

**SENGAMALA THAYAAR EDUCATIONAL TRUST WOMEN'S COLLEGE-
MANNARGUDI**

PG AND RESEARCH DEPARTMENT OF COMMERCE



MULTIPLE CHOICE QUESTIONS

SUBJECT: FINANCIAL SERVICES

SUBJECT CODE: 16CCCCM15

CLASS: III-B.COM

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1. A merchant bank is a financial institution conducting money market activities and:
 - a. Lending
 - b. Underwriting and financial advice
 - c. Investment service
 - d. All of the above

ANS: D

2. Formal merchant banking activity in India was originated in_____.
 - a. 1978
 - b. 1969
 - c. 1769
 - d. 1987

ANS: B

3. In India, merchant-banking activity was originated with the merchant banking division set up by the _____.
 - a. Barclays bank
 - b. Grind lays bank
 - c. Yes bank
 - d. None of the above

ANS: B

4. The term 'Merchant Bank' is used in:
- a. United States
 - b. United Kingdom
 - c. America
 - d. India

ANS: B

5. _____ is basically a savings and investment corporation.
- a. UTI
 - b. IDBI
 - c. SBI
 - d. RBI

ANS: A

6. Issue management is an important function of _____ and _____.
- a. Merchant banker, lead manager
 - b. Public banker, Merchant banker
 - c. Lead banker, Private banking
 - d. None of the above

ANS: A

7. _____ is regarded as the fourth element of the financial system.
- a. Financial services
 - b. Financial markets
 - c. Financial instruments
 - d. Financial institutions

ANS: A

8. Financial services offered financing risk project to provide which of the Following?
- a. Seed capital
 - b. Venturecapital
 - c. Primaryfund
 - d. Secondary fund

ANS: B

9. Financial service companies excludes which of the following?

- a. Commercial bank
- b. Insurance companies
- c. Crepitating agencies
- d. Sole proprietorship

ANS: D

10. The early growth of merchant banking in the country is assigned to the _____.

- a. FEMA
- b. Foreign Exchange Regulation Act, 1973
- c. Securities Contracts Act
- d. Income -tax Act

ANS: B

11. The _____ has to manage the post-issue activities.

- a. Merchant banker
- b. Lead manager
- c. Bank promoter
- d. All of the above

ANS: B

12. The _____ is the apex organization in the Indian money market.

- a. SBI
- b. RBI
- c. ICICI
- d. IDBI

ANS: A

13. The number of lead merchant bankers may not exceed in case any issue of, issue size 200crore to 400crore.

- (a) 4
- (b) 3
- (c) 6
- (d) 5

ANS: D

14. -----act as an intermediary to link up the sources of ideas and the sources of fund.

- (a) Venture capital
- (b) Merchant banking
- (c) Leasing
- (d) None of these

ANS: A

15. ----- covers the entire range of services provided by a merchant banker.

- (a) Project counseling
- (b) Corporate counseling
- (c) Credit syndication
- (d) Market makers.

ANS: B

16. ----- stage is called fledging stage.

- (a) first round financing
- (b) Second round financing
- (c) Startup capital
- (d) None of these.

ANS: B

17. ----- stage of financing includes financing development, expansion, buyout etc.

- (a) Early stage financing
- (b) Later stage financing
- (c) First round financing
- (d) None of these.

ANS: B

18. ----- is known as bridge finance.

- (a) Development financing
- (b) Expansion financing
- (c) Replacement finance
- (d) None of these.

ANS: B

19. ----- refers to transfer of management control.

- (a) Bridging
- (b) Buyout
- (c) Buying

(d) None of these.

ANS: B

20. ----- refers to the process of acquiring an existing product line by the current operating management.

(a) MBDs

(b) MBIs

(c) CVCF

(d) None of these.

ANS: A

21. ----- means buying the control of a sick company.

(a) Turn around

(b) Buyout

(c) Bridge

(d) None of these.

ANS: A

22. Venture capital organized in -----.

(a) 1995

(b) 1954

(c) 1952

(d) 1950.

ANS: D

23. Financing sick unit to make them profitable is called -----.

(a) Turn around

(b) Buyout

(c) Bridge

(d) None of these.

ANS:A

24. The purpose of valuation is to assess the ----- & viability of the venture & to divide of the percentage of the VCF ownership in the new venture.

(a) Profitability

(b) Feasibility

(c) Availability

(d) None of these.

ANS: A

25. ----- is used to estimate the value of venture capital investment.

