



## Question Bank - Multiple Choice Questions (MCQs)

### Unit 1: Indian Financial System

- 1) \_\_\_\_\_ allocates saving efficiently in an economy to ultimate users either for investment in real assets or for consumption.
  - a) Economic system
  - b) Banking system
  - c) Financial system
  - d) Market system
  
- 2) Which of the following is not a regulatory institution in Indian financial system?
  - a) RBI
  - b) CIBIL
  - c) SEBI
  - d) IRDA
  
- 3) \_\_\_\_\_ is regarded as a queen of Indian financial system.
  - a) SEBI
  - b) RBI
  - c) Finance Ministry
  - d) BSE
  
- 4) National Housing bank is a fully owned subsidiary of \_\_\_\_\_.
  - a) HDFC
  - b) HSBC
  - c) RBI
  - d) HUDCO
  
- 5) Financial institutions are also known as \_\_\_\_\_.
  - a) Financial organization
  - b) Financial intermediaries
  - c) Financial system
  - d) Any of the above
  
- 6) \_\_\_\_\_ is the first development financial institution in India.
  - a) IDBI
  - b) ICICI
  - c) IFCI



- d) RBI
- 7) IDBI was established in \_\_\_\_\_.
- a) 1948
  - b) 1954
  - c) 1992
  - d) 1964
- 8) \_\_\_\_\_ is an apex institution to coordinate, supplement and integrate the activities of all existing specialized financial institutions.
- a) IFCI
  - b) IDBI
  - c) RBI
  - d) SEBI
- 9) Which of the following is not an asset held by Commercial Banks?
- a) Bills of Exchange
  - b) Current Account Deposits
  - c) Money Lent at short Notice
  - d) Credit Balances with the Reserve Bank
- 10) Which of the following combinations is correct?
- a) NABARD-----Industrial Loan
  - b) RBI-----Long term Finance
  - c) RRB-----Agriculture Finance
  - d) IDBI-----Short Term Loans
- 11) Which of the following is not an organized sector in India?
- a) Nationalized Banks
  - b) Regional Rural Banks
  - c) Cooperative Banks
  - d) Chits and Money lenders
- 12) In which year was the Banking Regulation Act passed?
- a) 1949
  - b) 1955
  - c) 1959
  - d) 1969



- 13) When did the National Bank of Agriculture and Rural Development establish?
- July, 1982
  - July, 1969
  - June, 1951
  - June, 1961
- 14) Which of the following is the apex institution which handles refinance for agriculture and rural development in India?
- RBI
  - SIDBI
  - NABARD
  - RBI
- 15) At which of the following cities is the Head Office of Reserve Bank of India located?
- Mumbai
  - New Delhi
  - Kolkata
  - Dehradun
- 16) “Scheduled bank” in India means a bank \_\_\_\_\_.
- Incorporated under the Companies Act, 1956
  - Authorized to the Banking business
  - Governed by the Banking Regulation Act, 1949
  - Included in the Second schedule to the Reserve Bank of India Act 1934
- 17) Which is the largest commercial bank in India?
- Bank of India
  - Axis Bank
  - State Bank of India
  - HDFC
- 18) Co-operative Societies Act was enacted in which year?
- 1912
  - 1949
  - 1935
  - 1913



- 19) With whom does the ownership of public sector banks rest?
- a) Government of India
  - b) Jointly with Government of India and share-holders from the public
  - c) Jointly with Government of India and State Bank of India
  - d) Jointly with Government of India and Reserve Bank of India
- 20) In which year was the Bank of Maharashtra established?
- a) 1937
  - b) 1935
  - c) 1934
  - d) 1949
- 21) Urban Cooperative Banks are also called as?
- a) Short-term co-operatives
  - b) Secondary Cooperative Banks
  - c) Primary Cooperative Banks
  - d) Long-term co-operatives
- 22) What is the full-form of NBFC?
- a) Non-Bank Financial Competition
  - b) Non-Bank Foreign Company
  - c) Non-Banking Financial Company
  - d) Non-Banking Finance Corporation
- 23) Who insures banks in India?
- a) IRDA
  - b) EXIM
  - c) DICGC
  - d) ECGC
- 24) How many developments banks are there in India?
- a) 5
  - b) 6
  - c) 7
  - d) 8



- 25) Which is the largest commercial bank in India?
- Bank of India
  - Axis Bank
  - State Bank of India
  - HDFC
- 26) Which among the following is not one of the functions of RBI?
- Controlling inflation
  - Banking Supervision
  - Lender of last resort
  - Controlling employment in the country
- 27) To operate as NBFC in India, one has to take license from \_\_\_\_\_.
- SEBI
  - RBI
  - MoF
  - FICCI
- 28) Which among the following financial instruments are dealt by Primary Dealers?
- Bonds
  - Mutual Funds
  - Government securities
  - Debentures
- 29) Name the section that mandate banks to maintain CRR with RBI?
- Section 42(1) RBI Act
  - Section 24(1) RBI Act
  - Section 42(1) BR Act
  - Section 24(1) BR Act
- 30) Which out of the following liquid assets is not a part of SLR?
- Cash
  - Govt Securities
  - Gold
  - Bonds
- 31) Who is the regulator of insurance sector in India?
- SEBI
  - IRDAI
  - NABARD



