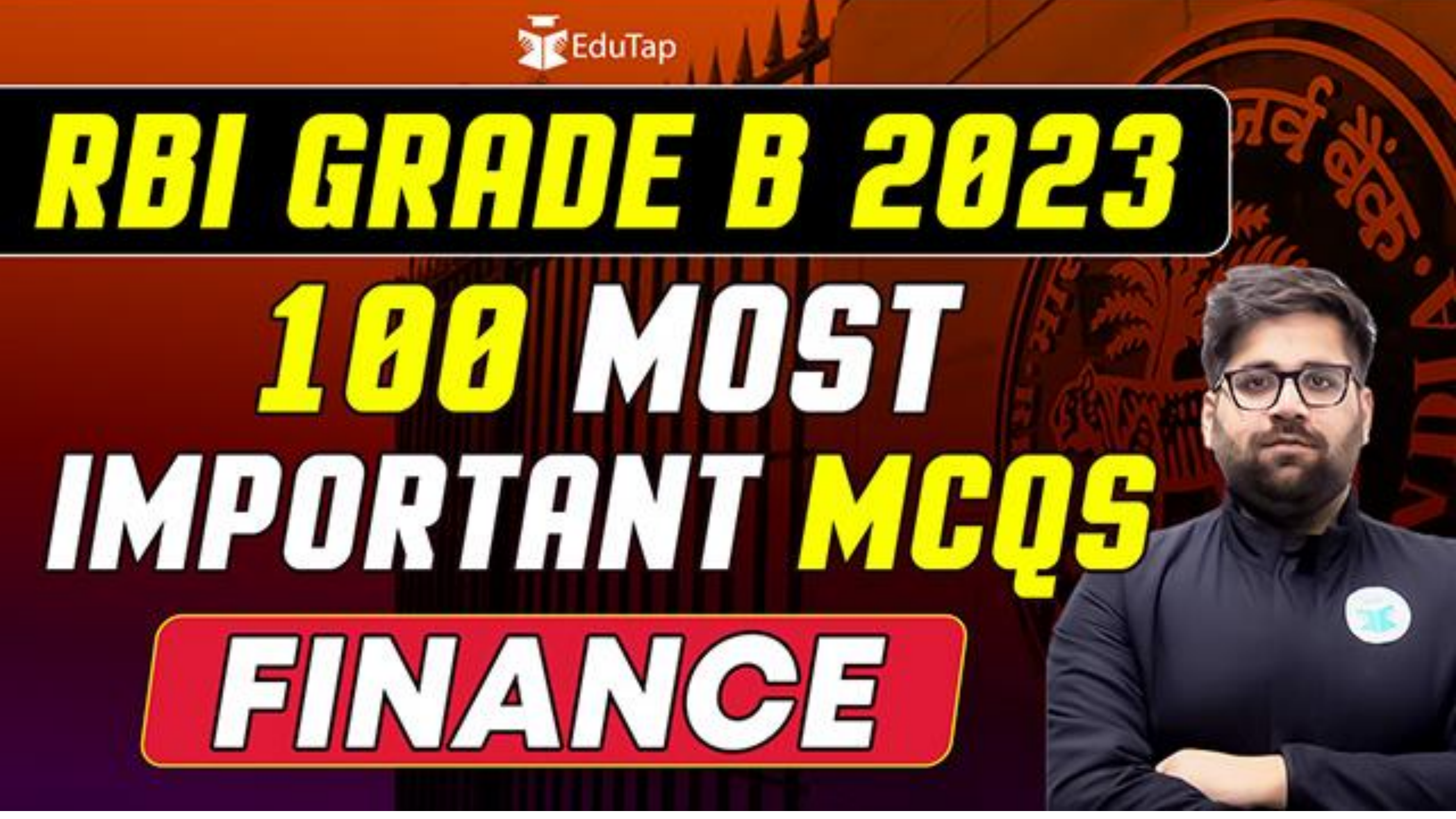

EduTap
RBI GRADE B 2023
100 MOST
IMPORTANT MCQS
FINANCE

Agenda

Chapters included

1. Time Value of Money
2. Bonds
3. Derivatives
4. Equity Markets
5. Forex Markets
6. Debt Markets
7. Financial Inclusion
8. Ratios
9. Cashflow
10. Balance Sheet
11. Public Private Partnerships
12. Non-Banking System

Chapters included

1. Role of IT in Banking and Finance
2. Banking and Financial System of India
3. Functions of RBI
4. Mutual Funds
5. Basics of Accounting
6. International Banking
7. Risk Management
8. Alternate sources of Finance
9. Corporate Governance in Banks
10. Inflation
11. Financial Institutions
12. Development in Digital Payment System

Q.1

1:00

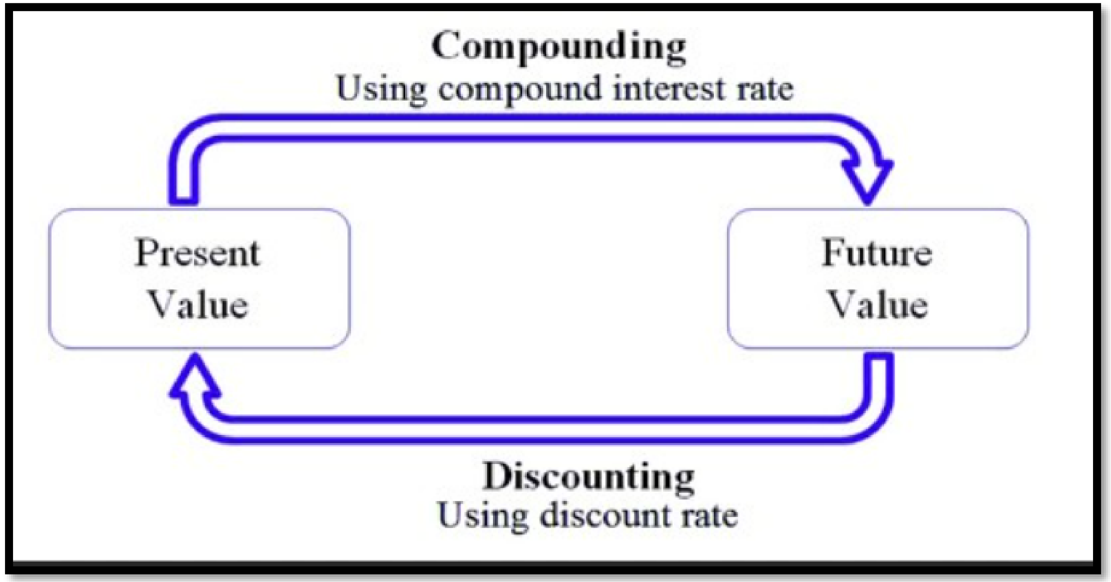
What is the primary difference between compounding and discounting?

A. Compounding involves finding the present value of future cash flows, while discounting involves finding the future value of present cash flows.
B. Compounding involves adding interest to the original amount over time, while discounting involves subtracting interest from the original amount over time.
C. Compounding is used to determine the value of an investment in the future, while discounting is used to determine the value of an investment at present.
D. Compounding is used for single cash flow calculations, while discounting is used for multiple cash flow calculations.
E. None of the above

Chapter Name – Time Value of Money

Answer: Option C

Compounding is like making your money grow over time. Imagine you have some money, and you decide to put it into a savings account or an investment that gives you some extra money every year, which is called "interest." So, not only does your original money stay there, but it also earns extra money for you. Over time, these extra earnings also start to earn their own extra money, creating a snowball effect. This means that as time goes on, your money keeps growing, and you end up with more money than what you initially started with.



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Q.2

1:00

You can use ________ to roughly estimate how many years a given sum of money must earn at a given compound annual interest rate in order to double that initial amount.

A. Rule of 72
B. Rule of 114
C. Rule of 144
D. Rule of 24
E. None of the above.

Chapter Name – Time Value of Money

Answer: Option A

The **Rule of 72** is a quick, useful formula that is popularly used to estimate the number of years required to double the invested money at a given annual rate of return. The Rule of 72 is a simplified formula that calculates how long it'll take for an investment to double in value, based on its rate of return. The Rule of 72 applies to compounded interest rates and is reasonably accurate for interest rates that fall in the range of 6% and 10%. The Rule of 72 can be applied to anything that increases exponentially, such as GDP or inflation; it can also indicate the long-term effect of annual fees on an investment's growth.

The Formula for the Rule of 72 :
Years to double= 72/Interest Rate

Rule of 144:
This rule is basically for people who stay invested for a really long-term in order to see their money actually become four times.

Q.3

1:00

Pension fund and insurance obligation is an example of ____________.

A. Annuities.
B. Perpetuties.
C. Securities
D. Consol
E. None of the above

Chapter Name – Time Value of Money

Answer: Option A

EduTap

The term **annuity** refers to an insurance contract issued and distributed by financial institutions with the intention of paying out invested funds in a fixed income stream in the future. Investors invest in or purchase annuities with monthly premiums or lump-sum payments.

The holding institution issues a stream of payments in the future for a specified period of time or for the remainder of the annuitant's life. Annuities are mainly used for retirement purposes and help individuals address the risk of outliving their savings.

Q.4

1:00

EduTap

Indian Government decides to issue Bonds in Yen so as to raise money from Chinese people. These types of bonds are called?

A. Government Bonds
B. Corporate Bonds
C. Sovereign Bonds
D. Term Bonds
E. Serial Bonds

Chapter Name – Bonds

Answer: Option C

EduTap

Bond-
A bond is a type of debt security. Bonds are issued by borrowers to attract capital from investors ready to extend a loan to them for a specific period of time.

Explanation-
Sovereign Bonds are issued by Indian Government in foreign currency. So, bonds issued by Indian Government in US Dollars or Japanese Yen would be an example of Sovereign bonds. To meet their expenditure, governments have 2 options-

1. Raise taxes or
2. Issue bonds.

- Raising taxes is an unpopular move that has a lengthy legal process. So, Sovereign bonds are preferred as they are similar to taking loans from the market.
- The Yield of the sovereign bond is the interest rate that the government pays on issuing bonds. Countries with volatile economies and high inflation rates have to issue higher interest returns on their bonds compared to more stable ones.
- The Creditworthiness, external and internal factors (Country Risk) and Exchange Rates affect the yield of the bonds.
- **Hence , option C is the correct answer**

Q.5

1:00

EduTap

In bond valuation, a bond's stated value or the bond's face value is considered as _________

A. State value
B. Par value
C. Bond value
D. Per value
E. None of the above

Chapter Name – Bonds

Answer: Option B

EduTap

The stated value of bonds or face value is considered as **par value**. Par value is the face value of a bond, or for a share, the stock value stated in the corporate charter.

Q.6

1:00

If the Government of India increases interest rates, the likely effect on bond prices would be ?

A. The price will fall
B. The price will rise
C. Prices are not linked to Interest rates
D. Cannot be predicted as it depends on the Fiscal deficit of the government
E. None of the above

Chapter Name – Bonds

Answer: Option A

EduTap

Interest rate
Interest rate is the amount charged over and above the principal amount by the lender from the borrower. In terms of the receiver, a person who deposits money to any bank or financial institution also earns additional income considering the time value of money, termed as interest received by the depositor.

Explanation-
The relationship between Bond Price and Interest rate are as follows -
a) If interest rates fall, the value of investments related to interest rates fall. But bonds that have already been issued will continue to pay the same coupon amount as they did previously. A rate that was based on a higher interest rate at the time they were issued. These older bonds then become a more attractive proposition and will generally sell at a premium.
b) When interest rates rise, term deposits and newly issued bonds will pay investors higher rates than existing bonds. Therefore, the price of older bonds will generally fall to compensate and sell at a discount. **Hence, option A is correct**

Q.7

1:00

EduTap

Identify the type of bond which are speculative in nature. They have low credit rating and have high yields. They have high coupon rate. They may give good returns, but they are highly risky, and company might go bankrupt, and person may not get back the Principal itself.

A. fixed-rate bonds
B. Floating rate debt instruments
C. Inverse floaters
D. Zero coupon
E. Junk Bonds

Chapter Name – Bonds

Answer: Option E

EduTap

Bond issuers may choose from a variety of types of coupons, or interest payments.

1. **Straight, plain vanilla or fixed-rate bonds** pay an absolute coupon rate over a specified period of time. Upon maturity, the last coupon payment is made along with the par value of the bond.

2. **Floating rate debt instruments or floaters** pay a coupon rate that varies according to the movement of the underlying benchmark. For example, if the coupon rate is floating as per Mumbai Inter Bank Offer Rate (MIBOR) then as the MIBOR changes coupon rate will also change

3. **Inverse floaters** pay a variable coupon rate that changes in direction opposite to that of short-term interest rates. An inverse floater subtracts the benchmark from a set coupon rate. For example, an inverse floater that uses MIBOR as the underlying benchmark might pay coupon rate = (6% - MIBOR). As and when MIBOR increases the coupon rate of this type of bond decreases and vice versa

4. **Zero coupon or accrual bonds** do not pay a coupon. Instead, these types of bonds are issued at a deep discount and pay the full-face value at maturity.

5. **Junk Bonds**: Junk Bonds are the ones which are speculative in nature. They have low credit rating and have high yields. They have high coupon rate. They may give good returns, but they are highly risky, and company might go bankrupt, and person may not get back the Principal itself

Q.8

1:00

EduTap

Bonds can be evaluated based on their expected rate of return. The bonds promised rate of return is also considered as _________.

