising codes include

- i. uniform computation of yields
- j. uniform presentations of dividends
- k. identical time periods
- l. **all of the above**

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

- g. **NAV**
- h. the NSE Fifty Index
- i. the BSE Sensex
- j. none of the above

129. An agent's appointment by a fund

- i. requires SEBI's approval
- j. is a lengthy and cumbersome process
- k. is mandatorily preceded by an AMFI test
- l. **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

- c. **True**
- d. False

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

- i. any price he chooses

j. a price determined by competition among agents

- k. a price based on demand for that fund's units
- l. **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

- i. **True**
- j. False

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

- i. the fund
- j. **the agent**
- k. AMFI
- l. SEBI

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

- g. laid down by SEBI
- h. laid down by AMFI
- i. **not uniform to all funds**
- j. none of the above

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

- g. is mandatory
- h. **is in the form of recommended practices**
- i. is unfavourable to investors
- j. does not cover distribution and selling practices

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

- g. Adequate disclosures should be made to the investors
- h. Funds should be managed in accordance with stated investment objectives
- i. conflict of interest should be avoided in dealings with directors or employees
- j. **each investment decision should be approved by investors**

137. Distribution and sales practices are only partly regulated by SEBI at present

- i. **True**
- j. False

138. Which of the following distribution channels is preferred by private mutual funds

- i. Individual Agents
- j. Small Distribution companies
- k. **established distribution companies**
- l. the Internet

139. Which of the following sales practices is prescribed by regulation
- AMFI Code of Ethics
 - SEBI Advertising**
 - AMFI's Code for Agents
 - None of the above
140. In a mutual fund investors' subscriptions are accounted for as
- liabilities
 - deposits
 - unit capital**
 - none of the above
141. Investments made by a mutual fund on behalf of investors are accounted as
- assets**
 - liabilities
 - capital
 - none of the above
142. Liabilities in the balance sheet of a mutual fund are
- in the form of long-term loans
 - strictly short term in nature**
 - combination of long term and short term
 - not allowed as per regulations
143. Net Asset Value (NAV) of a mutual fund scheme is defined as the schemes
- assets minus liabilities
 - assets per unit
 - assets minus liabilities per unit**
 - none of the above
144. The day on which NAV is calculated by a fund is known as
- computation date
 - valuation date**
 - record date
 - book closure date
145. A funds NAV is affected by
- Purchase and sale of investment securities
 - valuation of all investment securities held
 - units sold or redeemed
 - all of the above**
146. When computing NAV of fund SEBI requires accrual of major expenses to be accounted
- quarterly
 - annually
 - on a day to day basis**
 - when actually paid
147. If a fund calculates NAV daily, it will include all the transaction concluded up to
- last week
 - last two days
 - previous day
 - today**
148. For a open-ended fund, the repurchase price should not be lower than
- NAV
 - 95% of NAV
 - 93% of NAV**
 - 97% of NAV
149. For a close-ended fund, the repurchase price should not be lower than
- NAV
 - 95% of NAV**
 - 93% of NAV
 - 97% of NAV
150. For a scheme that has a load, the AMC can change an investment management fee not exceeding
- 1.50%
 - 2.00%
 - 1.25%**
 - 0.50%
151. Initial expenses of launching schemes should not exceed
- 15% of amount received
 - 10% of amount raised
 - 6% of amount raised**
 - 5% of the amount raised
152. Which of the following expenses cannot be charged to the scheme
- Audit fees
 - costs related to investor communication
 - winding costs for terminating the scheme
 - penalties and fines for infraction of laws**
153. Which of the following are not true for Equity Linked Savings Schemes?
- Investors can claim an income tax rebate
 - There is a lock-in period before investment can be withdrawn
 - There are not specific restrictions on investment objectives for the fund managers
 - These funds cannot invest in equity**
154. Which of the following is not true for Index Funds
- These funds invests in the shares that constitute a specific index

- n. The investment in shares is in the same proportion as in the index
- o. These funds take only the overall market risk
- p. These funds are not diversified**
155. The structure which is required to be followed by mutual funds in India is laid down by
- k. Financial Ministry
- l. Securities & Exchange Board of India (SEBI)**
- m. Fund Sponsor
- n. Association of Mutual Funds of India (AMFI)
156. The Board of Trustees of a mutual fund:
- m. act as a protector of investors' interests**
- n. directly manage the portfolio of securities
- o. do not have the right to dismiss the AMC
- p. cannot supervise and direct the working of the AMC
157. The AMC of a mutual fund cannot
- m. undertake advisory services or financial consulting
- n. cannot invest the funds in government paper
- o. act as a trustee of more than one mutual fund**
- p. cannot invest the funds in securities
158. The trust that manages a mutual fund is appointed by
- m. The Finance Ministry
- n. R.B.I
- o. SEBI**
- p. The sponsor of that mutual fund
159. The custodian of a mutual fund:
- k. is appointed for safekeeping of securities**
- l. need not be an entity independent of the sponsors
- m. not required to be registered with SEBI
- n. does not give or receive deliveries of physical securities
160. Transfer Agents of a mutual fund are not responsible for
- m. issuing and redeeming units of the mutual fund
- n. updating investor records
- o. preparing transfer documents
- p. investing the funds in securities markets**
161. Distributors or agents
- m. can distribute several mutual funds simultaneously**
- n. cannot appoint sub-agents or sub-brokers
- o. should be only individuals not companies or banks
- p. should not be an employee or associate of the AMC
162. A transfer in the management of a close-ended scheme does not require the consent of
- k. unit holders with 75% voting rights
- l. SEBI
- m. Trustees
- n. AMC**
163. The fund sponsor has to contribute
- k. nothing to the AMC
- l. the total networth of the AMC
- m. atleast 40% of the AMC's networth**
- n. exactly 50%
164. The sponsor of a mutual fund may be compared to
- m. a director in a Company
- n. the Chief Executive of a Company
- o. Promoter of a Company**
- p. an equity shareholder in a Company
165. Issuing and redeeming units of a mutual fund is the role
- m. the custodian
- n. the transfer agent**
- o. the trustees
- p. the bankers
166. The fund sponsors should have a sound financial track record of
- k. 7 years
- l. 12 months
- m. 5 years
- n. 3 years**
167. The networth of an asset management company should be greater than
- m. Rs.100 Crores
- n. can be decided by the Sponsor
- o. should be atleast Rs. 10 Crores at all times**
- p. should be greater than Rs.10 Crores
168. The AMC and directors are answerable to
- k. Stock Exchanges
- l. The Board of Trustees**
- m. Agents and distributors
- n. Stock Brokers
169. The role of an AMC is to act as
- l. promoters