- d) PFRDA
- 32) Name India's first listed exchange?
- a) MCX
  - b) NSE
  - c) BSE
  - d) OTC Exchange of India
- 33) MCX deals with trading of \_\_\_\_.
- a) Stocks
  - b) Gold
  - c) Commodity futures
  - d) None of the Above
- 34) Who provides clearing house facilities for netting of payments and securities delivery?
- a) Stock exchange
  - b) RBI
  - c) SEBI
  - d) SBI
- 35) \_\_\_\_\_ represent claims for the payment of a sum of money sometimes in the future and/or a periodic payment in the form of interest or dividend.
- a) physical asset
  - b) fixed asset
  - c) financial asset
  - d) none of these
- 36) SEBI was established in \_\_\_\_\_.
- a) 1988
  - b) 1985
  - c) 1991
  - d) 1990
- 37) RBI started functioning on \_\_\_\_\_.
- a) 1-4-1935
  - b) 1-4-1948
  - c) 1-4-1882
  - d) 1-4-1945



- 38) Financial derivatives include
- Stocks
  - Bonds
  - Futures
  - None of the above
- 39) RBI is the lender of last resort for -----.
- Central Government
  - State Governments
  - Stock markets
  - Commercial Banks
- 40) Which of the following is a financial asset?
- gold
  - silver
  - share
  - Land
- 41) Which of the following is a cash asset?
- deposit created out of loans
  - share
  - bond
  - Post office certificate
- 42) ----- is the economic indicator of financial Development.
- Finance Ratio
  - Cash Reserve Ratio
  - Statutory Liquidity Ratio
  - Quick Ratio
- 43) ----- is the regulator of insurance sector in India.
- SEBI
  - IRDA
  - PFRDA
  - FMC



- 44) Unorganized Sector of Financial system in India include \_\_\_\_\_.
- a) Commercial Banks
  - b) Co-operative Banks
  - c) Money Lenders
  - d) Regional Rural Banks
- 45) \_\_\_\_\_ is not included in the organized sector of Financial System in India.
- a) Commercial Banks
  - b) Co-operative Banks
  - c) Foreign Banks
  - d) Indigenous Banks
- 46) Management Development Institute (MDI) was set up by .....
- a) IDBI
  - b) ICICI
  - c) IFCI
  - d) SEBI
- 47) ICICI was set up in .....
- a) 1955
  - b) 1964
  - c) 1989
  - d) 1935
- 48) .....assists mainly to industrial undertakings in the private sector.
- a) IFCI
  - b) IDBI
  - c) ICICI
  - d) SEBI
- 49) LIC was established in.....
- a) 1956
  - b) 1964
  - c) 1989
  - d) 1935





50) UTI was set up in the year .....

- a) 1956
- b) 1964
- c) 1969
- d) 1948

**Answer Key:**

1 - c	2 - b	3 - b	4 - c	5 - b	6 - c	7 - d	8 - b	9 - b	10 - c
11 - d	12 - a	13 - a	14 - c	15 - a	16 - d	17 - c	18 - a	19 - a	20 - b
21 - c	22 - c	23 - c	24 - b	25 - c	26 - d	27 - b	28 - c	29 - a	30 - d
31 - b	32 - a	33 - c	34 - a	35 - c	36 - a	37 - a	38 - c	39 - d	40 - c
41 - a	42 - a	43 - b	44 - c	45 - d	46 - c	47 - a	48 - c	49 - a	50 - b



**Unit 2: Indian Money Market**

- 1) Which of the following is the regulator of Money market?
  - a) Reserve Bank of India
  - b) Government of India
  - c) Telecom Regularity Authority
  - d) Insurance Regularity Department
  
- 2) What is Call Money?
  - a) It is an overnight loan in the Money Market
  - b) It is loan of above 1 day to 14 days in the money market
  - c) It is loan of above 14 day to 364 days in the money market
  - d) It is an amount charged on ISD
  
- 3) What is Notice Money?
  - a) It is an overnight loan in the Money Market
  - b) It is loan of above 1 day to 14 days in the money market
  - c) It is loan of above 14 day to 364 days in the money market
  - d) It is an amount charged on ISD
  