A. Yield to Return.
B. Yield to Earnings.
C. Yield to Investors.
D. Yield to Margin.
E. None of the above

Chapter Name – Bonds

Answer: Option E

Bond's promised rate of return is also considered as **yield to maturity**. Yield to maturity (YTM) is the total return anticipated on a bond if the bond is held until it matures.

Yield to Maturity (YTM) is a financial concept used to measure the total return an investor can expect to receive from a fixed-income security, such as bonds, over the entire period until the bond matures. It is expressed as an annual percentage rate (APR). YTM takes into account not only the interest payments (coupon payments) received by the bondholder but also any potential capital gains or losses that may occur if the bond is bought at a discount or a premium to its face value.

Q.9

1:00

EduTap

A ________________ market is a market through which buyers and sellers trade gold, silver as well as associated derivatives

A. Shine Market
B. Metal market
C. Jewellery Market
D. Bullion Market
E. All of the above

Chapter Name – Financial Markets

Answer: Option D

EduTap

Financial Market

A financial market is a word that describes a marketplace where bonds, equity, securities, currencies are traded

Explanation-

- A bullion market is a market through which buyers and sellers trade gold, silver as well as associated derivatives. The London Bullion Market is known as the primary global bullion market trading platform for gold and silver.

- India accounts for 25% of the global demand for gold. Unfortunately, we have to import nearly all of it. Importing gold is a highly regulated activity. The government of India on 29th July, launched a dedicated bullion exchange in the Gujarat International Finance Tec (GIFT) City. The India International Bullion Exchange (IIBX) will deal with those metals. Jewelers can directly deal with international dealers on the exchange and place a bid. If their buying price matches the seller's price, then the transaction would take place. The Bullion exchange will then import this gold and store it in three designated vaults. The exchange captures its value in the form of an electronic token called a Bullion Depository Receipt (BDR). And you can trade these tokens in exchange for dollars.

- **Hence option D is the correct answer.**

Q.10

1:00

EduTap

Which of the following is not a feature of derivatives?

A. Every derivative contract must have an underlying asset
B. Derivative's value is linked to its underlying asset
C. Derivatives can be used for hedging
D. Derivatives are mostly traded only on stock exchanges
E. None of the above

Chapter Name – Derivatives

Answer: Option D

EduTap

A derivative is a financial contract that **derives its value from an underlying asset**. The buyer agrees to purchase the asset on a specific date at a specific price.

Most derivatives are traded over-the-counter (OTC). However, some of the contracts, including options and futures, are traded on specialized exchanges.

Since the value of the derivatives is linked to the value of the underlying asset, the contracts are **primarily used for hedging risks**. For example, an investor may purchase a derivative contract whose value moves in the opposite direction to the value of an asset the investor owns. In this way, profits in the derivative contract may offset losses in the underlying asset.

Q.11

1:00

EduTap

There are many participants in the Futures Market, in the same regard identify the parties of stock exchange who bets on the derivatives market based on his views. He is not actually interested in buying or selling shares but carries out the trade in anticipation of making profit.

A. Hedgers
B. Anticipators
C. Profit Makers
D. Arbitrators
E. Speculators

Chapter Name – Derivatives

Answer: Option E

Speculators: Speculator is one who bets on the derivatives market based on his views on the potential. He is not actually interested in buying or selling shares but carries out the trade in anticipation of making profit.

Hedgers: Hedgers are the ones who are worried about future price movements and want to lock-in the price at the current date only. They are holding or want to hold the underlying.

Q.12

1:00

EduTap

Read the following statements and then select the right code from below

Statement A – Forwards are standardized contracts
Statement B – Future are customized contracts
Statement C – The counter party risk in futures is less than the forward contract

A. Only statement A is correct
B. Only statement B is correct
C. Only statement C is correct
D. Only statement A and B are correct
E. Only Statement A and C are correct

Chapter Name – Derivatives

Answer: Option C

9 Difference between Forwards and Futures

Feature	Forward contracts	Futures contracts
Operational mechanism	It is not traded on the exchanges.	It is an exchange-traded contract.
Contract specifications	Terms of the contracts differ from trade to trade (tailor made contract) according to the need of the participants.	Terms of the contracts are standardized.
Counter-party risk	Exists.	Exists but the clearing agency associated with exchanges becomes the counterparty to all trades assuring guarantee on their settlement.
Liquidation profile	Low, as contracts are tailor made catering to the needs of the parties involved. Further, contracts are not easily accessible to other market participants.	High, as contracts are standardized exchange-traded contracts.
Price discovery	Not Efficient, as markets are scattered.	Efficient, centralized trading platform helps all buyers and sellers to come together and discover the price through common order book.

Q.13

1:00

EduTap

A derivative's value _____ during the life of the derivatives contract

A. Increases as the expiry date approaches
B. Decreases as the expiry date approaches
C. Fluctuates with the spot price of the underlying asset
D. Remains fixed
E. None of the above

Chapter Name – Derivatives

Answer: Option C

A derivative is a financial product whose price performance is derived from that of another financial product, termed the underlying product. An underlying may be another security such as a share or a bond. **Thus, derivatives are indirect investments whose value depends on the spot price of the asset underlying them.**

Q.14

1:00

EduTap

Which of the following statements best describes the process of Demutualization?

A. Separating the Ownership and Management on the Stock Exchange to remove any conflict of Interest
B. Delisting the shares of a listed company from the stock exchange permanently
C. Listing of individual shares of two companies functioning as one across two or more countries.
D. Listing of same shares on more than one stock exchange of two or more countries.
E. All of the above

Chapter Name – Equity Markets

Answer: Option A

EduTap

Demutualization is defined as the process of separating the ownership and management of the stock exchange so as to create a corporate governance structure. **Hence, option A is the correct answer.**

In simple terms, a member-owned organization is converted into a shareholder-owned company. It is generally applied to an insurance company that is mutually helped by policyholder and is converted to a shareholder owned entity. But in Indian context it relates more to stock exchanges than insurance companies. The stock exchanges are non- profit organizations but the objective of the broker trading on them is different. Thus conferring the ownership and managerial rights with the broker can lead to conflict of interests. It also reduces the chances of brokers using the stock exchange for personal gains.

Q.15

1:00

EduTap

A call option writer receives ___ for selling an option.

A. Spot price
B. Premium
C. Strike Price
D. Acquisition price
E. None of the above

Chapter Name – Equity Markets

Answer: Option B

EduTap

A call option writer receives a "Premium" for selling an option. The premium is the price that the buyer of the call option pays to the writer (seller) for the right to buy the underlying asset at the strike price before or on the expiration date of the option.

Q.16

1:00

Who among the following bears the entire risk of selling the stock issue during an IPO?

A. Auditors
B. Directors
C. Underwriters
D. Securities and Exchange Board of India
E. NSE or BSE

Chapter Name – Equity Markets

Answer: Option C

Before the Initial Public Offering (IPO) phase commences, the issuing company gets into an arrangement with their **Underwriters specifying that the latter will be required to buy unsold shares in case of under subscription**. Underwriters assist businesses in determining the appropriate IPO valuation. Lack of knowledge of the IPO, high cost, weak promotion of the IPO, and market conditions are the factors that contribute to an undersubscribed IPO. **Hence, option C is the correct answer.**

According to SEBI, a minimum subscription of 90% of the issued sum gets required on the date of closure. If this does not occur, the company will refund the full amount of the subscription. The investors will receive their money back, so there is no risk. However, there will be no payment to the issuing firm. Even though there will be no benefit or loss, the company's investor confidence will get harmed.

Q.17

1:00

A preliminary prospectus where the exact details of the shares like the number of shares and price of shares are not known is called______.

A. Golden Prospectus
B. Red herring Prospectus
C. Blue Prospectus
D. green Prospectus
E. Future Contract.

Chapter Name – Equity Markets

Answer: Option B

A **Red Herring Prospectus**, or offer document, is filed by a company to SEBI (Securities and Exchange Board of India) **when it plans to raise money from the public** by selling shares of the company to the investors. Its name is derived from the bold disclaimer in red on the cover page of the preliminary prospectus. **Hence, option B is the correct answer.**

The document is very useful to investors because it provides detailed information about the company's business operations, financials, promoters and the company's objective for raising funds by filing an IPOs. It also explains how the company aims to use the money that will be raised, the possible risks for investors etc.

Q.18

1:00

EduTap

ABC Ltd is already listed on the stock exchange. The Company's promoters want to reduce their holdings in the listed company transparently to the public. Such kind of offer is known as _______.

A. Initial Public Offer (IPO)
B. A fresh issue
C. Rights issue
D. Offer For sale
E. Buy back offer

Chapter Name – Equity Markets

Answer: Option D

EduTap

In an **OFS (offer for sale)** , promoters of a company dilute their stake by selling their shares on an exchange platform. Anyone including retail investors, companies, Foreign Institutional Investors (FIIs) and Qualified Institutional Buyers (QIBs) can bid on these shares.

Hence, option D is the correct answer.

Q.19

1:00

EduTap

_______"X"_________ also known as individual investors or individual traders, are individuals who invest their personal funds directly in financial markets. These investors are not professional money managers, institutional investors, or financial firms but rather everyday individuals looking to grow their wealth or achieve specific financial goals through investing.

A. Wholesale Investors
B. Retail Investors
C. Composite investors
D. General Investors
E. None of the above

Chapter Name – Equity Markets

Answer: Option B

Retail investors, also known as individual investors or individual traders, are individuals who invest their personal funds directly in financial markets. These investors are not professional money managers, institutional investors, or financial firms but rather everyday individuals looking to grow their wealth or achieve specific financial goals through investing.

Key characteristics of retail investors include:

1. Personal Investment: Retail investors use their own money to invest, as opposed to investing on behalf of an organization or fund.
2. Small to Moderate Investment Size: Retail investors typically invest smaller amounts of money compared to institutional investors. While the actual investment sizes can vary widely, they generally have more limited financial resources compared to large institutional entities.

Q.20

1:00

EduTap

When banks borrow from one another it is called _______.

A. Repo rate
B. Reverse Repo
C. Call Market
D. Novice Market
E. None of the above

Chapter Name – Debt Markets

Answer: Option C

- **When banks borrow from one-another it is called Call Money/Notice market. Hence, option C is the correct answer.**
- Call money is required mostly by banks. **Commercial banks borrow money without collateral from other banks to maintain a minimum cash balance known as the cash reserve requirement (CRR).** This interbank borrowing has led to the development of the call money market. No collateral security is required to cover these transactions.
- The call money market is a highly liquid market for trading very short-term liquid financial assets that are readily convertible into cash at low cost. This market is highly risky as well as extremely volatile.
- **Hence, option C is the correct answer.**

Q.21

1:00

Which is the minimum amount for which Treasury Bills can be issued?

A. 5000
B. 25,000
C. 20,000
D. 10,000
E. None of the above

Chapter Name – Debt Markets

Answer: Option D

EduTap

- T-bills are short-term securities that mature in one year or less from their issue date. T-bills are purchased for a price that is less than their **par** (face) value; when they mature, the government pays the holder the full par value. Effectively, your interest is the difference between the purchase price of the security and what you get at maturity. S**o, they are zero coupon securities**

- Treasury bills are available for a minimum amount of **Rs. 10,000** and in multiples of Rs. 10,000.

- **Hence, option D is the correct answer.**

Q.22

1:00

EduTap

Which is the minimum amount for which Commercial Paper can be issued?

A. 5 lakh
B. 2 Lakh
C. 3 lakh
D. 10 Lakh
E. None of the above

Chapter Name – Debt Markets

Answer: Option A

Commercial paper (CP) is a short-term, unsecured debt instrument issued by corporations, financial institutions, and other large entities to meet their short-term funding needs. It is a type of promissory note that represents an obligation by the issuer to repay the face value of the commercial paper at maturity, along with the stated interest rate (the discount rate), which is lower than the face value.

Minimum Amount = 5 Lakh

Q.23

1:00

EduTap

Read the following Statements and then select the right code

Statement A – Regional Rural Banks and Small Finance Banks can issue Certificate of Deposits (COD) in India
Statement B – A certificate of deposit should have a minimum amount of Rs 1 lakh.
Statement C - Maturity period of COD should not be less than 7 days and not more than two year.

A. Only Statement A is correct
B. Only Statement B is correct
C. Only Statement C is correct
D. Only Statement A and B are correct
E. Only Statement A and C are correct

Chapter Name – Debt Markets

Answer: Option A

EduTap

A certificate of deposit (CD) is a time deposit with a bank. CDs are generally issued in dematerialized form or as a Usance Promissory Note against by commercial banks; and select financial institutions in lieu of the money that is deposited.

Who are certificates of deposits issued by?

In India CDs cannot be issued by everyone. They are specifically issued by:

Scheduled Commercial Banks
Regional Rural Banks
Small Finance Banks
Financial institutions like IFCI which are permitted by RBI

What is the minimum size of certificate of deposits that are issued?

Unlike bank deposits that are issued in very nominal amounts, a certificate of deposit should have a minimum amount of Rs 5 lakh. This is the minimum amount and that too by single issuer. It has to be in multiples of Rs 5 lakh thereafter.

Maturity period for certificate of deposits

The maturity period depends on the type of investor one is. For CDs issued by banks the maturity period should not be less than 7 days and not more than one year. Usually they have a maturity of 3,6 and 12 months

Q.24

1:00

EduTap

__________funds replicate the portfolio of a particular index such as the BSE sensitive index, Nifty index, etc. These schemes invest in securities in the same weightage as their weightage in the index.