2. **investment managers**
 3. distribution agents
 4. regulators
170. A change in the following key people does not materially impact the performance of the fund
 m. Fund sponsors
 n. Trustees of the fund
o. Fund Manager
 p. Members of the AMFI Committee
171. To transfer the management of a scheme from one AMC to another, the consent of the following is required
 k. SEBI
 l. Unit holders
m. both SEBI and unit holders
 n. none of the above
172. As per SEBI's principles, the AMC and the Board of Trustees of a fund should belong to the same sponsors
 m. True
n. False
173. After UTI, the first mutual funds were started by
 k. private sector banks
l. public sector banks
 m. financial institutions
 n. non-banking finance companies
174. The highest authority among the following is the
 k. SEBI
 l. Company Law Board
 m. RBI
n. Ministry of Finance
175. The entity that SEBI does not regulate is
 m. share registrars
 n. mutual funds
 o. stock exchanges
p. non-banking finance companies
176. The accounts and all other records of an AMC are filed with
 k. AMFI
l. Registrar of Companies
 m. Agents' Association
 n. UTI
177. A close-ended scheme of a mutual fund is not governed by
 m. Exchange Rules of the stock exchange where it is listed
 n. Listing Agreement between the fund and the stock exchange
- o. guidelines issued by the Ministry of Commerce**
 p. Companies Act provisions relating to transactions in securities
178. The entry of mutual funds in India was initiated by mutual funds set up by
 k. Public Sector Banks
 l. Private Sector mutual funds
m. Unit Trust of India
 n. mutual funds set up by insurance companies
179. For a close-ended scheme to change its fundamental attributes, it must obtain the consent of
 m. 50% of unit holders
 n. 50% of trustees
o. 75% of unit holders
 p. none of the above
180. The largest corpus of investable funds in India is with
 e. Bank-owned mutual funds
 f. Private Sector mutual funds
g. UTI
 h. Insurance Companies
181. The Board of Trustees of the UTI does not have nominees from
 m. RBI
 n. LIC
 o. IDBI
p. The Bombay Stock Exchange (BSE)
182. UTI Cannot provide
 k. corporate finance
l. engage in real estate and property development business
 m. provide merchant banking services
 n. invest in securities
183. The "Capital" of a scheme does not include
 m. unit capital
 n. reserves
 o. borrowing
p. networth of the AMC
184. Which of the following are Self Regulatory Organisations
 k. Bombay Stock Exchange
 l. SEBI
m. AMFI
 n. RBI
185. A Self Regulatory Organisation can regulate
 k. all entities in the market
l. only its own members in a limited way

- m. its own members with total jurisdiction
n. no entity at all
186. The amount of authority enjoyed by a
1. **self-regulatory organisation is defined by**
2. the apex regulatory authority
3. company law board
4. its own members
5. RBI
187. The role of AMFI in the mutual funds industry is not to
k. promote the interests of the unit holders
l. set a Code of Ethics
m. regulate mutual funds in
n. crease public awareness of mutual funds in the country
188. The rights of investors in a mutual fund scheme are laid down in
m. the Offer Document of that scheme
n. Quarterly Reports
o. Annual Reports
p. marketing brochures
189. Unit holders of a mutual fund scheme do not have a right to
m. proportionate ownership of the scheme's assets
n. dividend declared for that scheme
o. dividend declared for other schemes of the mutual funds
p. income declared under that scheme
190. After dividend declaration, unit-holders are entitled to receive dividend within
m. one week
n. one month
o. 42 days
p. six weeks
191. Unit holders' right to information does not include
i. obtaining from the trustees any information having an adverse effect on their investments
j. inspecting major documents of a fund
k. receiving of a copy of the annual financial statements of that fund
l. approving investment decisions of the fund
192. Shortfalls in the case of assured returns schemes are met
k. by sponsors of such schemes
- l. only if the offer document specifically provided such a guarantee by a named sponsor**
m. the Government of India
n. AMFI
193. Unit-holders aggrieved by a Fund or AMC can get redressed from
k. Consumer Courts
l. SEBI
m. AMFI
n. RBI
194. If the Directors of an AMC commit fraud, Unit-holders investments' cannot be protected by the Department of Company Affairs and the Company Law Board
k. True
l. False
195. The responsibilities of a unit-holder do not include:
i. Monitor his investments carefully
j. being aware of information that affects his investment in a major way
k. carefully studying the offer document
l. taking decisions about where the fund managers should invest
196. UTIs scheme US-64 falls under the purview of SEBI
m. True
n. False
197. UTI was set up by
l. SEBI
m. AMFI
n. A special act
o. RBI
198. Bank owned Mutual Funds are supervised by
k. SEBI
l. RBI
m. jointly by SEBI & RBI
n. AMFI
199. Investor does not have the right to receive any interest from an AMC if his redemption proceeds are not despatched within 10 working days
m. True
n. False
200. If an investor failed to claim his redemption proceeds within 3 years, he can claim the proceeds at
k. Par
l. Prevailing NAV

- m. the on the date he has applied for redemption
- n. 15% below the prevailing NAV
201. After closure of the initial offer an open ended scheme, on going sales and repurchases must start within
- o. One week
- p. 30 days**
- q. 45 days
- r. 180 days
202. For scheme to be able to change its fundamental attributes, it must obtain the consent of
- o. 50% of the unit holders
- p. 50% of the trustees
- q. 75% of the unit holders
- r. none of the above**
203. The prospectus or Offer Document containing the details of new scheme is first registered with the
- q. AMFI
- r. SEBI**
- s. Bombay Stock Exchange
- t. Ministry of Finance
204. The offer document issued by mutual funds does not serve the purpose of
- q. announcing the scheme
- r. giving detailed information about the scheme
- s. inviting the the investors
- t. giving the fund manager's investment outlook for the next quarter**
205. The prospectus of a close-ended fund is issued
- o. every year
- p. only once at the time of issue**
- q. every quarter
- r. every six months
206. Fundamental attributes of scheme
- q. do not include the objective of the scheme
- r. can be changed without the investor's approval or knowledge
- s. include the terms of the scheme**
- t. are not necessary for deciding whether to invest in the scheme or not
207. The offer document
- q. contains the terms of issue**
- r. gives no information relevant for making an investment decision
- s. is not the operating document describing the scheme
- t. cannot be called a reference document
208. SEBI does not require the following to be included in the offer document issued by a mutual fund
- q. details of the Sponsor and the AMC
- r. Description of the Scheme & investment objective/strategy
- s. Investors' Rights and Services
- t. Performance of other mutual funds**
209. 'Key Information Memorandum' is
- o. an abridged version of the offer document**
- p. the Memorandum & Articles of Association of the AMC
- q. a sheet containing historical NAVs of other fund schemes
- r. Annual Report of the AMC
210. The offer document for a scheme remains valid even if
- q. the AMC is reconstituted
- r. entry or exit load are changed
- s. the scheme's NAV changes**
- t. new plans are added to existing schemes
211. The offer document has to be fully revised and updated
- q. every six months
- r. once in two years**
- s. every quarter
- t. every month
212. An addendum giving details of material change in the offer document should be circulated
- o. distributors/brokers
- p. unit holders
- q. SEBI**
- r. all of the above
213. Which of the following is not true for offer documents of open-ended schemes
- o. it is first issued at the time the scheme is launched
- p. it is registered with SEBI
- q. it has to be revised periodically**
- r. it need not be revised at all
214. All important disclosures that the mutual fund is required to make, by regulation, are contained in the offer document
- q. True**
- r. False
215. The offer document issued when an open-ended scheme is launched is valid for all times, until amended