- 4) What is Term Money?
  - a) It is an overnight loan in the Money Market
  - b) It is loan of above 1 day to 14 days in the money market
  - c) It is loan of above 14 day to 364 days in the money market
  - d) It is a loan provided on certain terms and conditions by Bank to its customer
  
- 5) Which of the following is not related with Money Market?
  - a) Treasury Bills
  - b) Commercial Bills
  - c) Certificates of Deposit
  - d) Shares
  
- 6) Which of the following is related with Money Market?
  - a) Treasury Bills
  - b) Commercial money
  - c) Cheque
  - d) Shares



- 7) Which of the following statement is true about Commercial Paper?
- A) It is traded in the money market
  - B) It is a promissory note
  - C) It was introduced in 1990
  - D) It is a secure Instrument
- a) Option A & B are correct  
b) Option C & D are correct  
c) Option A,B & C are correct  
d) All the options are correct
- 8) Which of the following statement is true about Certificates of Deposits?
- A) It is secure instrument in comparison of Commercial Paper
  - B) It is a promissory note
  - C) It is traded in Capital Market
  - D) It was introduced in 1990
- a) Option C & D are false  
b) Option A & B are false  
c) Option A,C & D are correct  
d) All the options are correct
- 9) Which of the following statement is false about Treasury Bills?
- A) It is a secure Instrument
  - B) It is a promissory note
  - C) It is issued by government
  - D) It is issued maximum for maturity of 1 year
- a) Option A & B are false  
b) Only option C is true  
c) Option A & D are correct  
d) All the options are correct
- 10) Which of the following statement is true about Commercial Bill?
- A) It is a promissory note
  - B) It is a bill of Exchange
  - C) It is a trade Bill
  - D) It is issued by RBI



- a) Option A & B are correct
  - b) Option A & D are correct
  - c) Option B & C are correct
  - d) Option C & D are correct
- 11) Which of the following statement is related to dated Securities?
- A) It is a secure Instrument
  - B) It is issued by government
  - C) It acknowledges the debt by the government
  - D) The date of maturity is mentioned on the certificate
- a) Only Option A & B
  - b) Only Option C & D
  - c) Only Option A, C & D
  - d) All the options are related
- 12) What is the minimum amount at which Commercial Paper can be issued?
- a) The minimum amount for Commercial Papers is 5 lakhs.
  - b) The minimum amount for Commercial Papers is 5 Crores.
  - c) The minimum amount for Commercial Papers is 1 lakh.
  - d) The minimum amount for Commercial Papers is 1 Crore.
- 13) What is the maximum and minimum maturity of Certificate of Deposit issued by financial Institutions?
- a) Certificate of deposit issued by financial Institutions are for 1 year to 3 years.
  - b) Certificate of deposit issued by financial Institutions are for 7 days to 364 days.
  - c) Certificate of deposit issued by financial Institutions are for 15 days to 90 days.
  - d) None of these.
- 14) What is the minimum amount at which Certificate of Deposit can be issued?
- a) The minimum amount for Commercial Papers is 5 lakhs.
  - b) The minimum amount for Commercial Papers is 5 Crores.
  - c) The minimum amount for Commercial Papers is 1 lakh.
  - d) The minimum amount for Commercial Papers is 1 Crore.



15) Which of the following is considered to be more secure instrument?

- a) Cheque
- b) Draft
- c) Commercial Paper
- d) Hundi

16) What is the maximum validity of a cheque?

- a) 90 days
- b) 30 days
- c) 60 days
- d) 180 days

17) Which is not a type of cheque?

- a) Mutilated Cheque
- b) Stale Cheque
- c) Crossed Cheque
- d) Promissory Cheque

18) Which is a type of crossing in a cheque?

- a) Negotiable Crossing
- b) Special Crossing
- c) Level Crossing
- d) Named Crossing

19) Which of the following act defines a Cheque?

- a) RBI Act 1934
- b) Negotiable Instrument Act 1881
- c) Banking Regulation Act 1949
- d) Companies Act 2013

20) Commercial Bill is a type of \_\_\_\_\_.

- a) Promissory Note
- b) Cheque
- c) Stamp
- d) Bill of exchange



21) Which among the following is/are correct regarding Money Market?

- A) Money Market is a market for short-term funds.
  - B) Maturity in this market ranging from overnight to one year.
  - C) The basic function of money market is to provide efficient liquidity position for commercial banks, financial institution, Mutual funds, insurance companies, corporate etc.
  - D) Maturity in this market is above one year.
- 
- a) Only a and b
  - b) a, b and c
  - c) b, c and d
  - d) All are correct

22) Which among the following is/are correct regarding Call Money?

- A) It is the money lent/borrowed for maximum period of 14 days
  - B) No Collateral is required in Call Money transaction
  - C) It is the money lent/borrowed for maximum period of 30 days
  - D) Banks borrow primarily from the inter-bank (call money) market
- 
- a) a, b and d
  - b) a, b and c
  - c) b, c and d
  - d) All are correct

23) What is the maximum duration for which term money can be lent/borrowed in money market?