(a) Revenue multiplier

(b) Dual structuring

- (c) First Chicago method
- (d) None of these.

ANS: A

26. The purpose of valuation is to assess the profitability & ----- of the venture.

- (a) Accessibility
- (b) Marketability
- (c) Viability
- (d) None of these.

ANS: C

27. ----- types of valuation method can be adopted by VCFs.

- (a) 1
- (b) 2
- (c) 3
- (d) 4.

ANS: C

28. In ----- method the starting time & exit time of the venture investment is only considered.

- (a) Conventional valuation method
- (b) First Chicago method
- (c) Revenue multiplier method
- (d) None of these.

ANS: A

29. In the ----- method the entire earnings stream of the venture investment is considered.

- (a) Conventional valuation method
- (b) First Chicago method
- (c) Revenue multiplier method
- (d) None of these.

ANS: B

30. The ----- is used to estimate the annual revenue of the new company.

- (a) Revenue multiplier factor
- (b) Expense multiplier factor
- (c) Conventional multiplier factor
- (d) None of these.

ANS: A

31.----- is an interest free loan provided by VCFs without any predetermined repayment schedule.

- (a) Conventional loan
- (b) Conditional loan
- (c) Income notes
- (d) None of these.

ANS: B

32. ----- form of loan financing carries lower interest rates initially & increases when the assisted venture units become commercially operational.

- (a) Conventional loan
- (b) Conditional loan
- (c) Income notes
- (d) None of these.

ANS:A

33. ----- is instruments which carry a lower interest rate plus a royalty on sales.

- (a)Income notes
- (b) Debt instrument
- (c) Equity instrument
- (d) None of these.

ANS: A

34. ----- is a combination of conventional and conditional loans. (a) Income notes

- (b) Debt instrument
- (c) Equity instrument
- (d) None of these.

ANS: A

35. The venture capital process involves post investment Services is also called -----.

- (a) Investment nurturing
- (b) Turn around financing
- (c) Seed money
- (d) None of these.

ANS: A

36. ----- nurturing means the continuous &ongoing investment of the VCF through representation in the board of the venture.

- (a) Hands on
- (b) Hands off
- (c) Hands holding
- (d) None of these.

ANS: C

37. In ----- nurturing the VCFs play only a passive role in the affairs of the venture.

- (a) Hands on
- (b) Hands off
- (c) Hands holding
- (d) None of these

ANS: B

38. -- ----- is known as promoters buy back.

- (a) Sale of shares to employees
- (b) Sale of shares to public
- (c) Sale of shares to friends & relatives
- (d) None of these.

ANS: A

39. ----- is a forced exit option results from a failed venture investment.

- (a) Public issue
- (b) Liquidation
- (c) O TCEI route
- (d) None of these.

ANS: B

40. VCFs can be structured as an investment trust under the Indian act -----.

- (a) 1882
- (b) 1883
- (c) 1884
- (d) 1885.

ANS: A

41. ----- partner whose liability is unlimited.

- (a) General
- (b) Limited
- (c) Venture
- (d) None of these.

ANS: A

42. There are ----- VCFs registered with SEBI.

- (a) 157
- (b) 158
- (c) 159
- (d) 160

ANS: A

43. IDBI venture capital fund was starts in -----.

- (a) 1987
- (b) 1988
- (c) 1989
- (d) 1990.

ANS: A

44. ----- was setup in 1989.

- (a) VECAUS
- (b) ICICI venture
- (c) IDBI VCF
- (d) None of these.

ANS: A

45. The first nationalized bank in India to start a VCF ----- . (a) Canara bank

- (b) SBI
- (c) Bank of India
- (d) ICICI.

ANS: A

46. ----- of the venture capital fund created by government and operated through IDBI.

- (a) TDICI
- (b) KSIDC
- (c) ICICI ventures
- (d) None of these.

ANS: C

47. ----- is the oldest private sector venture fund in India. (a) IVML

- (b) TDICI
- (c) KSIDC
- (d) None of these.

ANS: A

48. SIDBI venture capital scheme started operation in -----.

- (a) 1992

- (b) 1993
- (c) 1994
- (d) 1995.

ANS: A

49. Software fund is the first dedicated fund for software industry setup in -----

- (a) 1995
- (b) 1996
- (c) 1997
- (d) 1998.

ANS: C

50. ----- is established to provide mezzanine finance to mid-cap companies in the knowledge based sector.

- (a) ICICI IT fund
- (b) ICICI structured products fund
- (c) ICICI global opportunity fund
- (d) None of these.