- q. **True**
r. False
- 216 The most important source of information for a prospective investor is
o. **offer document**
p. Annual Report of the AMC
q. Economic Times
r. AMFI Newsletter
- 217 The offer document need not be studied by an investor before investing in a scheme
q. True
r. **False**
- 218 The offer document is not a legal document
o. True
p. **False**
- 219 Initial issue expenses are charged to a scheme in the first year itself
m. True
n. **False**
- 220 Scheme-wise annual report of a mutual fund need not be
q. sent to all unit-holders
r. forwarded to SEBI
s. published as an advertisement
t. **stock exchanges**
- 221 Mutual funds value their investments
o. at purchase price
p. **on a mark-to-market basis**
q. at par
r. at book value
- 222 Investors are totally exempt from paying any tax on the dividend income they receive from mutual funds
o. **True**
p. False
- 223 Income distributed to unit-holders by a debt fund is liable to dividend distribution tax
o. True
p. **False**
- 224 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 fees upto:
o. **Rs 2.25 crore**
p. Rs 2.00 crore
q. Rs 2.50 crore
r. Rs 3.00 crore
- 225 A passive fund manager
q. **researches stocks extensively**
r. does not buy and sell stocks often
s. does not have to go through the process of stock selection
t. does not have to track stocks
- 226 A fund manager managing an index fund
o. **has to keep fund expenses low**
p. does not have to research stocks
q. does not have to balance his portfolio
r. none of the above
- 227 A growth manager looks for
q. high current income
r. undervalued stocks
s. **above average earnings growth**
t. none of the above
- 228 A value manager does not look for
o. stocks that are currently undervalued in the market
p. stocks whose worth will be recognised by the market in the long term
q. **high current yield**
r. long term capital appreciation
- 229 From an investor's viewpoint, the most important is
q. a fund's investment style
r. **performance of the fund**
s. the fund manager's judgement
t. none of the above
- 230 Fundamental analysis involves
i. checking the foundations of the company's factory building
j. **research into the operations and finances of the company**
k. studying the company's share prices
l. none of the above
231. Which of the following is not considered for technical analysis
q. historical data on the company's share price
r. the company shares' trading volume
s. current market sentiment
t. **the company's regulatory environment**
232. Quantitative analysis is more likely to be done to evaluate a particular sector or industry rather than any specific stock
o. **True**
p. False

233. Fundamental analysis forms the basis to decide
- q. when to buy a given share
 - r. whether to buy a given share or not**
 - s. whether to use technical analysis or quantitative analysis
 - t. whether the company's factory can withstand earthquakes
234. Technical analysis guides the decision on
- o. whether to buy or sell
 - p. the right time to buy or sell**
 - q. whether company's technical personnel are adequately qualified
 - r. none of the above
235. Which of the following is not an investment philosophy
- o. capitalising on economic cycles
 - p. focusing on growth sectors
 - q. capitalisation**
 - r. finding value stocks
236. When expecting a fall in market price, fund managers can reduce the loss in portfolio value by
- k. speculating
 - l. not buying and selling shares at all for some days
 - m. using equity derivatives**
 - n. giving TV interviews to improve sentiment
237. Equity derivative instruments are
- o. shares
 - p. bonds
 - q. contracts**
 - r. notes
238. A futures contract allows one to buy or sell the underlying shares, but need not result in delivery
- q. True**
 - r. False
239. Derivatives cannot be based on market indices
- q. True
 - r. False**
240. In a mutual fund, the overall decisions on allocating money to particular industries/sectors are taken by
- q. equity analysts
 - r. fund managers**
 - s. security dealers
 - t. trustees
241. Continuous tracking of the companies in which a mutual fund has invested is done by
- m. continuous tracking systems
 - n. equity analysts**
 - o. trustees
 - p. security dealers
242. Security dealers of a mutual fund
- o. guard the cabin of the fund manager
 - p. execute buy and sell orders for the fund**
 - q. decide which shares to buy or sell
 - r. none of the above
243. As per SEBI's requirements each scheme of a mutual fund should have a different fund manager
- o. **True**
 - p. False
244. Debt securities bought at a discount to their face value are generally
- m. interest bearing
 - n. zero coupon bonds**
 - o. paying interest at a floating rate
 - p. none of the above
245. In India, a large part of debt securities pay interest on
- m. a floating rate basis
 - n. a fixed rate plus a variable portion
 - o. a fixed rate**
 - p. zero coupon basis
246. The Indian debt market is largely wholesale in nature
- o. True**
 - p. False
247. In the wholesale debt market, the largest proportion of trading is seen in
- 1. Government Securities**
 2. Corporate Bonds
 3. T-Bills
 4. PSU Bonds
248. The largest proportion of trades done in the wholesale debt market is accounted by
- o. mutual funds
 - p. foreign banks
 - q. Indian banks**
 - r. financial institutions
249. Certificates of Deposits (CDs) are issued by
- o. Regional Rural Banks
 - p. Corporates
 - q. Scheduled commercial banks**
 - r. none of the above
250. Commercial Paper is issued by Corporate bodies

- o. **to meet short-term working capital requirements**
- p. to finance the acquisition of long term capital assets
- q. to retire long term debt
- r. to pay dividend
251. Government securities are issued through the
RBI
- s. **True**
- t. False
252. The yield on Treasury Bill (T-Bill) is determined by
- s. the Government of India
- t. **auction**
- u. the State Governments
- v. floating rate method
253. Which of the following are not normally found in the portfolio of a debt fund
- u. long-dated Government Securities
- v. Corporate debentures
- w. bonds issued by financial institutions
- x. **certificates of deposit issued by banks**
254. Which of the following do not represent the amount an investor of a debt security will be paid upon maturity
- u. par value
- v. face value
- w. fair value
- x. redemption value
255. Coupon of a debt security refers to
- s. a piece of paper attached to the certificate
- t. the return on investor would earn
- u. **the amount rate of interest paid on par value of the bond**
- v. none of the above
256. Which of the following do not apply to the term 'maturity' of a debt security?
- u. the date on which the certificates becomes old
- v. the term of the bond
- w. **the date of redemption**
- x. the date on which the issuer has to repay the amount
257. Call or put provisions are used to modify the fixed maturity of debt securities
- u. **True**
- v. False
258. A call provision in a debt issue allows the issuer to
- u. call out the names of the investors
- v. redeem the debt on maturity
- w. extend the tenure of the debt
- x. **redeem the debt before maturity**
259. A put provision in a debt issue allows
1. investor to put away the certificates in safe deposit vaults
2. **investors to redeem debt prior to maturity**
3. issuers to redeem debt prior to maturity
4. investors to extend the tenure of debt
260. Current yield relates interest on a security to
- u. **its current market price**
- v. its face value
- w. its fair value
- x. the current price of T-Bills
261. To compare bonds with different coupon rates, maturities and prices, investors would use:
- u. current yield
- v. technical analysis
- w. **yield to maturity**
- x. fundamental analysis
262. When interest rates rise, bond prices
1. also rise
2. **fall**
3. are not affected
4. fluctuate either up or down
263. Yield curve is also known as
- s. Curve of Interest
- t. **Term Structure of Interest Rates**
- u. Curve that yields
- v. none of the above
264. An important indicator of expected trends in interest rates is
- s. The Economic Times
- t. the Sensex
- u. **the Yield Curve**
- v. the Chief Minister's Speech
265. It may not be possible to reinvest interest received at the same rate as principal. This is known as
- s. **reinvestment risk**
- t. inflation risk
- u. interest-rate risk
- v. call risk
266. A bond's rating indicates its
- s. reinvestment risk
- t. **default risk**

- u. inflation risk
v. interest-rate risk
267. If a bond cannot be sold at a price near its value, it means that investment in this bond has
- s. high liquidity risk
t. high default risk
u. low liquidity risk
v. inflation risk
268. The additional yield required to account for the risk of default by the borrower is known as
- q. yield plus
r. yield spread
s. yield extra
t. yield premium
269. A high credit rating does not mean
- o. high yield spread**
p. high perceived safety
q. low yield spread
r. low risk premium
270. If 10-year government securities yield 10% and a 10-Year fixed deposit in a company yields 12%, the yield spread is
- u. 12%
v. 22%
w. 10%
x. 2%
271. The "duration" of an interest-bearing bond is
- s. longer than its maturity
t. less than its maturity
u. equal to its maturity
v. the quality of paper used for the certificate
272. A bond with a coupon of 9% when interest rates for similar maturities are 11% will sell
- q. above par
r. **below par**
s. at par
t. at a price unrelated to the prevailing interest rate
273. Changes in foreign exchange rates have no bearing on interest rates
- q. True
r. False
274. Inflation and interest rates are inversely proportional
- s. True
t. False
275. Investment policies of a mutual fund are determined by
- u. the fund manager
v. the AMC management
w. the marketing department based on what distributors want
x. the investors
276. Which of the following measures are not taken by SEBI for protecting investors of mutual funds
- s. mandating minimum levels of diversification for mutual funds
t. ensuring that the funds are not used to favour a few companies
u. tracking the securities that each fund has invested in
v. ensuring that the funds are invested in approved securities only
277. As per SEBI norms, a fund's investments, in the equity shares of any one company are restricted to
- u. 25% of NAV
v. 10% of NAV
w. 50% of NAV
x. 100% of NAV
278. A mutual fund manager is not allowed to sell short when he expects a crash in the market
- s. True**
t. False
279. 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
- u. True
v. False
280. A mutual fund may invest in short-term deposits of scheduled commercial banks
- m. True**
n. False
281. Mutual funds are allowed to lend
- u. loans
v. securities
w. physical assets
x. none of the above
282. In case of listed securities of group companies of the sponsor, mutual fund is not allowed to invest
- q. 25% of its net assets**
r. 10% of its net assets
s. at all
t. >5% of net assets

