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PAPER-II

Code No.: 021802FMGB

BOOKLET FOR OBJECTIVE TYPE TEST

Answer *all* the Questions.

Full Marks : 100

Time Allowed : 1.30 Hours

GENERAL INSTRUCTIONS

Candidates should read the following instructions carefully before answering the questions:

1. Verify the seriality of the page numbers. If there is any discrepancy, bring it to the Invigilator's notice.
2. All the boxes, ovals and the entries in the Answer Sheet must be filled up using **Black Ball-Point Pen** only.
3. Before you mark in the Answer Sheet, please fill the following in the appropriate places:
 - Write name of the **Examination Centre**.
 - Write your full name in **Capital Letters**.
 - Put your Left Thumb Impression and full signature.
 - Write your Roll No. (10 digits) and darken the corresponding 10 ovals.
 - Darken the oval corresponding to your **Category**.
 - Darken the oval to denote your **Gender**.



4. All questions are of Multiple Choice answer type. Please darken only one of the four probable answers [A], [B], [C] or [D]. Darkening more than one oval means you are writing a wrong answer.
5. There will be negative marking for each wrong answer @1:4.
6. There are blank pages at the end of this Booklet for rough work.
7. **Hand over the OMR Answer Sheet to the Invigilator before leaving the Examination Hall.**
8. Please do not leave the Examination Hall until the examination is over.
9. Please do not fold, scratch, scrimp or tear any portion of the Answer Sheet by any chance as this will render the Answer Sheet unsuitable for computer evaluation. Keep the Sheet away from gum.
10. Please ensure that the blank dotted line along the left side of margin of side 1 as also the right side of side 2 is not damaged in any way as it may affect the computer evaluation.
11. If error is detected in any particular question the candidates are advised not to attempt the same. The Commission do not award any marks to questions having any type of error.

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1. The assets of a business can be classified as
 - (A) Only fixed assets
 - (B) Only current assets
 - (C) Fixed and current assets
 - (D) None of the above

 2. The concept of present value is based on the
 - (A) Principle of compounding
 - (B) Principle of discounting
 - (C) Both (A) and (B)
 - (D) None of the above

 3. Which of the following steps of purchase decision process is in sequence?
(i) Problem recognition, (ii) Search for alternative, (iii) Evaluation of alternative, (iv) Purchase action, (v) Post purchase act.
 - (A) (i), (ii), (iii), (iv), (v)
 - (B) (i), (iii), (ii), (v), (iv)
 - (C) (iii), (ii), (i), (v), (iv)
 - (D) (iv), (iii), (i), (v), (ii)

 4. Which one of the following is not used to estimate cost of equity capital?
 - (A) External yield criterion
 - (B) Capital asset pricing model
 - (C) Dividend plus growth rate
 - (D) Equity capitalisation approach

 5. Recording of capital contributed by the owner as liability ensures the adherence of principle of
 - (A) Consistency
 - (B) Going concern
 - (C) Separate entity
 - (D) Materiality

 6. Scrutiny of financial transactions is called
 - (A) Auditing
 - (B) Accounting
 - (C) Budgeting
 - (D) Programming

 7. Machinery is purchased for Rs. 3,00,000 and Rs. 50,000 is spent on its installation. Rs. 5,000 is spent on fuel. What will be the amount of capital expenditure?
 - (A) Rs. 3,00,000
 - (B) Rs. 3,50,000
 - (C) Rs. 3,55,000
 - (D) None of the above

 8. According to which of the following firm's market value is not affected by capital-market?
 - (A) Net Income Approach
 - (B) The Traditional View
 - (C) M.M. Hypothesis
 - (D) None of the above

 9. Two mutually exclusive projects with different economic lives can be compared on the basis of
 - (A) Net Present Value
 - (B) Profitability Index
 - (C) Internal Rate of Return
 - (D) Equivalent Annuity Value

 10. What is customer value?
 - (A) Post purchase dissonance
 - (B) Excess of satisfaction over expectation
 - (C) Ratio between the customer's perceived benefits and the resources used to obtain these benefits
 - (D) None of the above
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11. Which one of the following statements is correct?

- (A) Internal audit and Management audit are the same.
- (B) Internal audit and Statutory audit are the same.
- (C) Internal audit is compulsory in all cases.
- (D) Statutory audit of company accounts is compulsory.

12. The basic objective of financial management is

- (A) ensuring financial discipline in the organisation.
- (B) maximization of shareholders wealth.
- (C) profit planning of the organisation.
- (D) maximization of profits.