ANS: C

51. The first bank to set up a separate merchant banking division in India.

- (a) Punjab national bank
- (b) Standard chartered bank
- (c) National & Grin days bank
- (d) National city bank.

ANS: C

52. The first Indian commercial bank to set up a merchant banking division in 1972.

- (a) S B I
- (b) S B T
- (c) Bank of India.

ANS: A

53. Which of the following is not a fee-based financial service?

- (a) Corporate counseling
- (b) Lease financing
- (c) Profit management
- (d) Issue management.

ANS: B

54. Which of the following is not a fund based financial services.

- (a) Credit rating agencies
- (b) Venture capital
- (c) Consumer credit
- (d) Factoring.

ANS: A

55. All merchant bankers must have minimum net worth of ----- . (a) 5crore

- (b) 1crore
- (c) 10crore
- (d) 20crore.

ANS: A

56. Find out odd one- Authorization criteria of merchant bankers.

- (a) All business performed
- (b) Professional competence
- (c)Capital adequacy
- (d) Past experience.

ANS: A

57. Financial intermediaries provide services on the basis of non-fund activities, also called ----- .

- (a) Participating activity
- (b) Fee based activity
- (c) Commission based activity
- (d) Salary based activity.

ANS: B

58. ----- covers the entire range of services provided by a merchant banker.

- (a) Project counseling
- (b) Corporate counseling
- (d) Credit syndication
- (d) Market makers.

ANS: B

59. Functions of financial services exclude ----- .

- (a) Mobilization of savings
- (b) Allocation of fund
- (c) Specialized services
- (d) Collection of tax.

ANS: D

60. Financial service companies exclude ----- .

- (a) Commercial banks
- (b) Insurance companies
- (c) Sole proprietorship
- (d) Crepitating agencies.

ANS: C

61. Specialized financial institution, are also known as ----- . (a)Leasing companies

- (b) U T I
- (c) N B F C s
- (d) Development bank.

ANS: D

62. Financial services offered financing risk project e.g. Risk capital scheme of I F C I venture capital fund of I D F I etc. to provide -----.

- (a) Seed capital
- (b) Venture capital
- (c) Primary fund
- (d) Secondary fund.

ANS: B

63. Identify odd one.

- (a)C R I S I L
- (b) I C R A
- (c) C A R E
- (d) I C I C I.

ANS: D

64. In hire purchase system, each installment is treated as ----- till the last installment is paid.

- (a) Interest
- (b) Hire charge
- (c) Payment
- (d) Credit.

ANS: B

65. Fee based activity includes -----.

- (a) Credit rating
- (b) Stock broking
- (c) Portfolio management services
- (d) Lease finance.

ANS: D

66. Hedging of risks by using -----.

- (a) Swaps and derivatives
- (b) Swaps only
- (c) Derivatives
- (d) None of these.

ANS: A

67. Asset based service also called -----.

- (a) Fee based
- (b) Interest based
- (c) Capital based
- (d) Fund based.

ANS: D

68. Non fund based activities also called -----.

- (a) Fund capital based
- (b) Interest based
- (c) Fee based
- (d) Managing the capital issue.

ANS: C

69. Modern activities exclude.

- (a) Personal advisory services
- (b) Managing the capital issue
- (c) Assisting mergers and acquisitions
- (d) Capital restructuring.

ANS: B

70. ----- includes all asset based financing plans offered to individuals to help them acquire durable consumer goods.

- (a) Trade credit
- (b) Cash credit
- (c) Hire purchase
- (d) Consumer credit.

ANS: D

71. Functions of a factor exclude.

- (a) Credit rating
- (b) Credit recording
- (c) Credit administration
- (d) Credit financing.

ANS:A

72. The factor assumes credit risks associated with the -----.

- (a) Collection of accounts
- (b) Collection of securities

- (c) Collect the fund
- (d) Collect the goods.

ANS: A

73. ----- is the charge for short term financing in the form of advance part payment is in the form of interest charge for the period of advance payment.

- (a) interest
- (b) Deficit
- (c) Discount charge
- (d) Factor age.

ANS: C

74. Who is the chairman of high powered committee constituted by the R B I under factoring services?

- (a) U.K. Singha
- (b) Pranab Mugharjee
- (C) C.S. Kalyana Sundaram
- (d) None of these.

ANS: C

75. The minimum under writing obligation of a load merchant banker is ----- of the total underwriting commitment.

- (a) 15%
- (b) 5%
- (c) 50%
- (d) 10%.

ANS: A