283. A mutual fund may transfer investments from one scheme to another
- not at all
 - at current market rates**
 - at cost price
 - at a fixed premium over market rate
284. Interest Rate Risk for an Indian debt fund can be reduced by using
- Futures
 - Options
 - Interest Rate Swaps**
 - none of the above
285. The Interest Rate Forecasting Unit of a debt fund is generally manned by
- technicians
 - statisticians
 - economists & econometricians**
 - accountants
286. AMCs need not maintain records in support of each investment decision
- True
 - False**
287. When interest rates for similar maturities' bonds are 11%, bond with a 9% coupon rate will sell
- above par
 - below par**
 - at par
 - at a price unrelated to the interest rates for similar securities
288. The most suitable measure for a fund's performance does not depend on the
- type of fund
 - investment objective of the fund
 - financial market conditions
 - amount invested by investor**
289. 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
- 6.0%
 - 34.6%
 - 40.6%**
 - 37.5%
290. Change in NAV as a measure of fund performance is more suitable for
- growth funds**
 - income funds
 - funds with withdrawal plans
 - none of the above
291. The difference between NAV change and total return as measures of fund performance is
- none
 - total return takes dividend into account while NAV change does not**
 - total return does not take NAVs into account
 - total return does not take the time period into account
292. The most suitable measure of fund performance for all fund types is
- NAV Change
 - Total Return
 - Total Return with reinvestment**
 - none of the above
293. The expense ratio used for measuring fund performance is an indicator of
- product market condition
 - growth in the economy
 - prevalent market practices
 - the fund's efficiency**
294. The Expense Ratio as a measure of a fund's performance is defined by a fund's
- total expenses and average net assets**
 - total expenses and total assets
 - average expenses and average net assets
 - none of the above
295. While computing the Expense Ratio for a fund, brokerage commissions on the fund's transactions are not included in the fund expenses
- True**
 - False
296. The Expense Ratio is not of utmost importance in case of
- Debt fund
 - Index fund
 - Equity fund**
 - Bond fund
297. The Expense Ratio is not affected by
- fund size
 - average account size
 - portfolio composition
 - stock market conditions**
298. The Income Ratio as a measure of a fund's performance is defined by the fund's
- total income and total assets
 - net investment income and net assets**
 - total income and net assets
 - none of the above

299. The Income Ratio is more suitable for evaluating the performance of

- s. Equity Funds
- t. Growth Funds
- u. Regular Income Funds**
- v. Index Funds

300. Portfolio turnover rate of a fund measure the

- s. size of the fund's portfolio
- t. amount of buying and selling done by the fund**
- u. the average number of units sold by the fund in one day
- v. none of the above

301. A high turnover rate for a fund indicates

- u. high transaction costs
- v. greater efficiency
- w. high returns to the investor
- x. a rising market

302. Turnover rates would be most relevant to analyse the performance of

- w. equity funds
- x. growth funds
- y. debt funds
- z. value funds

303. Transaction costs include

- y. all expenses related to trading
- z. all expenses charged to the fund
- aa. distribution expenses
- bb. none of the above

304. Which of the following are not included in Transaction costs?

- y. brokerage commissions
- z. stamp duty on transfers
- aa. custodians fees
- bb. agent commissions

305. Which of the following transaction costs are not quantified in the offer document

- w. brokerage commissions
- x. dealer spreads
- y. custodian's fees
- z. registrar's fees

306. The size of a fund has no bearing on its performance

- y. True
- z. False

307. As per SEBI, mutual funds can borrow for short term to the extent of

- w. total net assets

x. 50% of net assets

y. 25% of net assets

z. 20% of net assets

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

- y. The performance of the stock market as a whole
- z. The performance of other mutual funds
- aa. The returns given by other comparable financial products
- bb. The change in wholesale price index

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

- s. the fund manager
- t. the investment objective of the fund
- u. SEBI
- v. AMFI

310. An actively managed equity fund expects to

- y. be able to beat the benchmarks
- z. earn the same returns as the benchmark
- aa. have no benchmarks
- bb. underperform when compared with the benchmark

311. For evaluating funds, the preferred benchmark would be the

- y. BSE Sensex
- z. S&P CNX Nifty
- aa. BSE 200
- bb. S&P CNX Sectoral Indices

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

- s. BSE Sensex
- t. I-Sec's I-BEX
- u. interest on bank fixed deposits of similar maturity
- v. S&P CNX Defty

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

- w. Risk profiles
- x. Investment objectives
- y. Fund size
- z. Fund managers

314. Which of the following is false?

- w. ROI is a measure similar to Total Return with Reinvestment of distribution
- x. Total Return with Reinvestment of distributions assumes reinvestment at NAV on the distribution date

- y. As a measure of performance, Total Return with Reinvestment of distribution seeks to overcome the shortcomings of simple Total Return
- z. Because of its simplicity, simple Total Return is preferred in practice to Total Return with Reinvestment of distribution
315. The basis of genuine investment advice should be
1. the current market situation
 2. the agent commissions paid by different funds
 3. financial planning to suit the investor's situation
 4. planning to complete the agent's annual targets
316. Financial goals do not include
- w. buying a home
 - x. winning a sports gold medal
 - y. planning for retirement
 - z. saving for child's education
317. Financial planning allows a person
- w. to become a billionaire
 - x. to achieve financial goals through proper management of finances
 - y. to invest in foreign countries
 - z. none of the above
318. Financial plans do not alter in any way the amount of tax an investor pays as the tax is on his income
- u. True
 - v. False
319. Which of the following works with an investor on his overall financial situation
- s. Tax Advisor
 - t. Financial Planner
 - u. Insurance Agent
 - v. Financial Advisor
320. A financial planner takes responsibility for the financial well-being of his/her clients
- y. True
 - z. False
321. Financial planners and their clients should focus on
- w. allocating funds to asset classes (e.g. debt, equity etc.)
 - x. allocating funds to individual securities
 - y. tracking stocks which they feel have potential
 - z. none of the above
322. Within an asset class, which individual security to invest in should be decided by
- u. the financial planner
 - v. the investor himself
 - w. a professional fund manager
 - x. an objective advisor
323. Financial Planning comprises
- s. defining a client's profile and goals
 - t. recommending appropriate asset allocation
 - u. monitoring financial planning recommendations
 - v. all of the above
324. Financial planning is relevant only for high networth individuals
- u. True
 - v. False
325. Financial planning does work for older clients
- y. True
 - z. False
326. Financial planning is primarily tax planning
- w. True
 - x. False
327. In financial planning, all responsibility ends with the financial planner and the client has no responsibilities
- y. True
 - z. False
328. The constraint on financial planning due to insufficient investable resources can be remedied to some extent by
- u. decreasing the standard of living
 - v. disciplining children
 - w. disciplined monthly budgeting
 - x. none of the above
329. In the growth option offered by mutual funds, the number of units held by an investor increases because of
- w. growth in net asset value i.e. capital appreciation
 - x. reinvestment of dividend which is like compounding
 - y. interest received on the fund's assets
 - z. none of the above
330. To maximise returns on investment, once an investor buys into a fund, he/she should hold on to it no matter what happens