13. Bad loans in banking terminology are generally known as

- (A) BPOs
- (B) Prime Asset
- (C) NPAs
- (D) CBS

14. Which of the following is not included in the assumption on which Myron Gordon proposed a model on stock valuation?

- (A) Taxes do not exist
- (B) Finite life of the firm
- (C) Constant rate of return on firm's investment
- (D) Retained earning the only source of financing

15. Profitability Index, when applied to divisible projects, impliedly assumes that

- (A) NPV is additive in nature.
- (B) NPV is linearly proportionate to part of the project taken up.
- (C) Both (A) and (B).
- (D) Project cannot be taken in parts.

16. An association of cement manufacturers is an example of

- (A) Diagonal combination
- (B) Vertical combination
- (C) Horizontal combination
- (D) Lateral combination

17. The balance appearing in the books of a company at the end of year were CRR A/c Rs. 50,000, Security Premium Rs. 5,000, Revaluation Reserve Rs. 20,000, P & L A/c (Dr) Rs. 10,000. Maximum amount available for distribution of Bonus Share will be

- (A) Rs. 50,000
- (B) Rs. 55,000
- (C) Rs. 45,000
- (D) Rs. 57,000

18. Which of the following is not a relevant cost in capital budgeting?

- (A) Sunk cost
- (B) Allocated overheads
- (C) Both (A) and (B)
- (D) Opportunity cost

19. Double Entry System was introduced in

- (A) America
- (B) Japan
- (C) India
- (D) Italy

20. The cost of capital method includes

- (A) Dividend yield method
- (B) Earning yield method
- (C) Growth in dividend method
- (D) All of the above

21. Which method does not consider the time value of money?
- (A) Profitability Index
 - (B) Net Present Value
 - (C) Average Rate of Return
 - (D) Internal Rate of Return
22. The conflicts in project ranking in capital budgeting as per NPV and IRR may arise because of
- (A) Life disparity
 - (B) Size disparity
 - (C) Time disparity
 - (D) All of the above
23. Which one refers to cash in how under "Pay back period" method?
- (A) Cash flow before depreciation and after taxes
 - (B) Cash flow after depreciation but before taxes
 - (C) Cash flow before depreciation and taxes
 - (D) Cash flow after depreciation and taxes
24. According to going concern concept a business entity is assumed to have
- (A) A long life
 - (B) A small life
 - (C) A very short life
 - (D) A definite life
25. Capital gearing ratio indicates the relationship between
- (A) Assets and capital
 - (B) Loans and capital
 - (C) Debentures and share capital
 - (D) Equity shareholders fund and long term borrowed funds
26. Which one is more appropriate for cost of retained earning?
- (A) Opportunity cost to the firm
 - (B) Weighted average cost of capital
 - (C) Expected rate of return by the investor
 - (D) None of the above
27. Which of the following statements are correct?
- (A) Inventory includes raw materials, finished goods and work in progress.
 - (B) Inventory is a part of the working capital.
 - (C) Both (A) and (B)
 - (D) Inventory includes goods likely to be purchased.
28. '360' degree method relates to
- (A) Retrenchments
 - (B) Employees moral
 - (C) Organization climate
 - (D) Performance appraisal
29. A view that dividend policy of a firm has a bearing on share valuation advocated by James E. Walter is based on which one of the following assumptions?
- (A) Return of investment function
 - (B) Cost of capital does not remain constant.
 - (C) Retained earnings is only source of financing.
 - (D) All of the above
30. Which of the following term is used to represent the proportionate relationship between debt and equity?
- (A) Cost of capital
 - (B) Capital structure
 - (C) Assets Structure
 - (D) Capital Budgeting

31. The minimum number of members required for registration of a cooperative society is

- (A) Two
- (B) Seven
- (C) Ten
- (D) Twenty

32. The presence of fixed costs in the total cost structure of a firm results into

- (A) Super Leverage
- (B) Financial Leverage
- (C) Operating Leverage
- (D) None of the above

33. Which is called as Dividend Ratio Method?

- (A) Asset Method
- (B) Equity Method
- (C) Debt Equity Method
- (D) Dividend Yield Method

34. The overall capitalisation rate and the cost of debt remain constant for all degrees of financial leverage is advocated by

- (A) M-M Approach
- (B) Traditional Approach
- (C) Net Income Approach
- (D) Net Operating Approach

35. Dividend Policy must be

- (A) Fixed
- (B) Flexible
- (C) Flexible and Fixed Both
- (D) None of the above

36. Accounting rate of return is the ratio of average value of

- (A) Profit after tax to book value of the investment
- (B) Profit after tax to salvage value of the investment
- (C) Profit after tax to present value of the investment
- (D) Profit before tax to present value of the investment

37. Which statement is true about financial management?

- (A) The maximisation of profit is often considered as an implied objective of a firm.
- (B) The wealth of a firm is defined as the market price of the firm's stock.
- (C) An option is a claim without any liability.
- (D) All of the above

38. A public corporation is set up

- (A) by a Special Act of Parliament.
- (B) by a special order of the Government.
- (C) under Indian Companies Act, 1956.
- (D) None of the above

39. Which of the following statement(s) regarding IRR is true?

- (A) If IRR is less than the firm's cost of capital, the project should be rejected.
- (B) A project can have multiple IRRs depending on the cash flow streams.
- (C) Both (a) and (b)
- (D) A project can have only one IRR.