- a) 1 day
- b) 15 days
- c) 30 days
- d) 1 year

24) What is the minimum duration for which term money can be lent/borrowed in money market?

- a) 1 day
- b) 15 days
- c) 30 days
- d) 1 year



- 25) How many Scheduled Commercial Banks are there in India?
- a) 81
  - b) 89
  - c) 93
  - d) 97
- 26) Govt. bond is a
- a) short term security
  - b) long term security
  - c) medium term security
  - d) Either a or b
- 27) Money market deals with ..... instruments.
- a) long term
  - b) short term
  - c) medium term
  - d) all of these
- 28) The market for extremely short period loan is called.....
- a) call money market
  - b) money at short notice
  - c) T-bill market
  - d) G-sec market
- 29) ..... acts as an intermediary between Govt. and money market.
- a) RBI
  - b) SEBI
  - c) Commercial banks
  - d) All the above
- 30) ..... are drawn by contractors on the Govt. departments for the goods supplied to them.
- a) treasury bills
  - b) supply bill
  - c) bill of lading
  - d) documentary bill



- 31) The bill which doesn't require acceptance is called.....
- a) treasury bills
  - b) supply bill
  - c) bill of lading
  - d) documentary bill
- 32) ..... are an important instrument of short term borrowing by the Govt.
- a) National saving certificate
  - b) Bonds
  - c) Treasury bill
  - d) Any of the above
- 33) ..... is a market for bankers' acceptances.
- a) discount market
  - b) CDs market
  - c) Interbank participation market
  - d) Acceptance market
- 34) Accommodation bills are also known as.....bills.
- a) kite bills
  - b) wind bills
  - c) supply bill
  - d) both a & b
- 35) Adhoc treasury bills are issued in favour of the ..... only.
- a) Treasury
  - b) RBI
  - c) Commercial banks
  - d) State government
- 36) ..... are short term deposits of specific maturity similar to fixed deposits.
- a) commercial paper
  - b) Interbank participation certificate
  - c) Repo
  - d) Certificate of deposit





- 37) ..... is an unsecured short term promissory note issued by creditworthy companies?
- a) commercial paper
  - b) interbank participation certificate
  - c) Repo
  - d) Certificate of deposit
- 38) Discount and Finance House of India was set up in .....
- a) 1982
  - b) 1988
  - c) 1992
  - d) 1969
- 39) Discount and Finance House of India was set up in pursuance of the recommendations of ..... Committee.
- a) Malegam
  - b) Malhotra
  - c) Vaghul
  - d) Narasimham
- 40) ..... has been set up mainly to provide a secondary market in Govt. Securities.
- a) DHFI
  - b) OTCEI
  - c) STCI
  - d) NSDL
- 41) Find the odd one out.
- a) commercial paper
  - b) share certificate
  - c) certificate of deposit
  - d) Treasury bill
- 42) ----- is a whole sale market for short term debt instrument.
- a) capital market
  - b) forex market
  - c) money market



- d) any of the above
- 43) Money lent in the inter-bank market for 15 days or more is called -----.
- a) Call money
  - b) Term money
  - c) Money at short notice
  - d) All the above
- 44) Call money is a loan given for a period of
- a) 15 days
  - b) 30 days
  - c) 1 day
  - d) 1 year
- 45) When money lent for more than a day but up to a fortnight is called
- a) Call money
  - b) Term money
  - c) Money at short notice
  - d) None of the above
- 46) ----- bills are drawn by contractors on the government departments for the goods supplied by them.
- a) Usance bills
  - b) T-bills
  - c) Clean bills
  - d) Supply bills
- 47) -----is also known as 'Industrial Paper'.
- a) Treasury bills
  - b) Commercial bills
  - c) Financial accommodation bills
  - d) Commercial paper



48) An option allowing the holder to buy an asset in the future is a

- a) Put option
- b) Call option
- c) Swap
- d) Premium

49) A put option gives the seller

- a) the right to sell the underlying security
- b) the obligation to sell the underlying security
- c) the right to buy the underlying security
- d) the obligation to buy the underlying security

50) The market which helps commercial banks to maintain their SLR requirement is

- a) Call loan market
- b) T - bills market
- c) Acceptance market
- d) Commercial bill market

**Answer Key:**

1 - a	2 - a	3 - b	4 - c	5 - d	6 - a	7 - c	8 - a	9 - d	10 - c
11 - d	12 - a	13 - b	14 - c	15 - b	16 - a	17 - d	18 - b	19 - b	20 - d
21 - b	22 - a	23 - d	24 - b	25 - c	26 - b	27 - b	28 - a	29 - a	30 - b
31 - a	32 - c	33 - d	34 - d	35 - b	36 - d	37 - a	38 - b	39 - c	40 - c
41 - b	42 - c	43 - b	44 - c	45 - c	46 - d	47 - d	48 - b	49 - d	50 - a



**Unit 3: Indian Capital Market**

- 1) What is an Indian depository receipt?
  - a) A deposit account with a public sector bank.
  - b) It is a depository account with any of the depositories in India.
  - c) An instrument in the form of depository receipt created by an Indian depository against underlying equity shares of the issuing company.
  - d) It is an instrument in the form of deposit receipt issued by Indian depositories.
  - e) None of the above is correct.
  
