

## SUB-INNOVATIVE FINANCIAL SERVICES

### Multiple Choice Questions (MCQs)

#### TY BMS SEM- VI

##### UNIT: I and UNIT: II

1. The availability of cash and other cash like marketable instruments that are useful in purchases and investments are commonly known as \_\_\_\_\_.
  - a. **Liquidity**
  - b. Credit
  - c. Marketability
2. Banking sector comes under which of the following sectors \_\_\_\_\_.
  - a. Marketing sector
  - b. **Service sector**
  - c. Industrial sector
3. A set of complex and closely connected instructions, agents, practices, markets transactions, claims and liabilities relating to financial aspects of an economy is referred as: \_\_\_\_\_.
  - a. **Financial system**
  - b. Financial market
  - c. Financial institution
4. \_\_\_\_\_ is a market for financial assets which have a long or indefinite maturity.
  - a. Financial market
  - b. **Capital market**
  - c. Money market
5. \_\_\_\_\_ was constituted to protect the interests of investors in securities and to promote the development of and to regulate the securities market through appropriate measures.
  - a. RBI
  - b. **SEBI**
  - c. BSE
6. The maximum load that a fund can exchange is determined by \_\_\_\_\_.
  - a. **SEBI**
  - b. RBI
  - c. AMFI
7. NBFC performs great role for finance in \_\_\_\_\_.
  - a. Wholesale sector
  - b. Big Scale industries
  - c. **Small scale and Retail sector**

8. NBFC is a company registered under \_\_\_\_\_.
  - a. The Indian Contract Act
  - b. The Companies Act, 1956
  - c. **The RBI Act**
  
9. Finance is not available in the following factories service \_\_\_\_\_.
  - a. Without Recourse factoring
  - b. With recourse factoring
  - c. **Maturity factoring**
  
10. Sales Ledger Administration is available in the following factoring services \_\_\_\_\_.
  - a. Without Recourse factoring
  - b. With recourse factoring
  - c. **Invoice discounting**
  
11. Credit Protection is available in \_\_\_\_\_.
  - a. **Without Recourse factoring**
  - b. With recourse factoring
  - c. None of the above
  
- 12) Under forfaiting the client is able to get credit facility to the extent of \_\_\_\_\_.
  - a. **100% of the value of the export bill**
  - b. 80% of the value of the export bill
  - c. 90% of the value of the export bill
  
13. Full service factoring is often \_\_\_\_\_.
  - a. **Recourse factoring**
  - b. Non-recourse factoring
  - c. Agency factoring
  
14. The process of selling trade debts of a client to a financial intermediary is called \_\_\_\_\_.
  - a. **Factoring**
  - b. Securitisation
  - c. Materialisation
  
15. \_\_\_\_\_ services are mainly provided to foreign investors.
  - a. **Custodial Services**
  - b. Financial Services
  - c. Factoring Services
  
16. The Idea of providing factoring services was first thought of in India by \_\_\_\_\_.
  - a. Tandem committee
  - b. Malhotra committee
  - c. **Vaghul committee**

**Prepared by**  
**Asst Professor Maithili Kende**  
**(NKTT College)**

- 17 The central theme of forfaiting is the purchasing of \_\_\_\_\_ by a financial service company.
- d. Trade bill
  - e. Export bill**
  - f. Import bill
18. Refactoring charges have to be paid in the case of \_\_\_\_\_
- a. With recourse factoring**
  - b. Invoice factoring
  - c. Full service factoring
19. Buying a company's accounts receivable on a nonrecourse basis is known as \_\_\_\_\_
- a. Trading
  - b. Billing
  - c. Factoring**
20. Which of the following is not necessarily a party to a forfaiting transaction?
- a. Exporter
  - b. Broker
  - c. Bank**
21. The greatest security for a banker is that a \_\_\_\_\_
- a. Bill of Exchange**
  - b. Mutual fund
  - c. Commercial Paper
22. The buyer accepts the invoice and acknowledges \_\_\_\_\_ on the due date
- a. Seller
  - b. Paying**
  - c. Buyer
23. \_\_\_\_\_ has constantly endeavoured to develop the commercial bills market.
- a. Commercial bank
  - b. RBI**
  - c. SBI
24. The \_\_\_\_\_ bill is properly stamped.
- a. Demand
  - b. Usance**
  - c. Expired
25. The practice of discounting accommodation bills is known as \_\_\_\_\_
- a. Night bill
  - b. Kite flying**
  - c. Knight bill
26. No stamp duties are levied on LC backed bills up to \_\_\_\_\_ days.

Prepared by  
Asst Professor Maithili Kende  
(NKTT College)

- a 120
- b 100
- c **90**

**Prepared by**  
**Asst Professor Maithili Kende**  
**(NKTT College)**

27. "Prospectus" is the most important document for the Company to come out with a \_\_\_\_\_ issue.