A. Fund of Funds
B. Sector Funds
C. Index Funds
D. Growth Funds
E. All of the above

Chapter Name – Mutual Funds

Answer: Option C

EduTap

- **Index Funds** Index funds replicate the portfolio of particular index such as BSE sensitive index, Nifty index etc.
- These schemes invest in securities in the same weightage as their weightage in the index. NAV of such schemes would rise or fall in accordance with the rise or fall in the index though not exactly by the same percentage.
- There might be some difference. For example, in Nifty has increased by 10% then NAV of the fund might increase by 9.7%. This difference is called tracking error. The tracking error can come due change in the index which is not replicated by the fund manager in the index fund. The meaning of the change in index is that some companies are moved out of the index and new companies are added in the index.
- **Hence, option C is the correct answer**

Q.25

1:00

EduTap

Objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low-income groups using technology. In the same regard, what is maximum amount of overdraft which can be availed un PMJDY ?

A. 15,000
B. 10,000
C. 20,000
D. 25,000
E. 30,000

Chapter Name – Financial Inclusion

Answer: Option B

EduTap

Jan Dhan-Yojna: Pradhan Mantri Jan Dhan Yojana was announced by the honorable Prime Minister of India Shri. Narendra Modi in the year 2014, on the eve of Independence Day. Objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low-income groups using technology.

A. Under the Jan Dhan scheme, any individual who is older than 10 years of age and does not possess a bank account can open one in his or her name with an opening deposit of zero.
B.
C. Individuals whose Jan Dhan account completes 6 months are eligible to an overdraft facility of Rs.10,000
D.
E. No minimum balance required

Q.26

1:00

RBI reviewed the extant policy on ATMs and it was decided to permit non-banks to set up, own and operate ATMs to accelerate the growth and penetration of ATMs in the country. Such ATMs would provide ATM services to customers of all banks. What are these ATMs Called?

A. Pink Label ATM
B. Yellow Label ATM
C. White Label ATM
D. Mobile ATM
E. None of the above

Chapter Name – Financial Inclusion

Answer: Option C

- According to RBI, ATMs set up, owned, and operated by non-banks are called **White label ATMs [WLAs]**. **Hence Option C is the correct answer.**\
- Non-bank ATM operators are authorized under **the Payment & Settlement Systems Act, 2007** by the Reserve Bank of India (RBI).
- For a customer, using a WLA is just like using an ATM of any bank.
- **Hence, option C is the correct answer**

Q.27

1:00

EduTap

If a company has a good brand name but does not have the capital to expand, it uses the method of ______________.

A. Leasing
B. Factoring
C. Franchising
D. Forfeiting
E. None of the above

Chapter Name – Alternative Sources of Finance

Answer: Option C

EduTap

- When a business does not have the adequate amount of capital for business expansion , it gives the **Franchising** rights to Individuals or other companies. **Hence Option C is the correct answer.**
- The process of Franchising involves two parties - one is the **Franchisor** who as the owner of the business gives the license to the other party known as **Franchisee** to use their business idea.
- He also **charges a royalty fee** for using the trademark and charges for training and other services to the Franchisee.
- By opting for this method the franchisor can avoid large investment and liability and expand in a faster way in comparison to other methods. Example - All the petrol pumps from Indian Oil , Maruti Suzuki etc.
- Franchising can be classified as -

  Product Franchise

  Business format Franchise

  Management Franchise

Q.28

1:00

EduTap

The balance sheet of Akruti Muzuki is very low on cash. But their balance sheet shows lot of receivables from the customers. They need money to fuel growth. Which source of Finance would best suite them?

A. Leasing
B. Angel Investors
C. Venture capitalists
D. Factoring
E. None of the above

Chapter Name – Alternative Sources of Finance

Answer: Option D

EduTap

- Since Akruti Muzuki has a lot of receivables from the customers and it is in need of money, they can **sell their accounts receivable (i.e., invoices) to a third party (called a factor) at a discount.**
- This process is known as **factoring**. **Hence Option D is the correct answer.**

Q.29

1:00

EduTap

Which of the following is not an example of liquidity Ratio?

A. Current Ratio
B. Quick Ratio
C. Cash Ratio
D. Debt-Equity Ratio
E. None of the above

Chapter Name – Ratios

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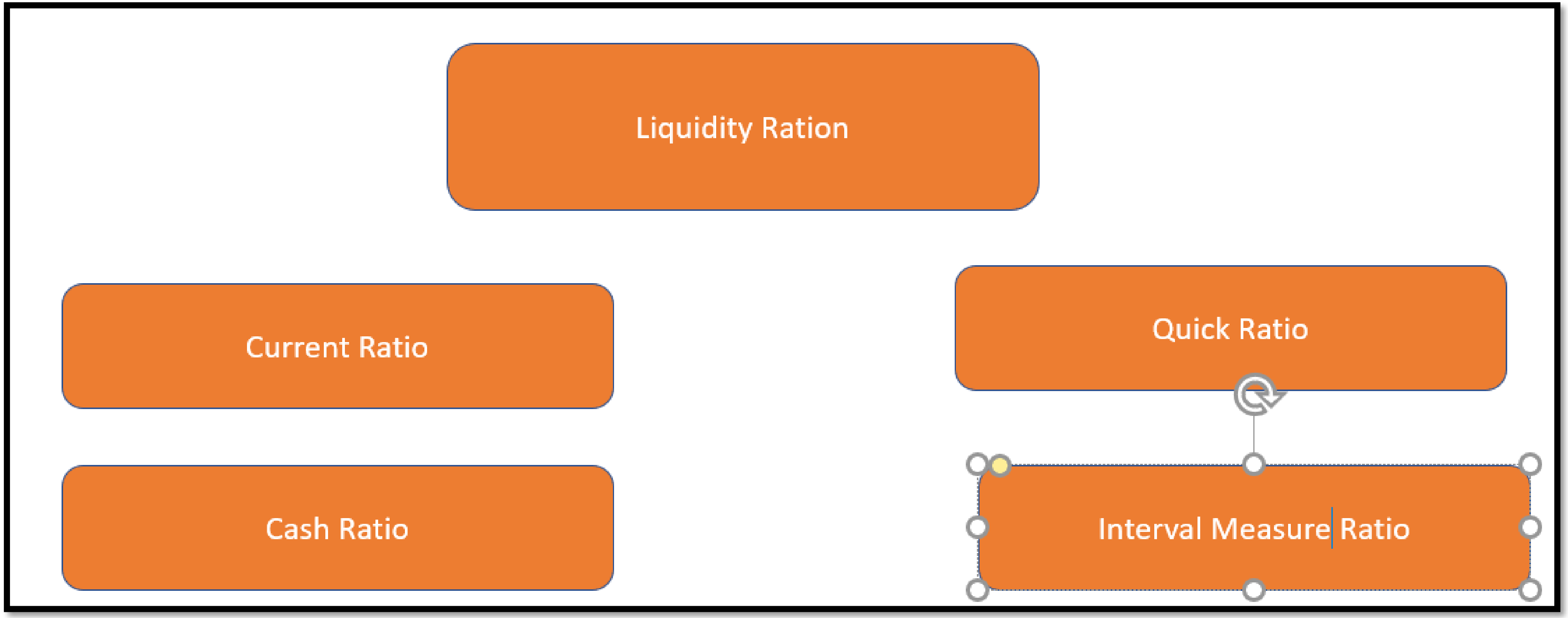
Answer: Option D



Q.30

1:00

EduTap

Calculate the Debtors Turnover Ratio from the following information:

Total sales = 4,00,000
Cash sales = 20% of total sales
Debtors on 01-04-2004 = Rs. 40,000
Debtors on 31-03-2005 = Rs. 1,20,000

A. 3 times
B. 3.5 times
C. 4 times
D. 5 times
E. None of the options given above

Chapter Name – Ratios

Answer: Option C

EduTap

Debtor Turnover Ratio-

This indicates the number of times average debtors have been converted into cash during a year. This is also referred to as the efficiency ratio which measures the company's ability to collect revenue.

Let's calculate the ratio-

Average Debtors = (Rs. 40,000 + Rs.1,20,000) / 2 = Rs.80,000

Net credit sales = Total sales - cash sales

= Rs 4,00,000 – Rs.80,000 (20% of Rs.4,00,000)

= Rs.3,20,000

Debtors turnover ratio = Net credit sales / average debtors

= Rs. 3,20,000/ Rs.80,000

= 4 times

Debtors turnover ratio = 4 times

Hence, option C is the correct answer

Q.31

1:00

EduTap

Debt to Equity Ratio is used to calculate the Debt of the company vis-vis the Equity of the Company. What is the ideal value of Debt to Equity Ratio?

A. 2
B. 3
C. 4
D. 1
E. 5

Chapter Name – Ratios

Answer: Option D

4.2. Debt – Equity Ratio

DE Ratio is used to calculate the Debt of the company vis-vis the Equity of the Company.

Formula

Debt Equity Ratio = Total Liabilities/Shareholder Funds

Total liabilities means the current liabilities + Long Term Debt
Shareholder Funds means the same as Shareholder Capital

Since Shareholder Funds = Net Worth, the formula can also be stated as

Debt Equity Ratio = Total Liabilities/Net Worth

Altenativey this is also known as Debt Equity Ratio = External Equities/Internal Equities
External equities are Total Liabilities and Internal Equities are Shareholder Funds

Ratio of 1 is considered quite satisfactory in this case

Q.32

1:00

EduTap

The profitability of the shareholders' investment can also be measured in many other ways. One such measure is to calculate the Earnings Per Share. What is the formula to calculate the EPS?

A. Profit After Tax / Outstanding Shares
B. Profit Before Tax / Outstanding Shares
C. Gross Profit / Outstanding Shares
D. Operating Profit / Outstanding Shares
E. None of the above

Chapter Name – Ratios

Answer: Option A

EduTap

6.7. Earnings Per Share (EPS)

The profitability of the shareholders' investment can also be measured in many other ways. One such measure is to calculate the earnings per share. The earnings per share (EPS) is calculated by dividing the profit after taxes by the total number of ordinary shares outstanding.

Formula

$$EPS = \frac{\text{Profit after tax}}{\text{Number of shares outstanding}}$$

Q.33

1:00

EduTap

A high Price-to-Earnings (P/E) ratio for a company generally indicates

A. The company's stock is undervalued and may present a good investment opportunity.
B. The company's stock is overvalued, and investors may be paying a premium for its earnings.
C. The company has experienced a decline in earnings, making its stock less attractive.
D. The company's financial health is stable and has a low-risk profile.
E. None of the above

Chapter Name – Ratios

Answer: Option B

A high P/E ratio indicates that the stock's market price is relatively high compared to its earnings per share (EPS). This suggests that investors are willing to pay more for each unit of earnings, potentially leading to an overvaluation of the stock.

It may indicate higher expectations for future growth or optimistic market sentiment. However, it also carries the risk that the stock's price may not be justified by its earnings potential, making it a less attractive investment opportunity.

Q.34

1:00

EduTap

You are given the following information regarding the financing activities of R Ltd.

Issue of Equity Shares: 60,000
Dividend Paid: 12,000
Redemption of Debenture: 50,000

Find Cash flows from Financing Activities.

A. 10,000
B. (48,000)
C. 2000
D. (2,000)
E. None of the above

Chapter Name – Cash Flow Statement

Answer: Option D

Cash Flow Statement-

A cash flow statement is an important tool used to manage finances by tracking the cash flow of an organization. This statement is one of the three key reports (with the income statement and the balance sheet) that help in determining a company's performance. It is usually helpful for making cash forecasts to enable short-term planning.

Explanation-

Issued equity shares = 60,000
Dividend paid = (12,000)
Redemption of debentures = (50,000)

Net cash flow from financing activities = (2000)
Hence, option D is the correct answer

Q.35

1:00

EduTap

Which among the following statements is incorrect?

A. Cash flow statement shows inflows and outflows of the cash and cash equivalents.
B. Cash Flow Statements are prepared in accordance with Accounting Standard- 5 (AS-5).
C. The primary objective of cash flow statement is to provide useful information about cash flows of an enterprise during a particular period under various heads.
D. Cash flow statement classifies cash flows into operating, investing and financing activities.
E. None of the above

Chapter Name – Cash Flow Statement

Answer: Option B

EduTap

Cash Flow Statements are prepared in accordance with **Accounting Standard- 3** (**AS-3**). **Hence, Option B is incorrect and is the correct answer.**

- Cash Flow Statement is a statement that shows the cash flows, i.e., inflow and outflow of Cash and Cash Equivalents during the accounting period from operating, investing and financing activities.
- Transactions that increase Cash and Cash Equivalents are inflows of Cash and Cash Equivalents and transactions that decrease it are outflows of Cash and Cash Equivalents.
- Cash and Cash Equivalents includes Cash on hand, Bank Balance, Marketable Securities, etc. Unless specified otherwise, Current Investments are taken as Marketable Securities. Hence, are included in Cash and Cash Equivalents..

Q.36

1:00

EduTap

Which of the following is not an example of operating activity?

A. Cash receipts from royalties, fees, commission, etc.;
B. Cash receipts from Trade Receivables (i.e., Debtors and Bills Receivable);
C. Cash payment for the purchase of goods and/or availing services;
D. Cash payment to Trade Payables (i.e., Creditors and Bills Payable)
E. Cash Payment for purchase of Fixed Assets

Chapter Name – Cash Flow Statement

Answer: Option E

EduTap

Examples of Cash Flow from **Operating** Activities:

- **Cash receipts from the sale of goods and/or rendering services.**
- Cash receipts from royalties, fees, commission, etc.;
- Cash receipts from Trade Receivables (i.e., Debtors and Bills Receivable);
- Cash payment for the purchase of goods and/or availing services;
- **Cash payment to Trade Payables (i.e., Creditors and Bills Payable).**
- Cash payment of wages, salaries, and other payments to employees;
- Cash receipts of premium and payment of claims (for an Insurance Company);
- Cash payment of and refund of income tax unless these are identified with Investing or Financing Activities

Q.37

1:00

EduTap

Bank of India (BoI) earned a net profit of 10,00,000 in FY23. As per the norms of the banking sector, it has to create a statutory Reserve out of its net profit. Calculate the amount of net profit which will be transferred to the statutory reserve by the bank.