- o. True
- p. False

331 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

- y. True
- z. False

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

- u. Fixed Rates of Asset Allocation
- v. Flexible Ratio of Asset Allocation
- w. Investment without any asset allocation plan
- x. Buy and Hold Strategy

333. A Flexible Ratio of Asset Allocation means

- y. continuously changing the ratio of various assets in the portfolio
- z. not doing any re-balancing and letting the profits run
- aa. active switching
- bb. none of the above

334. The strategy advisable for an investor to maximise investment return in the long run is

- w. buy and hold on to investments for a long time
- x. liquidate poorly performing investments from time to time
- y. liquidate good performing investments from time to time
- z. switch from poor performers to good performers

335. A criticism of rupee-cost averaging is

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

336. In India, individual investors do not have direct access to

- q. capital market instruments
- r. real estate
- s. bullion
- t. money market instruments

337. Which of the following entities can give loans against securities

- w. UTI
- x. Banks
- y. Mutual funds
- z. none of the above

338. Which of the following investment products do not give guarantee for return or capital

- w. Bank deposits
- x. Public provident fund (PPF)
- y. National Savings Certificates (NSC)
- z. Units of a mutual fund

339. The biggest advantage of investment in gold is

- w. High returns
- x. High appreciation in value
- y. Low Purchase price
- z. Hedge against inflation

340. The biggest disadvantage of investment in real estate is

- y. Less potential for capital appreciation
- z. High purchase price
- aa. Depreciation in value as time passes
- bb. Value gets eroded due to inflation

341. Which of the following is not an advantage of bank deposits?

- u. Liquidity
- v. High perceived safety
- w. Low entry price
- x. High yield after tax

342. Listing of shares at a stock exchange ensures

- w. guaranteed returns
- x. long term capital appreciation
- y. low risk
- z. high liquidity

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

- u. the stock market situation
- v. SEBI guidelines
- w. the company's credit rating
- x. the amount of money being raised

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

- u. A higher rate of interest
- v. higher risk
- w. unfavourable effect of tax
- x. very high liquidity

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

- s. The interest is tax-free
- t. Post-tax returns are attractive
- u. Liquidity is rather low
- v. none of the above

346. Indira Vikas Patra is an investment product popular with

- u. rural investors
- v. investors in high tax bracket
- w. urban investors
- x. risk taking investors

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

- t. 12%
- u. 10.5%
- v. 9%
- w. 11%

348. Most individuals invest in life insurance policies for

- w. risk protection
- x. tax benefits
- y. easy liquidity
- z. high returns

349. Annual contribution to Public Provident Fund should be

- w. Rs.10000
- x. between 100 and Rs.6000
- y. between Rs.600 and Rs.1000
- z. none of the above

350. The current yield on Indira Vikas Patra works out to

- w. 10.5%
- x. 11%
- y. 10%
- z. 9%

351. The tenure of an Indira Vikas Patra is

- y. 7 years
- z. 6 years
- aa. 5 years
- bb. 3 years

352. The maturity period of RBI Relief Bonds is

- aa. 5 years
- bb. 6 years
- cc. 7 years
- dd. 8 years

353. The annual yield on RBI Relief Bonds is

- cc. 9.5%

dd. 9.5% before tax

ee. 8.5% before tax

ff. 8.5% after tax

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

- cc. individual investors are not allowed to invest in Government Securities
- dd. the amount required for investment is very large
- ee. safety of principal is not guaranteed
- ff. none of the above

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

- aa. premium
- bb. sum assured
- cc. face value
- dd. real value

356. Dividends distributed by mutual funds are

- aa. taxed at source
- bb. taxed in the hands of the investors
- cc. are subject to capital gains tax
- dd. are tax-free in the hands of the investor

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

identifying stocks is a difficult process
agents get commissions on mutual fund investment
returned are guaranteed by mutual funds
all of the above

358. A small investor can build a diversified portfolio by

- aa. buying one share each of all listed companies
- bb. investing in a mutual fund
- cc. borrowing enough money to buy shares of well-managed companies
- dd. none of the above

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

- cc. Higher liquidity
- dd. Lower transaction costs
- ee. Greater convenience
- ff. guaranteed returns

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

- w. bank deposit
- x. debt fund

- y. secured debentures
- z. all of the above

361. Which of the following debt investments is not rated

- cc. Corporate Bonds
- dd. Commercial Paper
- ee. Company Deposit
- ff. Debt Fund

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

- cc. True
- dd. False

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

- w. wants better returns than those offered by mutual funds
- x. has large capital, knowledge and resources for research
- y. has identified a bullish phase in the stock market
- z. wants to invest for the long term

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

- aa. stock market situation on date
- bb. amount of money to be invested
- cc. investor's risk tolerance
- dd. phase through which the economy is passing

365. Financial Planning involves

- aa. studying financial management
- bb. managing the risks of investing
- cc. financing the client's investments
- dd. none of the above

366. Greater returns come only from assuring higher risks, and a higher risk portfolio guarantees higher returns

- w. True
- x. False

367. The risk tolerance of an investors is independent of

- aa. his age
- bb. his income
- cc. the stock market movements
- dd. his job security

368. A sector fund is a

- aa. low risk fund
- bb. moderate risk fund
- cc. high risk fund
- dd. low-to-moderate risk fund

369. International funds invest in various and so are low risk funds

- w. True
- x. False

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

- w. True
- x. False

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

- aa. True
- bb. False

372. Short Term bond funds are

- aa. low risk funds
- bb. moderate risk funds
- cc. high risk
- dd. of the above depending on the market

373. The risk level of commodity funds is

- y. high risk category
- z. determined by the commodity price movements
- aa. cannot be specified
- bb. low risk category

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

- w. gives higher returns
- x. is less risky
- y. gives lower returns
- z. is more risky

375. "Risk" is equated with

- w. volatility of earnings
- x. level of earnings
- y. the number of investors in a fund
- z. the number of schemes of a fund family

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

- aa. kind of stocks in the portfolio
- bb. degree of diversification of the portfolio
- cc. fund manager's success at market timing
- dd. number of investors in the scheme