- a. Private
- b. Public**
- c. Company

28. \_\_\_\_\_ Banks help to revive (cure) sick industrial units.

- a. Public
- b. Merchant**
- c. All

29. An \_\_\_\_\_ relieves the company of the risk and uncertainty of marketing the securities.

- a. Underwriter**
- b. Shareholder
- c. Banker

30. Underwriters build up \_\_\_\_\_ confidence in the issue of securities.

- a. Borrowers
- b. Investors**
- c. Company

31. The primary role of the \_\_\_\_\_ is to purchase securities from the issuer and resell them to investor.

- a. Underwriter**
- b. Shareholder
- c. Banker

32. A \_\_\_\_\_ include the following call for periodical report from the company.

- a. Underwriter
- b. Shareholder
- c. Debenture trustee**

33. \_\_\_\_\_ is the process of updating the accounts of the trading parties.

- a. Underwriting
- b. Clearing**
- c. Banking

34. \_\_\_\_\_ are financial contracts that derive their value from an underlying assets.

- a. Future
- b. Forward
- c. Derivatives**

**Prepared by**  
**Asst Professor Maithili Kende**  
**(NKTT College)**

35. \_\_\_\_\_ look for opportunities to take on risk in the hope of making return
- Shareholder
  - Hedgers
  - Speculators**
36. Buying low in one market and selling high in the other market , it called \_\_\_\_\_
- Arbitrage trading**
  - Hedging
  - Clearing
37. Membership of \_\_\_\_\_ can be taken by an individual, Registered Partnership Firm, Corporate or bank.
- SEBI
  - RBI
  - MSEI**

#### **Unit-1 true or false**

- Stocks cannot be called as a debt instrument as referred in the financial transactions
- Debentures cannot be called as a debt instrument as referred in the financial transactions
- Main objectives of a public sector financial company like bank is to maximize the total profits
- Economic growth and development are possible without finance
- Money market deals in short term credit
- Factoring transaction is always considered for export transaction only
- In India, the financial services sector operates as an arrangement of institutions formal and informal both
- Collection of arrangement is available in maturity factoring
- Sales ledger administration is available in sales discounting
- Functions of a factor exclude credit rating
- Bill discounting is a non fund-based activity,emerged as a profitable business
- Demand bill is payable immediately “at sight” or “on presentment” to the drawee
- Usance bill is also called time bill
- The seller sells the goods on credit and raises invoices on the buyer
- Bills are long-term sources of finance.

#### **Unit-II True or False**

- Prospectus gives details about underwriting of the issues
- Private banking helps its clients to raise finance through issue of shares
- The merchant banker are those financial intermediary involved with the activity of transferring capital funds to those borrowers.
- Merchant bankers act as money lenders in the stock exchange.
- Merchant banks advise small companies about business opportunities, government policies, incentives.

6. A merchant bank does not offer many services to public sector units and public utilities
7. Commission is charged when stockbroker acts as agents for the buyers and sellers of securities
8. A stockbroker finds prospective clients and builds a customer base.
9. “sub-broker” means any person who does not act on behalf of a member-broker as an agents
10. A currency trading broker, also known as a retail forex brokers.
11. Online currency trading is becoming ever less technologically advanced.
12. The role of the forex broker is to give advice and assistance to currency traders.
13. Credit rating is integral part of securitization.
14. The first securitization deal was structured by Citibank in 2011.
15. Debt securitization is loan which is given to financial institutions by borrowers

### **UNIT: III**

#### **Fill in the blanks:**

1. A very long tenure lease applicable to immovable properties is\_\_\_\_.(a) Conveyance lease b) leverage lease c) consumer lease)
2. In \_\_\_\_\_ leasing, the risk of obsolescence is assumed by the lessee.(a)Financial lease b) Operational lease c) both )
3. In hire purchase depreciation can be claimed by the\_\_\_\_.(a) Vender b) hirer c) Financiers)
4. \_\_\_\_\_is referred as both fund based and fee based financial service.(a) Higher purchase b) underwriting c) Factoring)
5. Hire purchase Act passed in the year\_\_\_\_.(a) 1972, b)1973,c)1975)
6. The term \_\_\_\_\_ refers financial investment in highly risky and growth oriented venture with the objective of earning a high rate of retune.(a) Venture capital)Merchant banking c)leasing)
7. IDBI, IFCI, ICICI etc. are promoted by\_\_\_\_.(a) private VCs b)VCFs of specialize financial institutions c) both )
8. \_\_\_\_is known as mezzanine capital.(a)Development financing b) expansion financing c) replacement finance)
9. \_\_\_\_ Stages of financial includes financing development, expansion, buyout etc.(a) Early stage financing, b) later stage financing c) none)
10. The first nationalized bank in India to start a VCF \_\_\_\_.(a)SBI, b) PNB, c) Canara bank)
11. The setting up of the National Housing Bank (NHB), a fully owned subsidiary of the Reserve Bank of India in \_\_\_\_\_ as the apex institution marketed the beginning of emergence housing finance as a fund based financial services in India.(a) 1987, b) 1978, c)1988)
12. The NHB, which a wholly – owned subsidiary of the\_\_\_\_.(a) )SBI b) BOI c)RBI)
13. Pradhan Mantri Awaas Yojana was lunched in \_\_\_\_\_with an aim to provide affordable housing to urban poor.(a) June 2016, b) June 2015,c)June 2018)
14. The early stage financing of venture capital includes \_\_\_\_\_ (a) start ups b) second round finance c) both).
15. Features of venture capital includes \_\_\_\_.(a) high risk b) high technology c)both)
16. \_\_\_\_\_stages is an ‘applied research’ phase.(a) venture capital b) seed capital c)both)