A. 1,50,000
B. 1,75,000
C. 2,00,000
D. 2,50,000
E. 3,00,000

Chapter Name – Banking Awareness

Answer: Option D

EduTap

Statutory reserve of banks-
As per the Banking regulation act, of 1949, under Section 17, every banking company incorporated in India is required to transfer at least 25% of its current profit to its reserve fund. It is known as a statutory reserve.

Explanation-
Net Profit = ₹10,00,000, Statutory Reserve Rate = 25%

Amount Transferred to Statutory Reserve = Net Profit * Statutory Reserve Rate/100

Amount Transferred to Statutory Reserve = ₹10,00,000 * 25/100

Amount Transferred to Statutory Reserve = ₹2,50,000

Therefore, the correct answer would be option D

Q.38

1:00

EduTap

Which financial statement provides a comprehensive view of a company's assets and liabilities at a specific point in time?

A. Income Statement
B. Balance Sheet
C. Cash Flow Statement
D. Statement of Retained Earnings
E. None of the above

Chapter Name – Financial Statements

Answer: Option B

A **balance sheet is a financial statement that provides a snapshot of a company's financial position at a specific point in time. It presents the company's assets, liabilities, and shareholders' equity**, and

follows the fundamental accounting equation: **Assets = Liabilities + Shareholders' Equity.**

Hence, option B is the correct answer.

Q.39

1:00

EduTap

Which of the following is an example of a current asset?

A. Buildings and land owned by a company.
B. Patents and copyrights of a company.
C. Cash and cash equivalents.
D. Long-term loans given to another company.
E. None of the above

Chapter Name – Financial Statements (Balance Sheet)

Answer: Option C

Current assets are a category of assets on a company's balance sheet that are expected to be converted into cash or consumed within one year or within the normal operating cycle of the business, whichever is longer

Cash and cash equivalents: This option is the correct answer. Cash and cash equivalents are examples of current assets. They represent liquid assets that a company possesses and are readily convertible into cash within a short period, typically within three months. Examples include physical currency, bank account balances, and short-term investments like treasury bills. **Hence, option C is correct**

Q.40

1:00

EduTap

A company has the following financial information:

Current Assets: ₹500,000, Non-Current Assets: ₹700,000, Shareholder Equity, Share Capital: ₹300,000, Retained Earnings: ₹200,000 , Accounts Payable: ₹150,000, Short-term Loans: ₹100,000

What is the total value of the company's current liabilities?

A. ₹150,000
B. ₹250,000
C. ₹300,000
D. ₹400,000
E. ₹500,000

Chapter Name – Financial Statements (Balance Sheet)

Answer: Option B

EduTap

Explanation-

To calculate the total value of the company's current liabilities, we need to sum up the values of the individual current liabilities.

Total value of current liabilities = Accounts Payable + Short-term Loans

Substituting the given values:

Total value of current liabilities = ₹150,000 + ₹100,000 = ₹250,000

Therefore, the correct answer is: option B

Q.41

1:00

In the balance sheet of a company, what would be the appropriate classification for a liability named "Rajesh Debentures"?

A. Long-term liability
B. Current liability
C. Shareholder's equity
D. Contingent liability
E. None of the above

Chapter Name – Financial Statements (Balance Sheet)

Answer: Option A

Debentures are long-term borrowing instruments issued by a company to raise funds from the public. "Rajesh Debentures" implies that it is a liability in the form of debentures associated with Rajesh, which represents long-term borrowing owed by the company. Typically, debentures have a maturity period of more than one year, making them classified as long-term liabilities on the balance sheet.

Hence, option A is the correct answer.

Q.42

1:00

EduTap

M/s Mehra and Sons acquired a machine for Rs.2,80,000 on January 1, 2016, and spent Rs. 20,000 for its installation. The firm writes off depreciation at the rate of 10% on the original cost every year. Calculate the depreciation on the machine using the straight-line depreciation method for the year Financial year 2016-17.

A. Rs.30,000
B. Rs.28,000
C. Rs.15,000
D. Rs.12,235
E. Rs.9,990

Chapter Name – Financial Statements (Balance Sheet)

Answer: Option A

What is Depreciation-

Depreciation is a decrease in the value of an asset over time due to wear and tear, obsolescence, or other factors. It is an accounting concept that allows businesses to spread the cost of an asset over its useful life.

Calculation of the original cost of the machine

Purchase cost = 2,80,000 + Installation cost = 20,000

Original cost = 3,00,000

Depreciation expense = 10% of Rs. 3,00,000 per annum (p.a.)

= 30,000 p.a. (it is for the full year)

Q.43

1:00

Amit holds 100 shares of Infosys. Infosys has announced a rights issue, and Amit has the option to buy 10 new shares at a discounted price. Amit decides to sell his rights to his friend, Akash, for Rs.50. This process is known as:

A. Acceptance
B. Compensation
C. Renunciation
D. Conversion
E. Redemption

Chapter Name – Financial Statements (Balance Sheet)

Answer: Option C

A rights issue, also known as a rights offering or rights offering for subscription, is a way for a company to raise additional capital by offering existing shareholders the right to purchase new shares at a predetermined price. It is a means of raising funds from existing shareholders in proportion to their current shareholdings.

Renunciation: Renunciation is the correct term for the process in which a shareholder sells or transfers their rights to another party. Amit renounced his rights by selling them to his friend, Akash, for $50. Renunciation allows shareholders to monetize their rights by selling them to interested buyers. **Hence, option C is the correct answer.**

Q.44

1:00

From the below-given information, calculate the original cost of the machine.

Particulars	Amount
Purchase cost	10,00,000
Installation expenses	1,00,000
Repairing charges after installation	50,000
Transportation of machine to factory	1,00,000
Inauguration charges	12,000

A. Rs. 10,00,000
B. Rs. 11,00,000
C. Rs. 11,50,000
D. Rs. 12,00,000
E. Rs. 12,62,000

Chapter Name – Financial Statements (Income Statement)

Answer: Option D

Final Purchase cost = Purchase cost + Installation expenses + Transportation of machine to factory

Final Purchase cost = 10,00,000 + 1,00,000 + 1,00,000

Final Purchase cost = 12,00,000

Hence, the correct answer is option D

Q.45

1:00

EduTap

Choose the correct chronological order of ascertainment of the following profits from the profit and loss

A. Operating Profit, Net Profit, Gross Profit
B. Operating Profit, Gross Profit, Net Profit
C. Gross Profit, Net Profit, Operating Profit
D. Gross Profit, Operating Profit, Net Profit
E. None of the above

Chapter Name – Financial Statements (Income Statement)

Answer: Option D

EduTap

The trading and profit and loss can be seen as a combination of two accounts, viz. Trading account and Profit and Loss account.

The trading account or the first part ascertains the gross profit and profit and loss account or the second part ascertains net profit

Gross Profit = Total revenue − Cost of goods sold.

Operating profit = Gross Profit − operating exp − Dep. − Amortization.

Net Profit = Operating Profit − Taxes − Interest.

Q.46

1:00

EduTap

XYZ Corporation has the following information:
Opening inventory: ₹200,000
Purchases made during the year: ₹500,000
Closing inventory: ₹150,000
Cost of raw materials: ₹50,000
What is the cost of goods sold (COGS)?

A. ₹200,000
B. ₹6,00,000
C. ₹500,000
D. ₹650,000
E. ₹700,000

Chapter Name – Financial Statements (Income Statement)

Answer: Option B

EduTap

Cost of goods sold

The cost of goods sold (COGS) is the sum of all direct costs associated with making a product. It appears on an income statement and typically includes money mainly spent on raw materials and labor. It does not include costs associated with marketing, sales, or distribution.

Explanation-

As per the formula, COGS = Opening Inventory + Purchases + Direct Cost – Closing Inventory

COGS = 2,00,000 + 5,00,000 + 50,000 - 1,50,000

COGS= 6,00,000

Hence, the correct answer is B

Q.47

1:00

Based on the following data, calculate the purchases made for Raman enterprises.

- Opening Inventory: ₹4,20,000
- Closing Inventory: ₹2,20,000
- Cost of Goods Sold (COGS): ₹4,00,000

A. ₹2,00,000
B. ₹3,00,000
C. ₹4,00,000
D. ₹5,00,000
E. ₹6,00,000

Chapter Name – Financial Statements (Income Statement)

Answer: Option A

What are Purchases-

Purchases of goods and services include the value of all goods and services purchased during the accounting period for resale or consumption in the production process, excluding capital goods the consumption of which is registered as consumption of fixed capital.

Explanation-

To calculate the purchases, we need to use the formula: Purchases = COGS + Closing inventory - Opening inventory

Substituting the values into the formula:

Purchases = ₹4,00,000 + ₹2,20,000 - ₹4,20,000

Purchases = ₹6,20,000 - ₹4,20,000

Purchases = ₹2,00,000

Hence, the correct answer is option A

Q.48

1:00

EduTap

Which of the following is a major feature of an income statement?

A. It is also known as a balance sheet.
B. It is prepared on a daily basis.
C. It covers a specific accounting period.
D. It is prepared at the beginning of the year.
E. It includes only revenue components.

Chapter Name – Financial Statements (Income Statement)

Answer: Option C

a) **It is also known as a balance sheet:** An income statement and a balance sheet are two distinct financial statements that serve different purposes. While the income statement focuses on a company's financial performance over a specific period, the balance sheet presents a snapshot of its financial position at a particular point in time. **Hence, option A is incorrect.**

b) It is prepared on a daily basis: An income statement is not prepared on a daily basis. It covers a specific accounting period, which is usually a fiscal year or another designated time frame. **Hence, option B is incorrect.**

c) It covers a specific accounting period: The income statement is prepared to cover a specific accounting period, such as a fiscal year. It provides a summary of a company's financial performance during that specific period, including revenues, expenses, gains, and losses. **Hence, option C is correct.**

d) It is prepared at the beginning of the year: The income statement is typically prepared at the end of the accounting year, summarizing the financial performance of the business over that specific period. **Hence, option D is incorrect.**

e) It includes only revenue components: While revenue is an essential component of the income statement, it also includes other components such as cost of goods sold, operating expenses, non-operating income or expenses, and net income or net loss. These components together provide a comprehensive overview of a company's financial performance. **Hence, option E is incorrect.**

Q.49

1:00

The Municipal Corporation of Bengaluru has hired an external vendor to clean the drains of the city. As per the contract Govt. will pay the external vendor a predetermined fee for the service provided the vendor meets the performance standards set by the Municipal Corporation. What type of contract is this?

A. Management Contract
B. Lease Contract
C. Service Contract
D. Concessions
E. None of the above

Chapter Name – Public Private Partnerships

Answer: Option C

EduTap

What are service contracts?

Service Contracts are agreements between a customer or client and a person or company who will be providing services. For example, a Service Contract might be used to define a work agreement between a contractor and a homeowner. Or, a contract could be used between a business and a freelance web designer.

Explanation-

- In this case the Municipal Corporation of Bengaluru has hired an external vendor to clean the drains of the city that is to provide service for a predetermined fee. The vendor must meet performance standards set by the public sector. This is an example of a service contract. **Hence Option C is the correct answer.**
- Under a service contract, the Government (public authority) hires a private company or entity to carry out one or more specified tasks or services for a period, typically 1–3 years.
- The Government pays the private partner a predetermined fee for the service.
- The private partner must perform the service at the agreed cost and must typically meet performance standards set by the public sector.

Q.50

1:00

EduTap

Company XYZ is building a railway bridge on the Narmada river. As per the terms and conditions, the company will finance and design the project. The operation and maintenance will be taken care of by the company and XYZ is not required to transfer the facility to the government. What kind of PPP are we referring to?

A. Build Operate Transfer (BOT)
B. HAM model
C. Build Own Operate (BOO)
D. Design Build Maintain (DBM)
E. All of the above

Chapter Name – Public Private Partnerships

Answer: Option C

Build own operate model-

It is an important Public Private Partnership model for private investment in infrastructure projects. It is a variant of the BOT (Build, operate, and transfer) model for Public Private Partnership (PPP) and the uniqueness is that the ownership of the newly built facility will rest with the private party under BOO.

Explanation-

- Since the company builds, finances, operates, and maintains the bridge and is not supposed to transfer the ownership, it is an example of **BOO (Build Own Operate). Hence Option C is the correct answer.**
- **Build Own Operate (BOO)**: The government grants the right to finance, design, build, operate and maintain a project to a private entity, which retains ownership of the project.
- The private entity is not required to transfer the facility back to the government.

Q.51

1:00

Identify the type of risk, which arises due to the possibility of a major bank failing and the resultant losses to counterparties reverberating into a banking crisis.

A. Market Risk
B. Legal Risk
C. Systemic Risk
D. Liquidity Risk
E. None of the above

Chapter Name – Risk Management

Answer: Option C

EduTap

Systemic risk

Systemic risk is the financial risk that possibly threatens the entire business, enterprise, entity, or economy, leading to its abolition. It begins with affecting units at a smaller scale and continues transmitting the effects to larger entities, thereby hampering the financial mechanism of the economy as a whole.