- 2) Capital market regulator is:
  - a) R B I
  - b) I R D A
  - c) N S E
  - d) B S E
  - e) S E B I
  
- 3) Which of the following organizations provides a guarantee to the exporters?
  - a) Exim Bank
  - b) Export Credit Guarantee Corporation (E C G C)
  - c) Director General Foreign Trade
  - d) Reserve Bank of India
  - e) Registrar of Companies
  
- 4) The financial Market where debt and stocks are traded and maturity period is more than a year is classified as:
  - a) Shorter term Markets
  - b) Capital Markets
  - c) Counter Markets
  - d) Long-term Markets
  
- 5) The market in which new Securities are issued by the Corporations to raise funds are called:
  - a) Primary Markets
  - b) Secondary Markets
  - c) Gross Markets
  - d) Proceeds Markets



- 6) Which type of preference Shares can be converted into equity?
- a) Redeemable Bonds
  - b) Convertible Bonds
  - c) Non- Convertible Bonds
  - d) All of the above
- 7) Which is not one of the development steps taken for Capital Market?
- a) Open Outcry
  - b) Book Building
  - c) Establishing SEBI
  - d) Screen Based Trading
- 8) Which of the following is least risky?
- a) Equity
  - b) Corporate Bonds
  - c) Treasury Bills
  - d) Certificate of Deposits
- 9) Which security holders will receive arrears of the non- payment of dividends by the Company during the loss?
- a) Cumulative Preference Share Holders
  - b) Non- Cumulative Preference Share Holders
  - c) Convertible Preference Share Holder
  - d) Ordinary Equity Holders
- 10) What is the simple example of Stock Index in India?
- a) NSE
  - b) Sensex
  - c) BSE
  - d) SEBI
- 11) The amount which is paid at the time of maturity of the bond is equal to:
- a) Face Value
  - b) Yield
  - c) Coupon



d) Discounted Price

12) Which one of the following agencies in the Indian Capital market has authority to regulate the Mutual fund markets in India?

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

13) In capital market the major suppliers of trading Instruments are:

- a) Government and corporations
- b) Liquid Corporations
- c) Instrumental Corporations
- d) Manufacturing Corporations

14) In primary markets, the property of shares which made it easy to sell newly issued security is concerned as:

- a) Increased Liquidity
- b) Decreased Liquidity
- c) Money Flow
- d) Large Funds

15) The transaction costs of trading of financial Instruments in centralized market is classified as:

- a) Flexible Costs
- b) Low transaction Costs
- c) High Transaction Costs
- d) Constant Costs

16) In primary market, the first time issued shares to be publicly traded, in stock market is considered as:

- a) Traded Offering
- b) Public Markets
- c) Issuance Offering
- d) Initial Public Offering



- 17) The exchange markets and over the counter markets are considered as two types of:
- Floating market
  - Risky market
  - Secondary market
  - Primary market
- 18) The bonds that are backed by cash flow from project and are sold to finance particular project are classified as:
- Finance Bonds
  - Revenue Bonds
  - Financing Bonds
  - Project Bonds
- 19) The Component of Capital Market are:
- Equity Market
  - Debt Market
  - Derivative Market
  - All of the above
- 20) There are \_\_\_\_\_ categories of Industrial Security Market.
- 1
  - 2
  - 3
  - 4
- 21) Who controls the capital market in India?
- SEBI
  - RBI
  - IRDA
  - NABARD
- 22) Which of the following words does not belong to the stock exchange?
- KPO
  - NAV
  - NSE



d) IPO

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

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

24) How many companies are included in the SENSEX?

- a) 50
- b) 111
- c) 30
- d) None

25) Which of the following statements is true?

- a) SEBI was established in 1988
- b) The Harshad Mehta share scandal happened in 1992
- c) Unit Trust of India was established in 1954
- d) SEBI is not a constitutional body

26) ———— has the statutory powers to regulate and promote the Indian capital market.

- a) Registrar of issue
- b) Merchant banks
- c) SEBI
- d) RBI

27) The market regulator of Indian Capital Market is .....