377. Equity price risks are

- y. company specific
z. market level
aa. sector specific
bb. all of the above
378. Diversification reduces
aa. company specific risk
bb. market level risk
cc. both of the above
dd. none of the above
379. Which of the following is most risky?
y. Investing in a money market mutual fund
z. Investing in an index fund
aa. Short term investment in an equity fund
bb. Long term investment in an equity fund
380. A fund with a high beta coefficient gives greater returns in a rising market, and is more risky in a falling market
aa. True
bb. False
381. Which of the following is a disadvantage of Standard Deviation as a measure of risk
q. Standard Deviation measures total risk, not just market risk
r. It is based on past returns, which does not necessarily indicate further performance
s. It is an independent number
t. All types of funds can be measured with standard deviation
382. The role of an agent is to
aa. point out the features and benefits of various investments options
bb. help the investor develop the right approach to investing
cc. recommend some investment option available
dd. offer ad hoc advise whenever the investor has surplus money available
383. One of the most effective ways to invest through mutual funds is to
y. develop a model portfolio
z. buy a few units of every mutual fund scheme available
aa. invest all the money in one fund scheme
bb. invest all the money in different schemes of the same fund family
384. Mutual fund should be advised to expect
cc. low post tax returns
- dd. dramatic results
ee. better returns than every other available option
ff. only realistic wealth accumulation goals
385. Asset Allocation is
aa. keeping certificates of the physical securities in proper places
bb. allocation the available money to all the securities available
cc. allocating the right proportion of funds to equity, debt and money market securities
dd. none of the above
386. Once a financial advisor works out ideal Asset Allocation, it can be used for all investors whom he/she advises
aa. True
bb. False
387. Asset distribution among equity, debt and money market securities should correspond to the investors' need for capital growth, income and liquidity
u. True
v. False
388. The liquidity needs of an investor are met through
aa. Equity Funds
bb. Index Funds
cc. Money Market Funds
dd. Sector Funds
389. A retired person generally needs a greater proportion of
aa. Debt funds
bb. Equity funds
cc. Money Market funds
dd. All of the above
390. To satisfy a young investor's need for growth, a greater proportion of investment should be advised in
aa. Gilt funds
bb. Income Funds
cc. Equity Growth funds
dd. Liquid funds
391. A very high proportion of investment in all types of equity funds is advisable for investors
cc. in distribution phase
dd. in accumulation phase
ee. in transition phase

- ff. who are wealth preserving affluent individuals
392. The transition phase of an investor's wealth cycle is when
- the financial goals have been already met
 - the investor has retired
 - financial goals are approaching
 - investor suddenly gets a windfall
393. A high proportion of investment in income funds is required by
- accumulating investors
 - affluent investors
 - investors in the inter-generational transfer phase
 - investors in the distribution phase
394. Retired investors should
- not draw down on their capital
 - not invest in securities which bear risk of capital erosion
 - continue holding a major portion of their holding in equity growth funds
 - never invest in equity
395. For older investors who want to transfer their wealth
- no financial planning is required
 - the right investment strategy depends upon who the beneficiaries are
 - the right investment strategy depends upon the state of the stock market
 - all the funds can be invested in aggressive equity funds
396. Investors who acquire sudden wealth
- can speculate with all the acquired money in the stock markets
 - should not use any of the new wealth to invest in equity
 - should take the effect of taxes into account
 - need not pay any taxes on the newly acquired wealth as it is not a part of their regular income
397. Only if a specialty offshore fund has consistently given very good performance, it can be considered for investment by a retiree
- True
 - False
398. Past performance should not be solely relied on for selecting a fund
- True
 - False
399. Between the past performance of a fund and its suitability for an investor, past performance is more important
- True
 - False
400. Structural characterisations of an equity fund include
- costs of investing
 - the specific securities in which the fund has invested
 - the number of employees of the AMC
 - all of the above
401. An equity fund's age and size are irrelevant when selecting a fund for investment
- True
 - False
402. The charge to an investor at the time of he redeems his units from the fund is known as
- recovery charge
 - repurchase load
 - redemption weight
 - exit load
403. The load amount charged to a scheme over a period of time is called
- entry load
 - exit load
 - deferred load
 - no-load
404. 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
- 405 A fund's declared NAV does not include loads
- True
 - False
406. Which of the following fund types are comparable
- An aggressive equity fund and a money market mutual fund
 - A value fund and a government securities fund
 - A bond fund and a debt fund

- hh. A diversified equity fund and a debt fund
407. Who is the primary guardian of unitholders' funds/assets
- ee. The AMC
 - ff. The Trustees
 - gg. The Registrars
 - hh. The custodians
408. In case of a fund merger or Take-over
- gg. High Court approval may not be necessary
 - hh. SEBI approval is a must
 - ii. all unitholders must be informed
 - jj. all of the above
409. Units of a money market mutual fund can be issued to
- aa. individuals
 - bb. banks
 - cc. trusts
 - dd. all of the above
410. 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
- gg. True
 - hh. False
411. An equity fund can be said to be concentrated when
- ee. when it invests in only in two or three stocks
 - ff. when it invests in many companies of the same sector
 - gg. when top ten holdings account for more than 50% of net assets invested
 - hh. when top ten holdings account for more than 25% of net assets invested
412. The size of the market capitalisation of a fund's equity holdings is inversely proportional to the returns that
- aa. can be expected from the fund
 - bb. level of risk assumed by the fund
 - cc. state of the stock market
 - dd. all of the above
413. A steady holding of investments in an equity fund's portfolio indicates
- ee. long-term orientation
 - ff. lower transaction costs
 - gg. both the above
 - hh. none of the above
414. Ex-Mark of an equity fund measures its
- ee. performance
 - ff. risk
 - gg. both the above
 - hh. none of the above
415. Beta of an equity fund measures its
- y. performance
 - z. risk
 - aa. both the above
 - bb. none of the above
416. The best equity fund, relative to others, would have
- ee. higher Ex Marks, lower Beta and higher Gross Dividend Yield
 - ff. higher Ex Marks, higher Beta and higher Gross Dividend Yield
 - gg. lower Ex Marks, lower Beta and lower Gross Dividend Yield
 - hh. lower Ex Marks, higher Beta and higher Gross Dividend Yield
417. When selecting equity funds for investing, those at the top of the performance rankings should be avoided
- ee. True
 - ff. False
418. A debt fund's age and size are not important when selecting a fund for investment
- y. True
 - z. False
419. Debt schemes are popular because
- y. the Indian Stock Market is always going down
 - z. the returns are more predictable
 - aa. most investors are always in debt
 - bb. all of the above
420. Yield-to-maturity of a debt fund's portfolio is more important when the investment objective is
- cc. current income
 - dd. total return
 - ee. liquidity
 - ff. all of the above
421. Compared to equity funds, income margins for debt funds are
- ee. narrow
 - ff. higher
 - gg. the same
 - hh. almost nil
422. Debt funds with long-term investments carry higher risk of capital loss

- cc. True
dd. False
423. The differentiating factor among debt funds of comparable maturity and quality is
- gross yields
 - costs
 - fund age
 - tenure of the fund manager
424. Distribution tax should be taken into account when computing net returns from
- equity funds
 - debt funds
 - both the above
 - none of the above
425. All debt fund investors are exposed to risk of principal loss
- True
 - False
426. Running a money market mutual fund requires more of
- credit analysis skills
 - equity analysis skills
 - patience
 - trading skills
427. Which is the most important in selecting debt fund for better return
- past performance
 - level of interest rates
 - fund expertise
 - the securities in which it has invested
428. Investors should be advised to avoid investing in a debt fund with a
- lower rated portfolio and higher expense ratio
 - higher rated portfolio and lower expense ratio
 - lower rated portfolio and lower expense ratio
 - lower rated portfolio and higher expense ratio
429. An ideal money market mutual fund must have
- lower returns
 - lower expense ratio
 - low quality of investments
 - all the above
430. 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
431. 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
432. An application form for investment in a mutual fund is available with
- the offer document
 - the abridged annual report
 - the key information memorandum
 - a bank challan
433. 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
434. 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
435. An Ex-Mark of 100% is possible for
- a growth fund
 - an aggressive growth fund
 - an index fund
 - a balanced fund
436. 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
 - an agent sells many mutual funds
437. Of the following, which type of fund would have a higher P/E multiple in comparison to the average market multiple