Explanation-

- **Systemic Risk** is the **possibility of a major bank failing and the resultant losses to counterparties reverberating into a banking crisis**. **Hence Option C is the correct answer.**
- In a financial context, it denotes the risk of a cascading failure in the financial sector, caused by linkages within the financial system, resulting in a severe economic downturn.
- A key question for policymakers is how to limit the build-up of systemic risk and contain economic crises events when they do happen.

Q.52

1:00

EduTap

If 1 USD changes from Rs 70 to Rs 75, what does this change signify?

A. Value of the dollar has appreciated
B. Value of the rupee has depreciated
C. Value of the dollar has depreciated
D. Option B and C
E. Option A and B

Chapter Name – Forex Markets

Answer: Option E

Currency depreciation

Currency depreciation is the decline in the value of the currency of a particular currency in comparison with other countries' exchange rates. Fluctuations in import & export, political instability, and macroeconomic factors can cause a decline in the **currency depreciation graph.**

Explanation-

1 USD = Rs 70 implies 1 USD will be sold for Rs 70.
1 USD = Rs 75 implies that 1 USD will be sold at Rs 75.
From the above changes we can conclude that the value of the dollar has appreciated whereas the value of Rs has depreciated. Hence Option E is the correct answer.

Q.53

1:00

As per guidelines issued by RBI for electing directors on the board of PSBs, there should be at least one member from the _______ committee in the nomination and remuneration committee.

A. Shareholder grievance committee
B. Risk Management Committee
C. Ethics Committee
D. None of the above
E. All of the above

Chapter Name – Corporate Governance in Banking Sector

Answer: Option B

EduTap

Risk Management

Risk Management is defined as the overall process of risk identification, quantification, evaluation, acceptance, aversion, and management. The decisions are made by considering Risk Assessments within the context of political, social, and economic realities.

Explanation-

- In 2019, RBI notified the criteria for determining the **'fit and proper'** status of a person to be eligible to be elected as a director on the Board of Public Sector Banks.
- These guidelines mandated the setting up of the Nomination and Remuneration Committee by the PSBs as per the following guidelines.
  - It shall consist of a minimum of **3 non-executive members** from the Board of Directors and at least half of these non-executive directors shall be independent ones.
  - **It shall include at least one member from Risk Management Committee. Hence Option B is the correct answer.**
  - **The government of India nominee director shall not be part of this committee**
  - **Quorum of this committee shall be 3** including the chairman.
  - **Hence, the correct answer is option B**

Q.54

1:00

EduTap

The Banking Regulation Amendment Bill was passed in the year ________ to bring the cooperative banks under the supervision of the RBI.

A. 2020
B. 2005
C. 2022
D. 2000
E. 2010

Chapter Name – Corporate Governance in Banking Sector

Answer: Option A

Banking regulation act, 1949-

The Banking Regulation Act, of 1949 is an Act that provides a framework for regulating the banks of India. The Act came into force on 16th March 1949.

Explanation-

In the wake of the deteriorating condition of cooperative banks in the country, the central government amended the Banking Regulation Act, of 1949.

The banking Regulation amendment was passed in 2020 to bring the cooperative under the supervision of the RBI.

Hence Option A is the correct answer.

New Banking Regulation (Amendment) Bill, 2020

- The Bill allows the central bank to initiate a scheme for the reconstruction or amalgamation of a bank without placing it under moratorium.
- If the central bank imposes a moratorium on a bank, the lender can not grant any loans or make investments in any credit instruments during the moratorium tenure, according to the Bill.
- The **co-operative banks will be allowed to issue equity, preference, or special shares on face value or at a premium to its members**, or to any other person residing within their area of operations.
- The banks may also **issue unsecured debentures or bonds or similar securities with a maturity of ten or more years**
- **Hence, option A is the correct answer**

Q.55

1:00

EduTap

Consider the following statements in the context of International Banking

1. International banking does not help in hedging exchange rate risk.
2. They facilitate imports and exports of their clients –trade financing.
3. They participate in the international loan syndicate

Which of the above-given statement is/are correct?

A. 1 only
B. 1 and 2
C. 1, 2, and 3
D. 2 and 3
E. All are correct

Chapter Name – International Banking

Answer: Option D

EduTap

International Banking
An international bank is a financial unit that provides financial services, such as payment accounts and lending opportunities, to foreign customers. This foreign clientele can be individuals and companies, though every international bank has its own strategies which decide with whom they do business.

Explanation-
The major functions of international banking are as follows -

- **Assist in hedging exchange rate risk. Hence Statement 1 is incorrect.**
- **Facilitate imports and exports** of their clients -trade financing. **Hence Statement 2 is correct.**
- **Participate in international loan syndicate** - lending to MNCs- project financing and to sovereign governments - economic development. **Hence statement 3 is correct.**
- **Therefore Option D is correct.**

Q.56

1:00

EduTap

Which of the following is not included in Foreign Exchange Reserves?

A. Foreign currency
B. Gold reserves
C. Special Drawing Rights (SDRs)
D. Reserve position with the IMF
E. Reserve position with the World bank

Chapter Name – Forex Markets

Answer: Option E

Foreign exchange reserves are assets held on reserve by a central bank in foreign currencies, which can include bonds, treasury bills and other government securities.

It needs to be noted that most foreign exchange reserves are held in US dollars.

India's Forex Reserve include:

1. Foreign Currency Assets
2. Gold reserves
3. Special Drawing Rights
4. Reserve position with the International Monetary Fund (IMF).

Q.57

1:00

EduTap

New Development Bank was founded by ______ group

A. (Association of Southeast Asian Nations) ASEAN
B. G-20
C. G-7
D. North Atlantic Treaty Organization NATO
E. BRICS

Chapter Name – Financial institutions

Answer: Option E

EduTap

New Development Bank is a multilateral development bank jointly founded by the BRICS countries at the 6th BRICS Summit in Fortaleza, Brazil in 2014.

It was formed to support infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies for faster development through innovation and cutting-edge technology. It is headquartered in Shanghai, China.

Q.58

1:00

Which of the following types of Inflation is being described in these lines?

"This is very high inflation running in the range of double-digit or triple-digit. This inflation occurred in the 1970s & 1980s in many Latin American countries and in Russia post-disintegration. It is also referred to as jumping or running or hopping inflation."

A. Galloping Inflation
B. Hyperinflation
C. Stagflation
D. Bottleneck Inflation
E. None of the options given above

Chapter Name – Inflation

Answer: Option A

Galloping inflation-
Galloping inflation, also known as **jumping inflation**, occurs at a **quick rate** (dual or triple-digit annual rates) for a **short period of time.** This type of inflation is **harmful to the economy** and it **mostly affects the middle and lower income sectors**. Galloping inflation has the potential to trigger an **economic downturn**. It can also be accompanied by **substantial economic expansion**.

Explanation-

- **Galloping Inflation** is very high inflation running in the range of **double-digit or triple-digit**. **Hence Option A is the correct answer.**
- This **inflation occurred in the 1970s & 1980s in many Latin American countries** and in Russia post-disintegration.
- It is also referred to as **jumping or running or hopping inflation**.
- It takes place at a **fast pace** and is **present for a short period**.
- This type of inflation is harmful to the economy and it **mostly affects the middle and lower income sectors**.
- Galloping inflation has the potential to **trigger an economic downturn**.
- It can also be accompanied by substantial economic expansion.

Q.59

1:00

EduTap

Consider the following statements in the context of Headline Inflation.

1. It is the overall inflation figure obtained by taking into account all the categories of the respective indices.
2. RBI measures headline inflation on the basis of CPI.
3. Urjit Patel Committee has recommended using CPI as a measure of Headline Inflation.

Which among the above-given statement/s is/are correct?

Options-

A. 1 & 2
B. 2 & 3
C. 1 & 3
D. 1,2 & 3
E. None of the above

Chapter Name – Inflation

Answer: Option D

EduTap

Headline inflation-

Headline Inflation is a measure of the total economic inflation that includes food and energy prices. It considers the prices of various wholesale products that households usually use daily and for other commercial purposes.

Explanation-

- Headline Inflation is the overall inflation figure obtained by taking into account all the categories of the respective indices. **Hence statement 1 is correct.**
- RBI now measures headline inflation on the basis of CPI. **Hence statement 2 is correct.**
- Urjit Patel Committee has recommended using CPI as measure of Headline Inflation. **Hence statement 3 is correct.**
- **Therefore Option D is the correct answer.**

Q.60

1:00

EduTap

Match the following:

1- Deflation	**(a) Reduction of Rate of Inflation**
2- Stagflation	**(b) When there is a general fall in the level of prices**
3- Disinflation	**(c) a combination of inflation and rising unemployment due to recession.**

Options-

A. 1-a, 2 -c, 3- b
B. 1-b, 2-a, 3-c
C. 1-a, 2-b ,3-c
D. 1-c, 2-b,3-a
E. 1-b , 2-c ,3- a

Chapter Name – Inflation

Answer: Option E

EduTap

Inflation-

Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.

Explanation-

- Deflation - b) When there is a general fall in the level of prices
- Stagflation - c) combination of inflation and rising unemployment due to recession
- Disinflation - a) Reduction of Rate of Inflation
- **Therefore Option E is the correct answer.**

Q.61

1:00

Which of the following is incorrect regarding Monetary Policy Committee?

A. The Monetary Policy Committee (MPC) is a committee of the central bank —the Reserve Bank of India, headed by its Governor
B. There will be three government members appointed on recommendations of a committee headed by the Finance Minister
C. Each member will have one vote
D. The meetings of the MPC will be held at least 4 times a year and it will publish its decisions after each such meeting
E. None of the above

Chapter Name – Inflation

Answer: Option B

EduTap

Monetary Policy Committee-

The Monetary Policy Committee (MPC) is a **committee of the central bank** —the Reserve Bank of India, **headed by its Governor**. It was set up by amending the RBI Act to provide for a **statutory and institutionalized framework** for MPC.

Explanation-

- The **Monetary Policy Committee (MPC)** is a committee of the central bank —Reserve Bank of India, **headed by its Governor**. **Hence Option A is correct.**
- The government members to MPC will be appointed by the Central Government on recommendations of a search-cum-selection committee headed by the Cabinet Secretary, with RBI governor; Secretary, Economic Affairs; and three experts as members**. Hence option B is incorrect and is the answer**
- **Each member** will have **one vote** and the g**overnor gets a casting vote in case of tie**. **Hence Option C is correct.**
- The meetings of the MPC will be held at least 4 times a year and it will publish its decisions after each such meeting. **Hence Option D is correct.**
- **Therefore, option B is the correct answe**

Q.62

1:00

EduTap

Read the following statements and the select the most incorrect statement from below

A. The Wholesale Price Index (WPI) is the price of a representative basket of wholesale goods.
B. WPI is an index made of 3 categories of goods
C. WPI is complied by Ministry of Commerce and Industry
D. WPI base year is 2011-12
E. There 679 items in the WPI Index

Chapter Name – Inflation

Answer: Option E

WPI

The Wholesale Price Index (WPI) is the price of a representative basket of wholesale goods. It consists of 3 categories: (IN DECREASING ORDER OF WEIGHT)

1. Manufacturing
2. Primary articles
3. Fuel and power

Note that WPI contains NO SERVICES

The basket of WPI has 697 items (earlier 676)

The BASE YEAR is 2011-12 (earlier 2004-05)

The data for WPI is released by the OFFICE OF ECONOMIC ADVISOR, Dept of Industrial Policy and Promotion, Ministry of Commerce and Industry.

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Q.63

1:00

EduTap

Which of the following functions of the Reserve Bank of India is associated with the Bagehot Dictum?

A. Issuer of currency
B. Manager of the foreign exchange
C. Banker to the government
D. Lender of the last resort
E. All of the above

Chapter Name – Functions of RBI

Answer: Option D

Bagehot Dictum
In **1873, Walter Bagehot**, an editor of the Economist magazine, published a **book titled "Lombard Street" in** where he clearly articulated that to avoid panics, central banks should assume the role of **"lender of last resort".**

Explanation-

The doctrine, which came to be known as Bagehot's dictum states that a central bank, in periods of panics or crisis, should lend freely, against quality collateral and at a penal rate of interest.
Hence, Option D is the correct answer.

Q.64

1:00

EduTap

The origins of the Reserve Bank of India (RBI) can be traced to 1926, when the Royal Commission on Indian Currency and Finance, also known as the Hilton-Young Commission was established. In the same regard, in which of the following years did RBI was nationalized.

A. 1950
B. 1948
C. 1951
D. 1947
E. None of the above

Chapter Name – Functions of RBI

Answer: Option E

EduTap

Origins of the Reserve Bank of India

- 1926: The Royal Commission on Indian Currency and Finance recommended creation of a central bank for India.
- 1927: A bill to give effect to the above recommendation was introduced in the Legislative Assembly, but was later withdrawn due to lack of agreement among various sections of people.
- 1933: The White Paper on Indian Constitutional Reforms recommended the creation of a Reserve Bank. A fresh bill was introduced in the Legislative Assembly.
- 1934: The Bill was passed and received the Governor General's assent
- 1935: The Reserve Bank commenced operations as India's central bank on April 1 as a private shareholders' bank with a paid up capital of rupees five crore (rupees fifty million).
- 1942: The Reserve Bank ceased to be the currency issuing authority of Burma (now Myanmar).
- 1947: The Reserve Bank stopped acting as banker to the Government of Burma.
- 1948: The Reserve Bank stopped rendering central banking services to Pakistan.
- 1949: The Government of India nationalised the Reserve Bank under the Reserve Bank (Transfer of Public Ownership) Act, 1948.