- a) DFHI
- b) RBI
- c) SEBI
- d) STCI





- 28) .....Market is a market for old issues.
- a) Money market
  - b) Primary market
  - c) Secondary market
  - d) All the above
- 29) ..... is a process of admitting securities for trading on a recognised stock exchange.
- a) registration
  - b) filing
  - c) listing
  - d) admission
- 30) ..... is the link between the depository and the owner.
- a) Agent
  - b) Depository participant
  - c) Beneficiary
  - d) Broker
- 31) ..... issues does not bring in any fresh capital.
- a) equity
  - b) preference
  - c) debenture
  - d) bonus
- 32) Prospectus is not issued in
- a) public issue
  - b) private placement
  - c) right issue
  - d) none the above
- 33) A contract that requires the investor to buy securities on a future date is called-----.
- a) Short contract c.
  - b) Long contract
  - c) Hedge
  - d) Cross



- 34) CBLO stands for
- a) Collateralized Borrowing and Lending Obligation
  - b) Central Banks Lending Obligation
  - c) Commercial Bank and Lending Option
  - d) None of these

- 35) The NSDL established in
- a) August 1996
  - b) August 1998
  - c) January 1996
  - d) January 1998

- 36) SENSEX is the index of
- a) BSE
  - b) NSE
  - c) OTCEI
  - d) CSE

- 37) NIFTY is the index of
- a) BSE
  - b) NSE
  - c) OTCEI
  - d) CSE

- 38) The first Indian equity index is
- a) Nifty
  - b) Sensex
  - c) Dollex
  - d) Defty

- 39) Major players of Indian money market is
- a) Central bank
  - b) Co-operative banks
  - c) Commercial banks
  - d) Indigenous banks



- 40) -----is a guarantee for marketability of shares.
- a) Listing
  - b) Underwriting
  - c) Registration
  - d) Issue by prospectus
- 41) A person appointed by a stock broker to assist to him in the business of securities trading at trading floor of stock exchanges is
- a) Sub-broker
  - b) Commission broker
  - c) Authorised clerk
  - d) Remisiers
- 42) Over the Counter Exchange of India commenced operation in the year.
- a) 1988
  - b) 1992
  - c) 1995
  - d) 1989
- 43) Members of the OTCEI are----- only.
- a) Individuals
  - b) Corporates
  - c) Financial institution
  - d) Banks
- 44) National Stock Exchange (NSE) established in the year
- a) 1990
  - b) 1992
  - c) 1995
  - d) 1999



45) Method of trading in NSE is

- a) Floor based- Order driven
- b) Screen based- Code driven
- c) Screen based - Order driven
- d) Floor based - Quote driven

46) Method of trading in OTCEI is

- a) Floor based- Order driven
- b) Screen based- Code driven
- c) Screen based - Order driven
- d) Floor based - Quote driven

47) -----are eligible to list in OTCEI

- a) Small companies
- b) Large companies
- c) Medium size companies
- d) Small and Medium size companies which are not listed in any other stock exchange

48) Discount and Finance House of India (DFHI) mainly deals in

- a) Commercial bills
- b) Corporate securities
- c) Treasury bills
- d) Commercial papers

49) The third largest stock exchange in the world is

- a) NSE
- b) BSE
- c) NASDAQ
- d) USE (United Stock Exchange)

50) NIFTY is the index of

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



Answer Key:

1 - a	2 - e	3 - b	4 - b	5 - a	6 - b	7 - a	8 - c	9 - a	10 - b
11 - a	12 - c	13 - a	14 - a	15 - b	16 - d	17 - c	18 - b	19 - d	20 - b
21 - a	22 - a	23 - b	24 - c	25 - c	26 - c	27 - c	28 - c	29 - c	30 - b
31 - d	32 - b	33 - c	34 - a	35 - a	36 - a	37 - b	38 - b	39 - c	40 - b
41 - c	42 - b	43 - b	44 - b	45 - c	46 - b	47 - d	48 - c	49 - a	50 - b



### Unit 4: Foreign Exchange Market

- 1) Maintaining a foreign currency account is helpful to
  - a) Avoid transaction cost.
  - b) Avoid exchange risk.
  - c) Avoid both transaction cost and exchange risk.
  - d) Avoid exchange risk and domestic currency depreciation
  
- 2) India's foreign exchange rate system is?
  - a) Free float
  - b) Managed float
  - c) Fixed
  - d) Fixed target of band
  
- 3) Hedging transaction is indicated by
  - a) Transactions in odd amounts
  - b) Presentation of documentary support
  - c) Frequency of such transactions
  - d) None of the above
  
- 4) The acronym SWIFT stands for
  - a) Safety Width in Financial Transactions.
  - b) Society for Worldwide International Financial Telecommunication.
  - c) Society for Worldwide Interbank Financial Telecommunication.
  - d) Swift Worldwide Information for Financial Transaction.
  