17. \_\_\_\_\_ is the stages when commercial manufacturing has to commence.(a) Start Ups b) second round finance c) both )
18. \_\_\_\_\_ refers to financing of an enterprise which has overcome the highly risky stage and have recorded profit but cannot go public, thus needs financial support. (a)Venture capital b) development capital c) seed capital)
19. \_\_\_\_\_ refers to the transfer of management control by creating a separate business by separating it from their existing owner.(a) Buy Out b) Buy in c) )
20. \_\_\_\_\_ is an involuntary exit forced on the VCI as a result totally failed investment. (a) Liquidation b) liability c) none)

**True or false:**

1. In Hire purchase system the possession of goods is given to the buyer immediately.
2. In Hire purchase system the seller can never repossess the goods in case of default in payment.
3. In hire purchase system, each instalment is treated as interest till the last instalment is paid.
4. Under hire purchase system the buyer is called Hire vendor.
5. Under hire purchase system, the agreement cannot be terminated.
6. Instalment system is governed by sale of good act.
7. Cash price plus interest is Hire purchase price.
8. AS-19 deals with lease.
9. Leasing is a mechanism of financing the cost of an asset.
10. Leasing is a process by which a firm can obtain the use of a certain fixed asset for which it must make a series of contractual periodic tax deductible payments
11. The main function of a lessor is lending of funds rather than renting of asset.
12. The lessor is owner of the asset but the possession and economic use of the asset vests in the lessee.
13. In a finance lease, the lessor does not transfer all the risks and rewards incidental to the ownership of the asset.
14. Lease financing is beneficial compared to institutional finance as it is free from restrictive terms.
15. Venture capital is a road towards a high growth economy.
16. Start-up fund is needed for developing a product in the initial stages.
17. High risk is an outstanding feature of venture capital finance.
18. Seed capital is needed for developing product initial stages.
19. Replacement finance is known as bridge finance.
20. The source of venture capital funding has shifted from wealthy individual to pension fund and corporations.

**UNIT: IV**

**Fill in the blanks:**

1. Methods of consumer credit scoring are\_\_\_\_\_.(a) Specific Fixed Formula b)Machinery risk formula c) Both)
2. An applicant scoring more than \_\_\_\_\_ point is considered as one with goods credit standing.(a)50 b)70 c) 40)
3. The effective rate of interest on consumer finance is generally \_\_\_\_\_than the rate applicable to business finance.(a) Lower b) Higher c) Medium)

**Prepared by**  
**Asst Professor Maithili Kende**  
**(NKTT College)**

4. Dunham Greenberg formula is not based the consumer's \_\_\_\_\_(a) material status b) Income level c) financial position)
5. Credit card facility is an excellent example of revolving credit\_\_\_\_\_(a) Cash credit b) secured credit c) revolving credit)
6. \_\_\_\_\_Card can be issued to parties for undertaking any activities coming under the purview to direct finance to agriculture.(a) secured b) unsecured c) Fixed )
7. Budget card requires monthly payment on behalf of that \_\_\_\_\_.(a) holder b) banker c) seller)
8. Travel and Entertainment Card (T&E) are primarily for\_\_\_\_\_ purposes.(a) purchase b) travel and entertainment c) movie )
9. \_\_\_\_\_ Card issued jointly by a member bank, and non-finance organization.(a) co-branded b) budget c) Smart)
10. Cheque card issued by a bank which guarantees the payment of\_\_\_\_\_ within prescribed limit. (a) Cheque b) purchase c) cash
11. \_\_\_\_\_ is the opinion of the rating agency on the relative ability and willingness of the issuer of the debt instrument to meet the debt service obligation as and when the arise. (a) merit rating b) credit rating c) rating by merchant banker )
12. The credit ratings are expressed as\_\_\_\_\_.(a) Alphabetical b) Alpha numerical c) both)
13. The limitations of credit rating include\_\_\_\_\_.(a)Rating changes b) Industry specific c) both)
14. Credit rating is an expression of credit rating agencies regarding debt instrument on a specific date on\_\_\_\_\_. (a) Risk evaluation b) Product c) services)
15. Identify odd one out \_\_\_\_\_ (a) CRISIL b) ICRA c) ICICI )
16. \_\_\_\_\_ is a process of evaluating risk associated with the credit instrument.(a) Credit rating b) credit evaluation c) both )
17. \_\_\_\_\_ is an isolated function of a credit risk evaluation.(a) Credit rating b) credit evaluation c) both )
18. \_\_\_\_\_ is useful in differentiating credit quality. .(a) Credit rating b) credit evaluation c) both )
19. \_\_\_\_\_ is a privilege of credit card offered to the family members i.e. spouse, parents or children above 18 years of age of the primary credit card holder. (a) Add- plus card b) Add on card c) both)
20. \_\_\_\_\_ is used to estimate the worthiness of the credit for company, country or any individual company. .(a) credit evaluation b) Credit rating c) both )