Q.65

1:00

EduTap

If the interest and/or installment of principal of a term loan remains overdue for a period of _________X______, the banks are required to classify them as non-performing loans.

What will come in place of X?

A. 30 days
B. 45 days
C. 60 days
D. 90 days
E. 120 days

Chapter Name – Functions of RBI

Answer: Option D

EduTap

Non-performing assets
A non-performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

Explanation-

Indian banks are required to classify assets as non-performing once they cease to generate income for the bank. Illustratively, if the interest and/or installment of the principal of a term loan remains overdue for a period of 90 days, the banks are required to classify them as non-performing loans.

Hence, Option D is the correct answer.

Q.66

1:00

EduTap

DICGC came into existence in 1978 after the merger of Deposit Insurance Corporation (DIC) and Credit Guarantee Corporation of India Ltd. (CGCI) after passing of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 by the Parliament. DICGC charges ________”X”_________ held by a bank. The premium paid by the insured banks to the Corporation is paid by the banks and is not to be passed on to depositors.

A. 10 paise per ₹ 100 of deposits
B. 12 paise per ₹ 10 of deposits
C. 12 paise per ₹ 1000 of deposits
D. 10 paise per ₹ 1000 of deposits
E. 12 paise per ₹ 100 of deposits

Chapter Name – Functions of RBI

Answer: Option E

EduTap

DICGC

- DICGC came into existence in 1978 after the merger of Deposit Insurance Corporation (DIC) and Credit Guarantee Corporation of India Ltd. (CGCI) after passing of the ***Deposit Insurance and Credit Guarantee Corporation Act, 1961*** by the Parliament.
- It serves as a deposit insurance and credit guarantee for banks in India. It is a **fully owned subsidiary of and is governed by the Reserve Bank of India.**
- DICGC charges 12 paise per ₹ 100 of deposits held by a bank. The premium paid by the insured banks to the Corporation is paid by the banks and is not to be passed on to depositors.
- DICGC last revised the deposit insurance cover to ₹ 1 lakh on May 1, 1993, raising it from ₹ 30,000 since 1980. The protection cover of deposits in Indian banks through insurance is **among the lowest in the world.**
- The **Damodaran Committee on 'Customer Services in Banks' (2011)** had recommended a five-time increase in the cap to ₹5 lakh due to **rising income levels and increasing size of individual bank deposits.**

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Q.67

1:00

EduTap

_______X______ refers to the amount of debt a firm uses to finance assets.

What will come in place of X?

A. Leverage
B. Futures
C. Margins
D. Both B and C
E. None of the above

Chapter Name – Functions of RBI

Answer: Option A

EduTap

Leverage

It is when one uses borrowed funds (debt) for funding the acquisition of assets in the hopes that the income of the new asset or capital gain would surpass the cost of borrowing is known as financial leverage. This concept sums up the leverage definition.

Explanation-

- Leverage results from using borrowed capital as a funding source when investing to expand the firm's asset base and generate returns on risk capital. **Hence, Option A is the correct answer.**
- Leverage is an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment.
- Leverage can also refer to the amount of debt a firm uses to finance assets.

Q.68

1:00

EduTap

Which of the following sections of the RBI Act,1934 provides for the provisions for the Right to issue bank notes.

A. Section 21
B. Section 22
C. Section 42
D. Section 44
E. Section 45

Chapter Name – Functions of RBI

Answer: Option B

Legal Provisions guiding RBI to act as a Banker to the Banks

Sec.17 of RBI Act, 1934 – Business which the bank can transact including transactions with banks.

Sec.42 of RBI Act, 1934 – Maintenance of Cash Reserves by banks with RBI

Section 22 of the RBI Act, 1934 – Right to issue bank notes

Q.69

1:00

Utkarsh borrows Rs 50,00,000 from the bank and he gives his land as a security. In case he fails to make the required payment then the bank can sell the land and get their money back.

What kind of loan is being discussed above?

A. Unsecured Loan
B. Secured Loan
C. Bad Debt
D. Floating Loan
E. Both B and D

Chapter Name – Banking and Financial System of India

Answer: Option B

Loan-

A loan is a debt incurred by an individual or some entity. The other party in the transaction is called a lender - it is usually a government, financial institution, or corporation. They lend the required sum of money to the borrower. In return, the borrowers agree to pay a certain set of terms, including any finance charges, interest, etc. with the initially borrowed money.

Explanation-

- The type of loan being discussed above is a **secured loan**. In this case, Jalal has borrowed Rs 50,00,000 from the bank and has provided his land as collateral or security for the loan. If Jalal fails to make the required payments on the loan, the bank has the right to sell the land and recover the outstanding amount from the proceeds of the sale. **Hence, Option B is the correct answer.**
- This is a common practice in lending, where the lender requires the borrower to provide collateral as security for the loan, which can be seized and sold in case of default to recover the loan amount.
- Secured loans generally have lower interest rates compared to unsecured loans, as the collateral provides a form of protection to the lender against default risk.

Q.70

1:00

EduTap

As per the Reserve Bank of India Act, 1934. Which schedule classifies a bank as a scheduled commercial bank in India?

A. Scheduled banks are those banks that are listed under Schedule II of the Reserve Bank of India Act, 1934.
B. Scheduled banks are those banks that are listed under Schedule III of the Reserve Bank of India Act, 1934.
C. Scheduled banks are those banks that are listed under Schedule IV of the Reserve Bank of India Act, 1934.
D. Scheduled banks are those banks that are listed under Schedule V of the Reserve Bank of India Act, 1934.
E. Scheduled banks are those banks that are listed under Schedule VI of the Reserve Bank of India Act, 1934.

Chapter Name – Banking and Financial System of India

Answer: Option A

The Reserve Bank of India is the central bank of the country and regulates the banking system of India. As per Schedule II of the RBI Act, all those banks which come or fulfill the criteria of Schedule II are classified as Scheduled banks by RBI

Extra Information-

- Initially, RBI has its head office in Calcutta, now Kolkata but in 1937, the head office was shifted to Mumbai.
- The bank was set up based on the recommendations of the 1926 Royal Commission on Indian Currency and Finance, also known as the Hilton Young Commission. Eventually, the Central Legislative Assembly passed these guidelines as the RBI Act 1934.
- The first governor of RBI was the British banker, Sir Osborne Smith, while Sir C. D. Deshmukh was the first native Indian governor.
- Dr. Shaktikanta Das is the 25^{th} and current governor of the RBI

Q.71

1:00

EduTap

Bank Board Bureau (BBB) is a crucial institution in India's banking sector, established to reform and enhance the governance of public sector banks (PSBs). Since its inception in 2016, the BBB primary focus has been on selecting and appointing qualified professionals as Chairpersons, Managing Directors, and Non-Executive Directors for PSBs, aiming to improve leadership and decision-making. The Idea of BBB was mooted by?

A. Urjit Patel
B. Raghu Ram Rajan
C. Bimal Jalaj
D. Usha Thorat
E. PJ Nayak

Chapter Name – Banking and Financial System of India

Answer: Option E

EduTap

The Bank Board Bureau (BBB) is a crucial institution in India's banking sector, established to reform and enhance the governance of public sector banks (PSBs).

Since its inception in 2016, the BBB's primary focus has been on selecting and appointing qualified professionals as Chairpersons, Managing Directors, and Non-Executive Directors for PSBs, aiming to improve leadership and decision-making.

Additionally, the Bureau monitors the performance of PSBs, promotes transparency and accountability, and provides recommendations for governance reforms. By professionalizing bank management, the BBB strives to bolster the overall efficiency and stability of PSBs, contributing to the growth and stability of India's economy.

Q.72

1:00

EduTap

Which of the following statements is/are true about National Bank for Financing Infrastructure and Development (NaBFID)?

A. The (NaBFID) Bill, 2021 was introduced in Lok Sabha on March 22, 2021
B. The Bill seeks to establish NaBFID as the principal development financial institution (DFIs) for infrastructure financing.
C. NaBFID shall be regulated and supervised as an All India Financial Institution (AIFI) by the Reserve Bank under Sections 45L and 45N of the Reserve Bank of India Act, 1934.
D. NaBFID shall be the fifth AIFI after EXIM Bank, NABARD, NHB, and SIDBI.
E. All of the above

Chapter Name – Financial Institutions

Answer: Option E

EduTap

NaBFID-

The principal idea behind the setup of NaBFID is to provide a dedicated and specialized institution focused on addressing the long-term financing needs of the infrastructure sector in India. We aim to do this by leveraging enablers outlined in the Act, specialized talent, robust technological capabilities, and strong governance.

Explanation-

- The NaBFID Bill, 2021 was introduced in Lok Sabha on March 22, 2021. **Hence Option A is correct.**
- The Bill seeks to establish the NaBFID as the principal development financial institution (DFIs) for infrastructure financing. **Hence Option B is correct**.
- NaBFID shall be regulated and supervised as an All India Financial Institution (AIFI) by the Reserve Bank under Sections 45L and 45N of the Reserve Bank of India Act, 1934. **Hence Option C is correct.**
- NaBFID shall be the fifth All India Financial Institution (AIFI) after EXIM Bank, NABARD, NHB and SIDBI. **Hence Option D is correct**

Therefore Option E is the correct answer.

Q.73

1:00

EduTap

___________ involves trading in a public company's stock by someone who has non-public, material information about that stock for any reason.

A. Bulk Trading
B. Block Trading
C. Arbitrage
D. Hedging
E. Insider trading

Chapter Name – Financial Markets

Answer: Option E

Insider trading

Insider trading is when non-published information from a company is used to make a trading decision by someone with an invested interest in that company. It is illegal to engage in insider trading.

Explanation-

- **Insider trading involves trading in a public company's stock by someone who has non-public, material information about that stock for any reason**. **Hence Option E is the correct answer.**
- **SEBI does not allow of Insider Trading**
- **Material nonpublic information** is any information that could substantially impact an investor's decision to buy or sell the security that has not been made available to the public.

Q.74

1:00

EduTap

The risk considered for capital requirement under Basel II is__________

A. Credit risk, market risk, and operational risk
B. Credit risk, interest rate risk, and foreign exchange risk
C. credit risk, political risk, and country risk
D. Credit and operational risk only
E. All are correct

Chapter Name – Risk Management

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Answer: Option A

EduTap

Basel Norms

- Basel norms or Basel accords are the **international banking regulations issued by the Basel Committee on Banking Supervision.**
- The Basel norms are an effort to coordinate banking regulations across the globe, with the **goal of strengthening the international banking system.**
- It is the **set of the agreement by the Basel Committee of Banking Supervision** which focuses on the risks to banks and the financial system.

Explanation-

Basel 1 did not consider Operational risk but Basel 2 considers the following 3 risks

1. Credit Risk
2. Market Risk
3. Operational Risk

Hence, option A is the correct answer

Q.75

1:00

EduTap

Identify the type of Non-Banking Finance Company that has been discussed here.
1-It provides long-term loans for Infrastructure development.
2-Minimum NOF of ₹ 300 crore
3- Minimum credit rating of 'A'
4-Infrastructure loans should be at least 75 percent of total assets.

Options-

A. Investment and Credit Company (NBFC-ICC)
B. Infrastructure Finance Company (NBFC-IFC)
C. Core Investment Company (NBFC-CIC)
D. Infrastructure Debt Fund (NBFC-IDF)
E. Micro Finance Institutions (NBFC-MFI)

Chapter Name – Non Banking System

Answer: Option B

Non-Banking System.
To define, Non-Banking System refers to a cluster of financial institutions that do not have a full banking license, but these institutions offer various banking services. They are allowed to accept time deposits from the general public or lend to the public, but at the same time they cannot offer other banking services like issuing passbooks, cheque books, etc.

Explanation-
1- **NBFC-IFC Provides long-term loans for Infrastructure development**.
2- It's a financial institution engaged in the business of providing loans to infrastructure companies.
3- These NBFCs are very important for running big infrastructure projects in India and these NBFCs look after liquidity needs of multiple sectors of the Indian economy.
4- Infrastructure loans should be at least 75 percent of total assets.
5- Minimum **NOF of ₹ 300 crore**
6- Minimum credit rating of 'A'
Hence, Option B is the correct answer.

Q.76

1:00

EduTap

Which of the following are correctly matched?

1-Incorporated under Banking Regulations Act, 1949 - Banks
2- Only Time Deposits can be accepted - NBFCs
3- Foreign investment allowed up to 74% only - NBFCs
4- They can't avail of the facilities of NEFT and RTGS - NBFCs

Options-

A. 1 only
B. 2 only
C. 1 and 3
D. 1, 2, and 4
E. 3 only

Chapter Name – Non Banking System

Answer: Option D

EduTap

What is demand deposit vs. time deposit?
A demand deposit is a deposit account where the funds can be withdrawn anytime by the account holder without any prior notice or penalty. In contrast, a time deposit is a deposit account where the funds are held for a fixed term, typically ranging from a few months to several years. The account holder cannot withdraw the funds before the maturity date without incurring a penalty.

Explanation-

1- Banks are Incorporated under Banking Regulations Act, of 1949. **Hence, statement 1 is correctly matched**
2- NBFCs can accept only one-time deposit. Hence, statement 2 is correctly matched.
3- In normal banks, foreign investment is allowed up to 74% only. Hence, statement 3 is incorrectly matched
4- NBFCs can't avail of the facilities of NEFT and RTGS. Hence, statement 4 is correctly matched.

Therefore, option D is correctly matched.