- 5) Indirect rate in foreign exchange means
  - a) The rate quoted with the units of home currency kept fixed.
  - b) The rate quoted with units of foreign currency kept fixed.
  - c) The rate quoted in terms of a third currency. D. None of the above.
  - d) None of the above
  
- 6) The exchange rate is
  - a) The price of one currency relative to gold.
  - b) The value of a currency relative to inflation.
  - c) The change in the value of money over time.



- d) The price of one currency relative to another.
- 7) India is facing continuous deficit in its balance of payments. In the foreign exchange market rupee is expected to
- Depreciate.
  - Appreciate.
  - Show no specific tendency.
  - Depreciate against currencies of the countries with positive balance of payment and appreciate against countries with negative balance of payment.
- 8) The effect of speculation on exchange rate is
- It causes violent fluctuations in exchange rate.
  - It aggravates the market trends.
  - Either or both of A and B.
  - Neither A nor B.
- 9) The demand for domestic currency in the foreign exchange market is indicated by the following transactions in balance of payment.
- Export of goods and services
  - Import of goods and services.
  - Export of goods and services and capital inflows.
  - Import of goods and services and capital outflows.
- 10) If PPP holds
- The nominal exchange rate will not change.
  - The real exchange rate will not change.
  - Both real and nominal exchange rates will not change.
  - Both real and nominal exchange will move together
- 11) A spot transaction in the foreign exchange market involves the
- Exchange of exports and imports at a specified future date.
  - Exchange of bank deposits at a specified future date.
  - Immediate (within two days) exchange of exports and imports.
  - Immediate (within two days) exchange of bank deposits.



12) Forward exchange rates

- a) Involve the immediate exchange of bank deposits.
- b) Involve the exchange of bank deposits at some specified future date.
- c) Involve the immediate exchange of imports and exports.
- d) None of the above.

13) When the value of the British pound changes from \$1.50 to \$1.25, the pound has \_\_\_\_\_ and the dollar has \_\_\_\_\_.

- a) appreciated; appreciated
- b) depreciated; appreciated
- c) appreciated; depreciated
- d) depreciated; depreciated

14) The foreign exchange market

- a) Is organized as an over-the-counter market in which several hundred dealers stand ready to buy and sell deposits denominated in foreign currencies.
- b) Is very competitive.
- c) Functions no differently from a centralized market.
- d) All of the above.

15) In the long run, \_\_\_\_\_ affect the exchange rate.

- a) relative price levels
- b) tariffs and quotas
- c) productivity
- d) All of the above.

16) Exchange rates are determined in

- a) The money market
- b) The foreign exchange market
- c) The stock market
- d) The capital market

17) The immediate (two-day) exchange of one currency for another is a

- a) Forward transaction.
- b) Spot transaction.





- c) Money transaction.  
d) Exchange transaction.
- 18) An agreement to exchange dollar bank deposits for euro bank deposits in one month is a
- Spot transaction.
  - Future transaction.
  - Forward transaction.
  - Monthly transaction.
- 19) In the foreign exchange market, if the interest rate on foreign deposits increases, holding everything else constant,
- The expected return schedule for foreign deposits shifts to the right.
  - The dollar depreciates.
  - The foreign currency appreciates.
  - All of the above.
- 20) Although market trades are said to involve the buying and selling of currencies, most trades involve the buying and selling of
- Bank deposits denominated in different currencies.
  - SDRs.
  - Gold.
  - ECUs.
- 21) Higher tariffs and quotas cause a country's currency to \_\_\_\_\_ in the \_\_\_\_\_ run.
- depreciate; short
  - appreciate; short
  - depreciate; long
  - appreciate; long
- 22) Lower tariffs and quotas cause a country's currency to \_\_\_\_\_ in the \_\_\_\_\_ run.
- depreciate; short
  - appreciate; short
  - depreciate; long
  - appreciate; long



- 23) Anything that increases the demand for foreign goods relative to domestic goods tends to \_\_\_\_\_ the domestic currency because domestic goods will only continue to sell well if the value of the domestic currency is \_\_\_\_\_.
- a) depreciate; lower
  - b) depreciate; higher
  - c) appreciate; lower
  - d) appreciate; higher
- 24) If a factor increases the demand for \_\_\_\_\_ goods relative to \_\_\_\_\_ goods, the domestic currency will appreciate.
- a) foreign; domestic
  - b) foreign; foreign
  - c) domestic; domestic
  - d) domestic; foreign
- 25) An increase in productivity in a country will cause its currency to \_\_\_\_\_ because it can produce goods at a \_\_\_\_\_ price.
- a) depreciate; lower
  - b) appreciate; lower
  - c) depreciate; higher
  - d) appreciate; higher
  - e) appreciate; unchanged
- 26) Which one of the following is implied by interest rate parity?
- a) Interest rates are at par in all the countries.
  - b) Movements in spot rates and forward rates in the foreign exchange market are same.
  - c) Potential holders of foreign currency deposits do not view these deposits as a desirable asset.
  - d) A condition that the expected returns on deposits in any two countries are equal when measured in the same currency.
- 27) Floating Exchange Rates is determined by:
- a) Mutual consultations between countries
  - b) Banking systems
  - c) Market Forces
  - d) None of the above