**True or false:**

1. The effective rate of interest on consumer finance is generally lower than the rate applicable to business finance.
2. Consumer get possession of the assets immediately when a fraction of the price is paid under consumer finance arrangement.
3. Consumer credit is a methods of financing semi-durables and durables.
4. Consumer finance refers to the rising finance by business for the acquisition of durable goods.
5. The tendency of people to borrow early in life to satisfy needs is increasingly evident in emerging Indian consumer credit market.
6. Credit rating is a method of renting assets.
7. Issuers with lower credit ratings pay higher interest rates embodying larger risk premium than higher rated issuers.

**Prepared by**  
**Asst Professor Maithili Kende**  
**(NKTT College)**

8. Credit rating is an opinion formed by credit evaluation of a borrower's potential to repay debt.
9. If the rating decision is accepted by the issuer or not, the rating agency makes a public announcement of it.
10. The rating agencies follow a thorough and transparent evaluation so as to lend credibility to their findings
11. Life span of plastic money is four to five times lesser than that of paper money.
12. By using plastic money government can counterfeit money problems.
13. The magnetic strip of a credit card can get worn out due to massive use.
14. Smart cards contain a computer chip embedded in the metal.
15. Agricultural card is otherwise known as kisan credit card.
16. Credit rating will guide the investor in selection of debt instrument.
17. High credit rating gives assurance to the investors about the safety of the instrument and minimum risk of bankruptcy.
18. AAA (Triple A), gives by CRISIL for debenture ensure highest safety.
19. Credit rating helps to improve the corporate image of a company.
20. Mega issues rated by the credit rating agencies enhance employment opportunities in the economy.

### **Answers**

#### **Unit-I True or False**

1)-T, 2)-F, 3)-T, 4)-F, 5)-T, 6)-F, 7)-T, 8)- T, 9)-F, 10)-T, 11)-F, 12)-T , 13)-T, 14)-F, 15)-F

#### **Unit-II True or False**

1)-T, 2)-F, 3)-T, 4)-F, 5)-T, 6)-F, 7)-T, 8)- T, 9)-F, 10)-T, 11)-F, 12)-T , 13)-T, 14)-F, 15)-F

#### **Unit-III**

##### **Fill In the blanks**

1)-a, 2)-a, 3)-b, 4)-b, 5)-a, 6)-a, 7)-b, 8)-a, 9)-b, 10)-c, 11)-c, 12)-c, 13)-b, 14)-c, 15)-c, 16)-b, 17)-a, 18)-b, 19)-a, 20)-a

##### **True and False**

1)-T, 2)-F, 3)-F, 4)-T, 5)-F, 6)-T, 7)-T, 8)- T, 9)-T, 10)-T, 11)-T , 12)-T , 13)-F , 14)-T , 15)-T , 16)-F , 17)-T , 18)-T ,19)-F , 20)-T .

#### **Unit-IV**

##### **Fill In the blanks**

1)-c , 2)-b, 3)-b, 4)-a, 5)-c, 6)-b, 7)-a, 8)-b, 9)-a, 10)-a, 11)-b, 12)-c, 13)-c, 14)-a, 15)-c, 16)-a, 17)-a, 18)-a, 19)-b, 20)-b.

##### **True and False**

**Prepared by**  
**Asst Professor Maithili Kende**  
**(NKTT College)**

1)-F, 2)-T, 3)-T, 4)-F, 5)-T, 6)-F, 7)-T, 8)-T , 9)-F, 10)-T, 11)-F , 12)-T , 13)-T , 14)-F , 15)-T , 16)-T , 17)-T , 18)-T ,19)-T , 20)-T .

**Prepare by – Ms. Maithili Kende**

**(Asst. Prof NKTT college)**