Q.77

1:00

EduTap

Consider the following statements in the context of Housing Finance Company (HFC)

1-HFCs are registered under section 29A of the National Housing Bank Act to carry on the business of providing finance for housing and housing projects.
2- The Minimum Net owned fund (NOF) is ₹ 20 crore.
3- The HFCs are regulated by National Housing Bank.

Which among the following statement/s is/are incorrect?

Options-

A. 1 only
B. 2 only
C. 1 and 3
D. 3 only
E. All statements are correct

Chapter Name – Non Banking System

Answer: Option D

EduTap

Housing finance companies-

Housing Finance Companies are entities registered under the Companies Act which primarily engage in the business of providing finance for housing, whether directly or indirectly.

Explanation-

- HFCs are registered under section 29A of the NHB Act to carry on the business of providing finance for housing and housing projects. **Hence, statement 1 is correct.**
- The Minimum Net owned fund (NOF) required for a HFC is ₹ 20 crore. **Hence, statement 2 is correct.**
- The HFCs are regulated by the Reserve Bank of India. But earlier it was regulated by the National Housing Bank. **Hence, statement 3 is incorrect.**
- **Therefore, Option D is the correct answer.**

Q.78

1:00

EduTap

Identify the type of NBFC which retrieves, consolidates, organizes, and presents the financial information of its customer.

A. NBFC-ICC
B. NBFC-AA
C. NBFC-SPD
D. NBFC-P2P
E. NBFC-MFI

Chapter Name – Non Banking System

Answer: Option B

Account aggregator-

An Account Aggregator (AA) is a type of RBI-regulated entity (with an NBFC-AA license) that helps an individual securely and digitally access and share information from one financial institution they have an account with to any other regulated financial institution in the AA network. **Data cannot be shared without the consent of the individual**.

Explanation-

- It is NBFC-AA (NBFC-Account Aggregator) provides the service of retrieving, consolidating, organizing and presenting financial information of its customer (with explicit consent). **Hence, option B is the correct answer.**

Q.79

1:00

EduTap

Which cohort of the Regulatory Sandboxes introduced by RBI focuses on the prevention and mitigation of financial fraud?

A. First Cohort
B. Second Cohort
C. Third Cohort
D. Fourth Cohort
E. Fifth Cohort

Chapter Name – Development in Digital Payment

Answer: Option D

Regulatory sandbox-

Regulatory sandbox refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may permit certain relaxations for the limited purpose of the testing. The RS allows the regulator, innovators, financial service providers, and customers to conduct field tests to collect evidence on the benefits and risks of new products and systems.

Explanation-

Cohort Number	Area
First Cohort	Retail Payments
second Cohort	Cross Border Payments
Third Cohort	MSME Lending
Fourth Cohort	Prevention and Mitigation of Financial Frauds
Fifth Cohort	Neutral

Hence, option D is the correct answer.

Q.80

1:00

EduTap

In November 2005, a more secure system was introduced for facilitating one-to-one funds transfer requirements of individuals / corporates. Thereafter NEFT was introduced. What is the maximum amount which can be transferred via NEFT

A. 2 lakh
B. 20 lakhs
C. 40 lakhs
D. 50 lakh
E. None of the above

Chapter Name – Development in Digital Payment

Answer: Option E

Area	Details
Who Manages This?	RBI
Min Amount	No Limit (Rs. 1 is the starting point)
Max Amount	No Limit
Timings	Available 24*7*365
Settlement Cycle	Every 30 minutes – total of 48 batches in 24 hours

The following table will equip you with all the necessary details of the RTGS.

Area	Details
Who Manages This?	RBI
Min Amount	2 Lakhs
Max Amount	No Limit
Timings	Available 24*7*365
Settlement Cycle	Immediate (Real Time)

Q.81

1:00

EduTap

IMPS (**Immediate Payment Service**) is an innovative real-time payment service that is available round the clock. **This service is offered by National Payments Corporation of India (NPCI)** that empowers customers to transfer money instantly through banks. Maximum amount of funds which can be transferred via IMPS is ___________

A. 1 Lakh
B. 2 Lakh
C. 3 Lakh
D. 4 Lakh
E. None of the above

Chapter Name – Development in Digital Payment

Answer: Option E

Area	Details
Who Manages This?	**NPCI**
Min Amount	No Limit (Rs. 1 is the starting point)
Max Amount	5 Lakhs
Timings	Available 24*7*365
Settlement Cycle	Immediate (Real Time)

Q.82

1:00

The Reserve Bank of India (RBI) launched the Mission ‘Har Payment Digital’ on the occasion of Digital Payments Awareness Week (DPAW) 2023. This is part of RBI’s endeavour to make every person in India a user of digital payments. The campaign theme is ___________________________

A. Adopt Financial Inclusion and Also teach others
B. Adopt digital payments and Also teach others
C. Adopt FinTech payments and Also teach others
D. Adopt electronic payments and Also teach others
E. None of the above

Chapter Name – Development in Digital Payment

Answer: Option B

EduTap

1. **Financial Literacy Week (FLW)**: Reserve Bank of India (RBI) has been conducting Financial Literacy Week (FLW) every year since 2016 to propagate financial education messages on relevant themes including "MSMEs", "Credit Discipline and Credit from Formal Institutions" and "Digital Financial Literacy" and so on.

2. **Digital Payments Awareness Week (DPAW)**: RBI celebrates Digital Payment Awareness Week to make more citizens adopt digital payments. This is the part of RBI's endeavor to make every person in India a user of digital payments.

Q.83

1:00

EduTap

UPI is an online payment solution that will facilitate the transfer of funds instantly between person and person (or peer-to-peer) using a smartphone. In the same regard, For Initial Public Offering and Retail Direct Scheme, the limit for UPI is up to Rs ________'X"_______ lakh per transaction

Identify "X" from the following image

A. 2 lakh
B. 3 lakh
C. 4 lakh
D. 5 lakh
E. None of the above

Chapter Name – Development in Digital Payment

Answer: Option D

EduTap

UPI (Unified payments interface)

UPI is an online payments solution which will facilitate the transfer of funds instantly between person and person (or peer to peer) using a smartphone. UPI can be used both to send and receive funds. The National Payments Corporation of India (NPCI), the umbrella organization for all retail payments systems in India, which was set up with the guidance and support of the RBI and Indian Banks' Association (IBA), is pushing the solution.

Explanation

Area	Details
Who Manages This?	**NPCI**
Min Amount	No Limit
Max Amount	• At present, for normal UPI the **transaction limit is up to Rs 1 Lakh per transaction.** • For a few specific categories of transaction in UPI like Capital Markets, Collections, Insurance, Foreign Inward Remittances the **transaction limit is up to 2 lakhs.** • For **Initial Public Offering and Retail Direct Scheme the limit is up to Rs 5 lakh per transaction**

Hence, option D is the correct answer

Q.84

1:00

EduTap

The Reserve Bank of India (RBI) has come out with “Payments Vision ________” with an objective to provide every user with safe, secure, fast, convenient, accessible and affordable e-payment options.

A. 2021
B. 2026
C. 2025
D. 2024
E. None of the above

Chapter Name – Development in Digital Payment

Answer: Option C

The Reserve Bank of India (RBI) has come out **with "Payments Vision 2025" with** an objective to provide every user with safe, secure, fast, convenient, accessible and affordable e-payment options

Theme - **The overall theme is E-Payments for Everyone, Everywhere, Every time (4Es).**
Payments Vision 2025 has been prepared by considering the guidance from the Board for Regulation and Supervision of Payment and Settlement Systems of the RBI. **It builds on the initiatives of Payments Vision 2019-21.**

Goals under Payment Vision 2025

- Volume of cheque-based payments to be less than 0.25% of the total retail payments.
- Tripling the number of digital payment transactions.
- UPI to register average **annualized growth of 50% and IMPS / NEFT at 20%.**
- Increase of payment transaction turnover vis-à-vis GDP to 8.
- Increase in debit **card transactions at PoS (Point of Sale) by 20%.**
- Debit card usage to surpass credit cards in terms of value.
- **Increase in PPI transactions by 150%.**
- Card acceptance **infrastructure to increase to 250 lakh.**
- Increase of registered customer base for **mobile based transactions by 50% CAGR**.

The Payments Vision 2025 document is presented across the **five anchor goalposts**, **which are integrity, inclusion, Innovation, Institutionalization and Internationalization**

Q.85

1:00

EduTap

Consider the following statements in the context of the National Payments corporation of India (NPCI).

1. NPCI is an initiative of the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA).
2. NPCI has been incorporated as a "Not for Profit Company under Section 8 of the Companies Act 2013
3. The NPCI was incorporated in December 2015 and the Certificate of Commencement of Business was issued in April 2016.

Which of the following statements is/ are correct?

A. 1 and 2
B. 2 and 3
C. 1 and 3
D. 2 only
E. 3 only

Chapter Name – Development in Digital Payment

Answer: Option A

EduTap

NPCI

NPCI is promoted by ten major banks, including the State Bank of India, Punjab National Bank, Citibank, Bank of Baroda, and HSBC. In 2016 the shareholding was broad-based to 56 member banks to include more banks representing all sectors.

Explanation

- NPCI is an umbrella organization for operating retail payments and settlement systems in India, it **is an initiative of the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA)** under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment and Settlement Infrastructure in India. **Hence, Statement 1 is a correct statement.**
- Considering the utility nature of the objects of NPCI, it **has been incorporated as a "Not for Profit Company under Section 8 of the Companies Act 2013,** with an intention to provide infrastructure to the entire banking system in India for physical as well as electronic payment and settlement systems. **Hence, Statement 2 is correct.**

- **The NPCI was incorporated in December 2008 and the Certificate of Commencement of Business was issued in April 2009. Hence, Statement 3 is an incorrect statement.**

Therefore, Option A is the correct answer.

Q.86

1:00

EduTap

The ____________________ has launched a blockchain-based payments platform named "Vajra".

From the below-given options, identify the organization discussed.

A. Reserve Bank of India
B. Securities and Exchange Board of India
C. National Payments Corporation of India
D. National Bank For Agriculture And Rural Development.
E. Pension Fund Regulatory and Development Authority

Chapter Name – Development in Digital Payment

Answer: Option C

EduTap

Vajra-

According to NPCI, the Vajra platform can be accessed by various payment companies for providing secured transactions on their online platforms or mobile applications. For easy incorporation of Vajra in payment systems operated by banks, NPCI will provide an application programming interface (API).

Explanation

The National Payments Corporation of India (NPCI) has launched a blockchain-based payments platform named as "Vajra" which offers highly secure and tamper-evident transactions via a distributed ledger system.

Hence, option C is the correct answer.

Q.87

1:00

Which among the following option is incorrect?

A. International Financial Services Centres Authority (IFSCA) is an example of cross border collaboration
B. Under the Liberalized Remittance Scheme, an individual can remit up to USD 250,000 per financial year
C. The Department for Promotion of Industry and Internal Trade and the RBI regulates FDI policies in different sectors.
D. National Stock Exchange of India (NSE) launched a new 24*7 trading platform called NSE eXtra
E. Deposit Insurance and Credit Guarantee Corporation gives insurance of 1 lakh to the consumers in case the bank goes bankrupt

Chapter Name – RBI Functions

Answer: Option E

EduTap

Explanation-

A- International Financial Services Centres Authority (IFSCA) is a example of cross border collaboation- Cross-border collaborations refer to cooperative efforts and partnerships between individuals, organizations, or institutions from different countries. IFSCA is an Indian regulatory authority established to develop and regulate the financial services sector in International Financial Services Centres (IFSCs) in India, such as the Gujarat International Finance Tec-City (GIFT City). **Hence, option A is correct**

2- Under the Liberalized Remittance Scheme (LRS), an individual can remit up to USD 250,000 per financial year under the LRS- The option is correct. **Hence, option B is correct.**

3- The Department for Promotion of Industry and Internal Trade (DPIIT) and the RBI regulate FDI policies in different sectors- The option is correct. **Hence, option C is correct.**

4- National Stock Exchange of India (NSE) launched a new 24*7 trading platform called NSE eXtra- The option is correct. **Hence, option D is correct.**

5- Deposit Insurance and Credit Guarantee Corporation gives insurance of 1 lakh to the consumers in case the bank goes bankrupt- Deposit Insurance and Credit Guarantee Corporation gives insurance of 5 lakh to the consumers in case the bank goes bankrupt**. Hence, option E is incorrect.**

Therefore, option E is the correct answer.

Q.88

1:00

EduTap

Read the following statements and the select the right code from below

Statement A – National Strategy for Financial Inclusion for India (NSFI) 2019-2024 has been prepared by RBI
Statement B – Financial Inclusion Strategy seeks to address the inherent barriers of access to a gamut of financial products and services.
Statement C – Under NSFI, Every village to have access to a formal financial service provider within a reasonable distance of 10 KM radius

A. Only Statement A is correct
B. Only Statement B is correct
C. Only Statement C is correct
D. Only Statement A and B are correct
E. All of the above statements are correct

Chapter Name – Financial Inclusion

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Answer: Option D

EduTap

National Strategy for Financial Inclusion

The National Strategy for Financial Inclusion for India 2019-2024 has been prepared by RBI under the aegis of the Financial Inclusion Advisory Committee and is based on the inputs and suggestions from Government of India, other Financial Sector Regulators.

Financial Inclusion Strategy seeks to address the inherent barriers of access to a gamut of financial products and services. An inclusive financial system is not only pro-growth but also pro-poor with the potential to reduce income inequality and poverty, promote social cohesion and shared economic development. Financial exclusion, on the other hand, leaves the disadvantaged and low- income segments of society with no choice other than informal options, making them vulnerable to financial distress, debt, and poverty.