28) Managed floating exchange rate is called 'managed' because it is influenced by the steps taken by: -

- a) Government
- b) Central Bank
- c) World Bank
- d) IMF

29) When exchange rate in terms of domestic currency rises: -

- a) Exports become cheaper
- b) Imports become cheaper
- c) Exports become costlier
- d) NO effect on imports

30) When exchange rate falls in terms of domestic currency: -

- a) Domestic currency depreciates
- b) Foreign currency appreciates
- c) Domestic currency appreciates
- d) NO effect on the domestic currency

31) Exchange Rate refers to the rate at which the following is exchanged.

- a) Goods
- b) Services
- c) Currencies
- d) All the above

32) The rate which is determined by the government is known as: -

- a) flexible exchange rate
- b) Fixed Exchange Rate
- c) floating exchange rate
- d) None of these

33) What is the relationship between 'demand for foreign exchange' and 'exchange rate'?

- a) Inverse
- b) Direct
- c) One to one
- d) No Relationship



34) Demand for foreign currency depends upon: -

- a) repayment of international loans
- b) investment in rest of the world
- c) direct foreign investment in the domestic economy
- d) both a) and b)

35) Direct foreign investment is a source of: -

- a) demand for foreign exchange
- b) supply of foreign exchange
- c) both a) and b)
- d) none of these

36) \_\_\_\_\_ refers to a system in which foreign exchange rate is determined by market forces and central bank influences the exchange rate through intervention:

- a) Flexible Exchange Rate System
- b) Managed Floating Rate System
- c) Dirty Floating
- d) Fixed Exchange Rate System

37) Imports of goods and services raises the \_\_\_\_\_ of foreign exchange:

- a) Supply
- b) Demand
- c) Both a) and b)
- d) Neither a) nor b)

38) Flexible Exchange Rate System is also known as:

- a) Pegged Exchange Rate System
- b) Dirty Floating
- c) Floating Exchange Rate
- d) Both b) and c)

39) When the Government wants to strengthen the rupee, it \_\_\_\_\_ foreign currency and \_\_\_\_\_ domestic currency.

- a) Buys, Sells
- b) Sells, Sells



- c) Sells, Buys  
d) Buys, Buys
- 40) Under Floating Exchange rate system, Exchange rate is determined by: -  
a) Central Bank  
b) Government  
c) Market forces of demand and supply  
d) None of these
- 41) By Exchange Rate we mean: -  
a) Quantum of domestic currency needed to pay for foreign currency  
b) Quantum of foreign currency needed to pay for another foreign currency  
c) Rate at which foreign currency is bought and sold  
d) All of these
- 42) Identify which of the following statements is true?  
a) The flexible exchange rate system gives the government more flexibility to maintain a large stock of foreign exchange reserves  
b) In the managed floating exchange rate system, the government intervenes to buy and sell foreign currencies.  
c) In the Managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations  
d) In the Fixed exchange rate system, market forces fix the exchange rate.
- 43) The exchange rate is the price of a currency expressed in terms of:  
a) gold  
b) metal  
c) another currency  
d) None of these
- 44) Exchange rate entail delivery of trade currency within two business days know as –  
a) forward rate  
b) future rate  
c) spot rate



- d) bid rate
- 45) If a company agreement today for several future date of real currency exchange, they will be building use of a –
- a) stock rate
  - b) spot rate
  - c) futures rate
  - d) forward rate
- 46) Order cost is cost of the
- a) executing order
  - b) processing order
  - c) opportunity cost
  - d) none of these
- 47) In a quote exchange rate, currency that is to be purchase with another currency is called:
- a) liquid currency
  - b) foreign currency
  - c) local currency
  - d) base currency
- 48) The exchange markets and over the counter markets are considered as two types of:
- a) floating market
  - b) risky market
  - c) secondary market
  - d) primary market
- 49) It helps countries to meet deficit in balance of payments:
- a) IMF
  - b) WTO
  - c) World Bank
  - d) UNO



50) Identify Which of the following statements is true?

- a) The flexible exchange rate system gives the government more flexibility to maintain large stocks of foreign exchange reserves.
- b) In the managed floating exchange rate system, the government intervenes to buy and sell foreign currencies.
- c) In the managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations.
- d) In the fixed exchange rate system, market forces fix the exchange rate.

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.....**THANK YOU**.....