- ee. A Value Fund
ff. A Growth Fund
gg. An Index Fund
hh. Could be any of the above three, one cannot generalise
438. Which of the following is not true as per SEBI Regulations for Debt Funds?
ee. Investment in rated debt securities of a single issuer should not exceed 15% of NAV
ff. Total investment in unrated debt securities of a single issuer should not exceed 25% of NAV
gg. Total investment in unrated debt securities below investment grade should not exceed 25% of NAV
hh. Total investment in rated debt securities below investment grade should not exceed 25% of NAV
439. A Money Market Mutual Fund is most likely to invest in
 ee. Corporate Bonds
 ff. Equity Shares
 gg. Government Securities with maturity less than 1 year
 hh. All of the above
440. Of the following, which would be suitable for a retiree with a modest risk appetite
 gg. Value Fund
 hh. Diversified Equity Fund
 ii. Growth Fund
 jj. Balanced Fund
441. A high portfolio turnover for a fund indicates
 cc. that the fund is active
 dd. higher transaction costs
 ee. both the above
 ff. none of the above
442. Unit Trust of India's US-64 Scheme
 ee. is listed on stock exchanges
 ff. has a fixed price for sale and repurchase
 gg. has its sale and repurchase price declared periodically by UTI
 hh. has its price determined by market forces
443. The Indian debt market
 cc. is Wholesale in nature
 dd. comprises large players like financial institutions and banks
 ee. witnesses large scale trading in government securities
 ff. all of the above
444. A fund that charges a load is better than a no-load fund
 cc. True
 dd. False
445. An AMC can approach investors either directly or with the help of
 aa. individual agents
 bb. banks and non-banking finance companies
 cc. distribution companies
 dd. all of the above
446. Which of the following is true for Equity Linked Savings Scheme (ELSS)
 aa. A tax rebate is available to investors in these schemes
 bb. The investment has to be locked in for 3 years
 cc. The minimum amount for investment is fixed
 dd. All of the above
447. A prospective investor
 z. has the same status as a unit-holder of a fund
 aa. can sue the AMC/trustee
 bb. has no legal recourse
 cc. all of the above
448. An investor can assess the performance of his mutual fund by comparing it with the performance of
 cc. other mutual fund of the same type
 dd. the stock market
 ee. other financial products
 ff. all of the above
449. Unrated securities in the portfolio of a mutual fund are not to be valued
 ee. True
 ff. False
450. An exit load guarantees a higher return
 aa. True
 bb. False
451. Bonds held in the portfolio of a mutual fund are valued at yield to maturity
 ee. True
 ff. False
452. The Valuation of non-traded equity shares is done at the trading price 30 days prior to valuation date
 ii. True
 jj. False

453 If a unit-holder does not agree to the merger of his fund with another, he has not exit option

- kk. True
- ll. False

454. The most important factor look for when investing in a corporate fixed deposit is the

- kk. yield
- ll. rate of interest
- mm. credit rating of the deposit
- nn. none of the above

455. The most important reason for an investor to prefer a bank deposit to a mutual fund is

- gg. the credit worthiness of the bank
- hh. because the bank does not invest in securities
- ii. that the bank offers a guarantee
- jj. all of the above

456. A deep discount bond

- ii. is always sold at a discount to its issue price
- jj. bears interest annually
- kk. is redeemed at a price much higher than issue price
- ll. bears interest at varying interests

457. A mutual fund in India is a

- ii. body corporate
- jj. company
- kk. trust
- ll. an asset management company

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

- kk. describe the past performance of the scheme
- ll. compare the fund with other mutual funds
- mm. assure a rate of return
- nn. compare the fund with other financial products

459. 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

- ee. 25.71%
- ff. Rs.27.51
- gg. 21.27%
- hh. Rs.21.75

460. 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?

- ii. Rs.1225
- jj. Rs.225

kk. Rs.1000

ll. none of the above

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

- ii. Means of fulfilling the guarantee
- jj. Information for all schemes launched by the fund in the past
- kk. comparison with other mutual funds
- ll. Investment objective

462. Mutual fund units can be distributed by

- ee. trustees of the fund
- ff. the AMC
- gg. Non-banking finance companies
- hh. banks

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

- ii. 10%
- jj. 12%
- kk. 20%
- ll. None

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

- ii. 10%
- jj. 12%
- kk. 10.2%
- ll. None

465. How many scrips is the NIFTY constitutes of

- cc. 40
- dd. 100
- ee. 30
- ff. none of the above

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

- ii. Asset Allocation
- jj. Selection of fund
- kk. Studying the features of a scheme
- ll. None of the above

467. Why should one buy an insurance policy?

- gg. It gives high current returns
- hh. It gives good capital appreciation over its term
- ii. It should be bought due to the need for insurance and not as an investment
- jj. All of the above

468. SEBI Regulations for Mutual Funds were formulated in

- aa. 1992
- bb. 1993
- cc. 1995
- dd. 1996

469. Expenses incurred by a fund for printing of Key Information Memorandum can be amortised over

- cc. 10 Yrs
- dd. 5 Yrs
- ee. 15 Yrs
- ff. Cannot be amortised

470. A mutual funds' investments are guided by the

- gg. AMC
- hh. Board of Trustees
- ii. Investment Objectives
- jj. Unit holders

471. UTI was the only mutual fund for the period

- ii. 1984 to 1988
- jj. 1963 to 1988
- kk. 1964 to 1992
- ll. none of the above

472. Investors who follow the fixed Asset Allocation approach

- ee. 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
- ff. are not disciplined
- gg. increase their equity position when equity prices tend to climb
- hh. none of the above

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

- ee. his capital base is large
- ff. he is able to carry out detailed investment research and monitor the stock market
- gg. both the above
- hh. none of the above

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

- ee. portfolio diversification
- ff. risk reduction
- gg. large volume of trades
- hh. none of the above

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

- gg. High liquidity
- hh. diversification
- ii. no tailor made portfolio
- jj. low investment

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

- gg. True
- hh. False

477. Which of the following statements about UTI is untrue

- ii. It was set up in 1963
- jj. It was formed by RBI
- kk. It was established by an act of Parliament
- ll. It was not given a monopoly status

478. Which scheme has the largest investor base?

- gg. ULIP
- hh. UTI Mastershare
- ii. US-64
- jj. SBI Magnum

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

- gg. SBI Magnum
- hh. UTI Mastershare
- ii. MEP-91
- jj. Mastergain-92

480. The private sector was granted permission to enter the mutual fund industry in

- y. 1992
- z. 1993
- aa. 1998
- bb. 1995

481. The first non-UTI mutual fund was

- ii. SBI MF
- jj. LIC MF
- kk. Canbank MF
- ll. Indian Bank MF

482. The organisation responsible for a comprehensive set of regulations for all mutual funds in India is

- gg. RBI
- hh. SEBI
- ii. AMFI
- jj. SHCIL

483. The 1999 Union Government Budget helped the Mutual Fund industry by

- kk. regulating the industry practices
- ll. exempting all mutual fund dividends in the hands of investors from income tax
- mm. approving the code of ethics formulated by AMFI
- nn. doing away with all regulations for mutual funds

484. During the period 1992-99, the mobilisation of funds by the mutual fund industry was about

- ii. 5% - 6% of gross domestic savings
- jj. 2% - 4% of gross domestic savings
- kk. 7% - 10% of gross domestic savings
- ll. 25% - 40% of gross domestic savings

485. Which of the following about Public Provident Fund (PPF) are untrue

- gg. 50% of the balance of the 4th year can be withdrawn in the 7th year
- hh. The interest is tax free
- ii. The rate of interest is 12% p.a.
- jj. contributions upto Rs.60000 are eligible for tax rebate

486. A close-ended scheme is quoted on the stock exchange at a discount to its NAV when

- aa. the markets are bearish
- bb. investors perceive that the fund will be unable to maintain the NAV
- cc. the assets of the fund are undervalued
- dd. none of the above

487. Which of the following is a fundamental attribute of a mutual fund scheme

- ii. The names and addresses of the registrars and custodians
- jj. The nature of the scheme being income bearing
- kk. The specified stocks in the scheme's portfolio
- ll. The name and address of the compliance officer