- Universal Access to Financial Services – Every village to have access to a formal financial service provider within a **reasonable distance of 5 KM radius (**or hamlet of 500 households in hilly areas)
- Cash less society by March 2022, and
- Ensuring that every adult has access to a financial service provider through a mobile device by March 2024.

Q.89

1:00

EduTap

Which of the following statement will be recorded in the books of Accounts?

A. A new communication channel was implemented by the company.
B. Rajlaxmi was appointed as the Manager of the company.
C. Company paid salary to Ratan
D. Rohit was shifted from Manufacturing Department to Sales Department.
E. None of the above.

Chapter Name – Basics of Accounting

Answer: Option C

EduTap

Explanation

Identification involves observing activities and selecting those events that are considered of financial character **and** relate to the organization. Hence, Events that are considered of **financial character** are recorded in the **books of accounts.**

Company Paid Salary to Ratan- Payment of salary can be measured in monetary terms. **Hence, Option C is the correct answer.**

Q.90

1:00

EduTap

As a part of efforts to accelerate and widen the reach of digital banking services, the concept of "Digital Banking Units" (DBUs) is being introduced by the Reserve Bank. In the same regard, which of the following financial institution can open a DBU?

A. Scheduled Commercial Banks
B. Regional Rural Banks
C. Payments Banks
D. Local Area Banks
E. All of the above

Chapter Name – Role of IT in Banking and Finance

Answer: Option A

EduTap

Digital Banking Units (DBUs)

As a part of efforts to accelerate and widen the reach of digital banking services, the concept of "Digital Banking Units" (DBUs) is being introduced by the Reserve Bank.

Who can open DBU?

Answer - All Domestic Scheduled Commercial Banks (excluding Regional Rural Banks, Payments Banks and Local Area Banks).

Q.91

1:00

________________ is a network that connects various automated teller machine (ATM) networks across India. And it enables interoperability between different banks' ATMs, allowing customers to access their accounts and perform transactions on ATMs of participating banks.

A. National Financial Signal (NFS)
B. Notional Financial Signal (NFS)
C. National Financial Switch (NFS)
D. Notional Financial Switch (NFS)
E. None of the above

Chapter Name – Role of IT in Banking and Finance

Answer: Option C

NFS is a network that connects various automated teller machine (ATM) networks across India. The NFS enables interoperability between different banks' ATMs, allowing customers to access their accounts and perform transactions on ATMs of participating banks.

It provides a seamless and secure platform for customers to withdraw cash, check account balances, transfer funds, and conduct other banking activities at ATMs outside their home bank's network. The NFS network ensures convenient access to banking services for customers, irrespective of their bank, promoting greater ATM usage and enhancing the overall banking experience.

Q.92

1:00

EduTap

The "Liquidity Coverage Ratio" was supposed to require a bank to hold sufficient high-quality liquid assets to cover its total net cash outflows over ____________ days.

A. 90 Days
B. 91 Days
C. 15 Days
D. 30 Days
E. 45 Days

Chapter Name – Risk Management

Answer: Option D

Liquidity Ratio

Under Basel III, framework for liquidity management has been created. Two new ratios have been prescribed as discussed below

Liquidity Coverage Ratio: The "Liquidity Coverage Ratio" was supposed to require a bank to hold sufficient high-quality liquid assets to cover its total net cash outflows over 30 days. Mathematically it is expressed as follows:

LCR = High Quality Assets/Net Liquidity outflow over 30 days

LCR must be >= 100% as per RBI regulations in India w.e.f Jan 1, 2019

LCR has been reduced sometimes below 100% in between such as during covid but it was more of a temporary measure and the long-term target is 100% only

Net Stable Funding Ratio: Though LCR ratio discussed above takes care of shorter-term stability, NSFR takes care of longer-term stability. NSFR must be above 100% as per guidelines but its implementation has been delayed as RBI has been giving relaxations due to one reason or the other.

Q.93

1:00

EduTap

Another key feature of Basel 3 is that now banks will be required to have a capital conservation buffer of ______”X”_______. The main aim of capital conservation buffer is to ensure that banks build up capital buffers during normal times that is outside periods of stress which can be drawn down as losses are incurred during the stressed.

A. 1.5%
B. 2.5%
C. 3.5%
D. 4.5%
E. 6.5%

Chapter Name – Risk Management

Answer: Option B

key feature of Basel 3 is that now banks will be required to have a capital conservation buffer of **2.5%.** The main aim of capital conservation buffer is to ensure that banks build up capital buffers during normal times that is outside periods of stress which can be drawn down as losses are incurred during the stressed. The capital conservation buffer can be withdrawn only when a bank faces a systemic stress. A bank shall not use this capital conservation buffer in normal times and doing so will be seen as serious breach.

Details of Capital Conservation Buffer

Banks would be required to build this capital conservation buffer of 2.5% which will comprise of Common Equity Tier 1 Capital.

This would be over and above the regulatory min capital ratio of 9% as recommended by RBI. **So, the overall min. capital Ratio including this capital conservation buffer will become 9 + 2.5 % = 11.5% as per RBI standards**

Q.94

1:00

EduTap

The SEBI introduced the concept of anchor investor on June 18, 2009, to enhance issuer's ability to sell the issue, generate more confidence in the minds of retail investors and better price discovery in the issue process. The anchor investor would be a qualified institutional buyer (QIB) and an issuer can allot up to 60 per cent of the Quota for QIBs. The minimum application value for an investor to be an anchor investor is ______"Y"_______?

A. 15 Crore
B. 30 Crore
C. 10 Crore
D. 25 Crore
E. 50 Crore

Chapter Name – Equity Markets

Answer: Option C

What are Anchor Investors?

The SEBI introduced the concept of anchor investor on June 18, 2009, to enhance issuer's ability to sell the issue, generate more confidence in the minds of retail investors and better price discovery in the issue process. The anchor investor subscribes to the issue prior to its public opening, pay an upfront margin of 25 per cent and follows it up with the remaining 75 per cent within two days of the closure of the public issue, and holds the shares for at least one month which instills confidence in retail investors and boosts the primary market.

The anchor investor would be a qualified institutional buyer (QIB) and an issuer can allot up to 60 per cent of the Quota for QIBs. The anchor investor/s cannot be related to the promoter or promoter group or the lead managers. The minimum application value for an investor to be an anchor investor is 10 crores.

Q.95

1:00

EduTap

Which among the following codes is correctly matched

Code no.	Particulars	Particulars
1-	Furniture	Asset
2-	Bills payable	Liability
3-	Reserve and Surplus	Asset

A. Code 1 only
B. Code 2 only
C. Code 3 only
D. Code 1 and 2
E. All codes are matched correctly

Chapter Name – Balance Sheet

Answer: Option D

EduTap

An asset is a resource with economic value that is owned or controlled by an individual, company, or organization.
A liability is a legal obligation or financial debt owed by an individual, company, or organization to another party. It represents a claim on the assets or resources of the entity.

Explanation-

1- Furniture is an asset for a firm. Hence, it is correctly matched.
2- Bills payable is a liability. As it is something that a company owes and has to pay. Hence, it is correctly matched.
3- Reserve and Surplus is a liability for the company. Hence, it is incorrectly matched.

Therefore, option D is the correct answer.

Q.96

1:00

EduTap

Which of the following given statement is/are incorrect?

1. Operating Activities are the acquisition and disposal of Long-Term Assets and other investments not included in cash equivalents.
2. Investing Activities are the principal revenue-producing activities of the enterprise and other activities that are not operating or financing activities
3. Financing Activities are the activities that result in changes in the size and composition of the owner's capital and borrowings of the enterprise.

A. 1 and 2
B. 2 and 3
C. 1 and 3
D. 2 only
E. All of the above

Chapter Name – Cash Flow

Answer: Option A

Cash flow statement
The cash flow statement (CFS), is a financial statement that summarizes the movement of cash and cash equivalents (CCE) that come in and go out of a company.

Explanation-

- **Operating Activities** are the principal revenue-producing activities of the enterprise and other activities that are not Investing or Financing Activities. **Hence, Statement 1 is incorrect.**
- **Investing Activities** are the acquisition and disposal of Long-term Assets and Other Investments, not included in cash equivalents. **Hence, Statement 2 is incorrect.**
- **Financing Activities** are the activities that result in changes in size and composition of the owner's capital (including Preference Share Capital in the case of a company) and borrowings of the enterprise from other sources. **Hence, Statement 3 is correct**.

Therefore, Option A is the correct answer.

Q.97

1:00

EduTap

Which of the following is the regulator of Capital Market?

A. SEBI
B. RBI
C. NPCI
D. SBI
E. NSE

Chapter Name – Financial Institutions

Answer: Option A

EduTap

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

The Securities and Exchange Board of India (SEBI) is the regulatory authority established under the SEBI Act 1992 and is the principal regulator for Stock Exchanges in India.

Q.98

1:00

EduTap

As per Accounting Standards, the bank overdrafts which are repayable on demand are included in which of the following components or activities?

A. Operating Activities
B. Financing Activities
C. Cash and cash equivalents
D. Investment Activities
E. None of the above

Chapter Name – Cash Flow

Answer: Option C

EduTap

Cash Flow from Operating Activities:
The principal revenue-producing activities of a company are categorized under Operating Activities. Simply put, it includes those activities which help an organization in ascertaining the net profit or net loss of an enterprise.

Explanation-

- As per Accounting Standards, the bank overdrafts which are **repayable on demand are included in cash and cash equivalents**.
- So, though bank overdrafts can be considered as financing activity, the cash flows from bank overdrafts that are repayable on demand are not included in the Cash flow from Financing Activity, they are just simply considered as Cash Equivalents

Q.99

1:00

EduTap

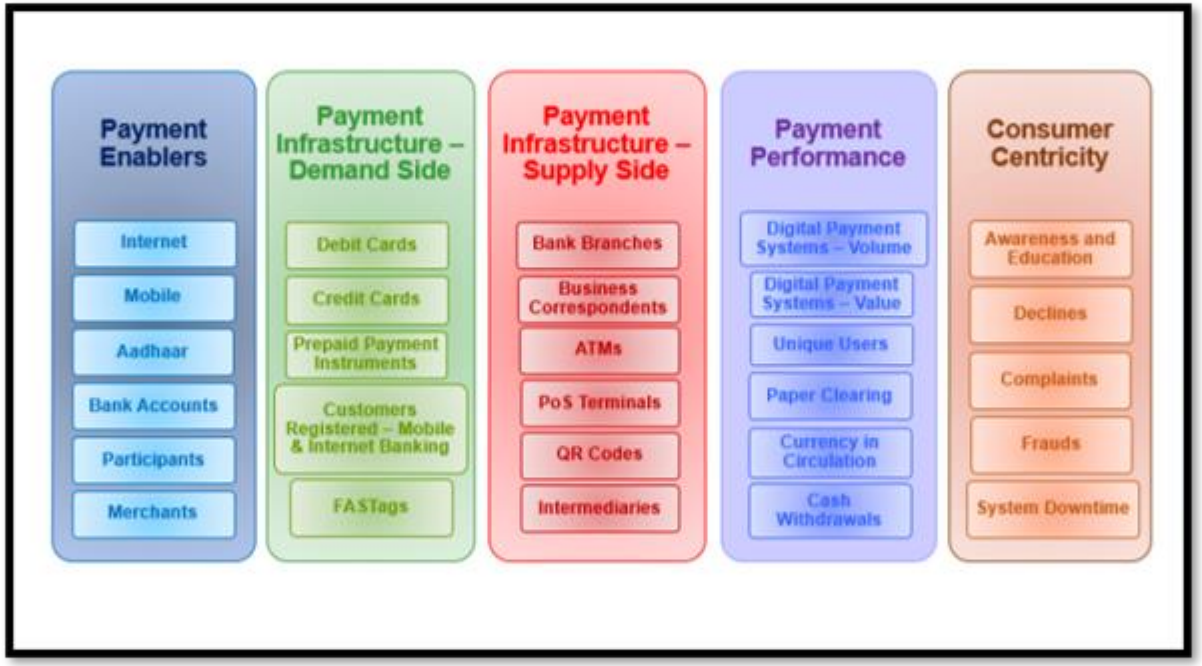
The RBI has constructed a composite Digital Payments Index (RBI-DPI) to measure the extent of digitization of payments across the country. It is based on multiple parameters and reflects the expansion of various digital payment modes accurately. In the same regard, which of the following is not the parameter of DPI ?

A. Payment Enablers
B. Payment Infrastructure – Demand-side factors
C. Payment Infrastructure – Supply side factors
D. Payment Performance
E. Consumer Non-Centricity weight

Chapter Name – Financial Inclusion

Answer: Option E

The RBI has constructed a composite Digital Payments Index (RBI-DPI) to measure the extent of digitisation of payments across the country. It is based on multiple parameters and reflects the expansion of various digital payment modes accurately. The RBI-DPI is a first-of-its kind index to measure the spread of digital payments across the country. It contains five broad parameters that measure the deepening and penetration of digital payments in the country over different time periods



Q.100

1:00

EduTap

The degree of solvency of the two firms can be compared by measuring:

A. Net Worth
B. Asset Coverage Ratio
C. Operating Ratio
D. Solvency Ratio
E. None of the options given above

Chapter Name – Ratios

Answer: Option D

EduTap

Net worth
Net worth is the balance of your assets and liabilities at one point in time

Explanation-

- The degree of solvency of two firms can be compared by measuring solvency ratios. **Hence, option D is correct**

Thank You

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