488. Offer Document of a mutual fund is

- ii. required by investors
- jj. required by the AMC for its own reference
- kk. required as per SEBI regulations
- ll. not mandatory as per SEBI

489. The units of a scheme being sold and repurchases as per the procedure laid down is one of the fundamental attributes of a scheme

- ii. True
- jj. False

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

- kk. sector selection, asset classification, selection of fund managers and schemes
- ll. sector selection, selection of fund managers and schemes, asset classification

mm. asset classification, sector selection, selection of fund managers and schemes

nn. selection of fund managers and schemes, sector selection, asset classification

491. Compounding of interest is best explained by a

- gg. balanced fund
- hh. growth fund
- ii. value fund
- jj. income fund

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

- ii. AMC
- jj. Board of Trustees
- kk. SEBI
- ll. RBI

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

- gg. It would be better to stick to one type of fund, the one that meets his investment objective.
- hh. 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
- ii. 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
- jj. none of the above

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

- ee. the composition and size of the portfolio
- ff. the investment objective
- gg. historical data of fund performance
- hh. the nature of investments

495. Which of the following characterise the fund that a risk averse investor should choose

- ee. Gross dividend yield 15% Beta 1.5, Ex-Marks 90
- ff. Gross dividend yield 10%, Beta 1, Ex-Marks 70
- gg. Gross dividend yield 11%, Beta 0.9, Ex-Marks 80
- hh. Gross dividend yield 12%, Beta 1.2, Ex-Marks 80

496. A mainstream diversified debt fund is most affected by

- ee. reinvestment risk
- ff. liquidity risk
- gg. interest rate risk
- hh. default risk

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

- dd. sell short maturity securities and buy long maturity securities
- ee. see that the fund's average duration becomes longer than the market's average duration
- ff. sell long duration securities and buy short duration securities
- gg. sell high coupon securities and buy low coupon securities

498. In which type of schemes should an unmarried professional working HLL invest

- gg. Scheme investing 80% in debt securities

- hh. 50% in equity funds and 50% in income funds
- ii. 90% in equity funds having a higher P/E Ratio than the market
- jj. all the money in a balanced fund

499. 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

- gg. sue the AMC
- hh. sue the Trustees
- ii. sue the agent
- jj. none of the above

500. 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 Rs.28 Crores.

What is the NAV

- cc. Rs.30.19
- dd. Rs.24.98
- ee. Rs.32.15
- ff. Rs.40.49

Answers to Practice Question

Q. No	Ans	Q. No	Ans	Q. No	Ans	Q. No	Ans	Q. No	Ans
1	b	51	a	101	d	151	c	201	b
2	b	52	d	102	a	152	d	202	d
3	d	53	b	103	b	153	d	203	b
4	d	54	d	104	c	154	d	204	d
5	c	55	c	105	a	155	b	205	b
6	c	56	c	106	d	156	a	206	c
7	b	57	c	107	a	157	c	207	a
8	c	58	c	108	d	158	d	208	d
9	d	59	b	109	d	159	a	209	a
10	c	60	d	110	b	160	d	210	c
11	b	61	c	111	b	161	a	211	b
12	b	62	a	112	c	162	d	212	d
13	d	63	d	113	a	163	c	213	d
14	c	64	d	114	d	164	c	214	a
15	b	65	b	115	d	165	b	215	a
16	d	66	c	116	b	166	d	216	a
17	b	67	c	117	b	167	c	217	b
18	d	68	d	118	a	168	b	218	b
19	c	69	c	119	c	169	b	219	b



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20	c	70	d	120	a	170	d	220	d
21	b	71	b	121	b	171	c	221	b
22	d	72	b	122	c	172	b	222	a
23	c	73	d	123	a	173	b	223	b
24	a	74	d	124	d	174	d	224	a
25	d	75	c	125	c	175	d	225	c
26	d	76	a	126	d	176	b	226	a
27	c	77	c	127	d	177	c	227	c
28	b	78	a	128	a	178	c	228	c
29	c	79	d	129	d	179	c	229	b
30	d	80	a	130	a	180	c	230	b
31	b	81	c	131	d	181	d	231	d
32	c	82	b	132	a	182	b	232	a
33	b	83	b	133	b	183	d	233	b
34	b	84	b	134	c	184	c	234	b
35	b	85	d	135	b	185	b	235	c
36	c	86	a	136	d	186	a	236	c
37	b	87	b	137	a	187	c	237	c
38	c	88	c	138	c	188	a	238	a
39	a	89	b	139	b	189	d	239	b
40	b	90	b	140	c	190	b	240	b
41	b	91	b	141	a	191	d	241	b
42	a	92	c	142	b	192	b	242	b
43	b	93	c	143	c	193	b	243	a
44	c	94	b	144	b	194	a	244	b
45	b	95	a	145	d	195	d	245	c
46	b	96	b	146	c	196	b	246	a
47	c	97	a	147	d	197	c	247	a
48	b	98	d	148	c	198	c	248	c
49	B	99	c	149	b	199	b	249	c
50	A	100	a	150	c	200	a	250	a

Answers to Practice Question for AMFI Test

Q. No	A	Q. No	A	Q. No	A	Q. No	A	Q. No	A
	n		n		n		n		n
	s		s		s		s		s
251	a	301	a	351	b	401	b	451	a
252	b	302	a	352	a	402	c	452	b
253	d	303	a	353	d	403	c	453	b
254	c	304	d	354	b	404	b	454	c
255	c	305	b	355	b	405	a	455	a
256	a	306	b	356	d	406	c	456	c
257	a	307	d	357	a	407	c	457	c
258	d	308	d	358	b	408	d	458	c
259	b	309	b	359	d	409	d	459	a
260	a	310	a	360	b	410	a	460	c
261	c	311	d	361	d	411	c	461	c
262	b	312	c	362	a	412	b	462	d
263	b	313	d	363	b	413	c	463	d
264	c	314	d	364	c	414	a	464	c
265	a	315	c	365	b	415	b	465	d
266	b	316	b	366	b	416	a	466	a
267	a	317	b	367	c	417	a	467	c
268	b	318	b	368	c	418	a	468	d
269	a	319	b	369	b	419	b	469	b



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270	d	320	a	370	a	420	b	470	c
271	b	321	a	371	b	421	a	471	b
272	b	322	c	372	b	422	a	472	a
273	b	323	d	373	a	423	a	473	c
274	b	324	b	374	b	424	b	474	c
275	b	325	a	375	a	425	a	475	c
276	c	326	b	376	d	426	d	476	a
277	b	327	b	377	d	427	c	477	d
278	a	328	c	378	a	428	a	478	c
279	b	329	b	379	c	429	b	479	b
280	a	330	b	380	a	430	c	480	b
281	b	331	a	381	b	431	c	481	a
282	a	332	a	382	b	432	c	482	b
283	b	333	b	383	a	433	c	483	b
284	c	334	d	384	d	434	b	484	a
285	c	335	c	385	c	435	c	485	c
286	b	336	d	386	b	436	b	486	b
287	b	337	b	387	a	437	b	487	b
288	d	338	d	388	c	438	b	488	c
289	c	339	d	389	a	439	c	489	a
290	a	340	b	390	c	440	d	490	c
291	b	341	s	391	b	441	c	491	b
292	c	342	d	392	c	442	c	492	c
293	d	343	c	393	d	443	d	493	b
294	a	344	d	394	b	444	b	494	c
295	a	345	d	395	b	445	d	495	c
296	c	346	c	396	c	446	d	496	c
297	d	347	b	397	b	447	a	497	c
298	b	348	b	398	a	448	d	498	c
299	c	349	b	399	b	449	b	499	d
300	b	350	a	400	b	450	b	500	b

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