40. If the current ratio is 2:1 and working capital is Rs. 60,000, what is the value of the current assets?

- (A) Rs. 1,00,000
- (B) Rs. 1,20,000
- (C) Rs. 1,40,000
- (D) Rs. 1,60,000

41. A newly established company cannot be successful in obtaining finance by way of

- (A) Issue of debenture
- (B) Issue of equity capital
- (C) Issue of preference share
- (D) None of the above

42. Which is the importance of the concept of cost of capital?

- (A) Helpful in capital budgeting process
- (B) Helpful capital structure decisions
- (C) Helpful in comparative analysis of various sources of finance
- (D) All of the above

43. Business Plans designed to achieve the organisation objective is called

- (A) Strategic Plan
- (B) Human Resources Planning
- (C) Human Resource Forecasting
- (D) Corporate Development Plan

44. The cost of capital declines when the degree of financial leverage increases 'under which method'?

- (A) Net income approach
- (B) Traditional approach
- (C) Modigliani-Miller approach
- (D) Net operating income approach

45. Debt financing is a cheaper source of finance because of

- (A) Rate of Interest
- (B) Time value of Money
- (C) Tax deductibility of Interest
- (D) Dividends not payable to lenders

46. Which of the statement is true about dividend policy?

- (A) A stable and regular dividend keeps speculations away and prices of shares remain stable for longer period.
- (B) The dividend policy should be framed in accordance to the expectations of shareholders.
- (C) Legal requirements play an important role in the formulation of dividend policy.
- (D) All of the above

47. Discounted cash flow criteria for investment appraisal does not include

- (A) Benefit cost ratio
- (B) Net present value
- (C) Internal rate of return
- (D) Accounting rate of return

48. Accounting for Intangible Assets are related to

- (A) AS - 10
- (B) AS - 12
- (C) AS - 24
- (D) AS - 26

49. Which of the following is not a banking related term?

- (A) SME Finance
- (B) Equinox
- (C) Overdraft
- (D) Sanctioning Authority

50. Depreciation is incorporated in cash flows because it

- (A) is a cash flow.
- (B) reduces tax liability.
- (C) involves an outflow.
- (D) is unavoidable cost.

51. Dividend policy of a company mainly is concerned with (i) dividend payout and (ii) stability of dividend

- (A) Only (i) is correct.
- (B) Only (ii) is correct.
- (C) Both (i) and (ii) are correct.
- (D) Both (i) and (ii) are incorrect.

52. The decision on an appeal against DRT is to be given by DRAT within _____.

- (A) 30 days
- (B) 45 days
- (C) 90 days
- (D) 180 days

53. Certain specific prescription of Basel II capital adequacy framework will continue to apply along with Basel III (parallel run), till

- (A) 31.03.2019
- (B) 31.03.2018
- (C) 31.03.2017
- (D) 31.03.2016

54. The banks in India are required to compute Basel III capital ratios in the following manner (1) Common equity Tier I capital ratio (2) Tier I capital ratio (3) Tier 2 capital ratio (4) Total capital to riskweighted asset ratio.

- (A) 1 to 4 all
- (B) 1, 2 and 4 only
- (C) 1, 3 and 4 only
- (D) 1 and 4 only

55. Which among the following is not correct with regard to size of loan account under the jurisdiction of DRT?

- (A) Cases of Rs. 10 lac and above from banks can be entertained in normal course.
- (B) Under Lok Adalats cases of above Rs. 20 lac can be entertained.
- (C) Under SARFAESI Act cases above Rs. 10 lac can only be entertained.
- (D) Under Lok Adalats cases up to Rs. 20 lac are to be entertained by normal Lok Adalat.

56. To calculate capital adequacy ratio, the banks are to take into account, which of the following risk?

- (A) Credit risk and operational risk only
- (B) Credit risk and market risk only
- (C) Market risk and operational risk only
- (D) Credit risk, market risk and operational risk

57. The capital charge for general market risk under the market risk will be _____% on gross equity position, under Basel III.

- (A) 9.00%
- (B) 9.75%
- (C) 10.50%
- (D) 11.25%

58. What is the amount of capital subsidy available under National Rural Livelihood Mission (NRLM) scheme?

- (A) 30% for individuals
- (B) 50% for self-help group
- (C) 40% for SC/ST
- (D) No capital subsidy is available

59. What is the glaring example of corporate governance?

- (A) Amul
- (B) Reliance
- (C) Mother Dairy
- (D) Unilever

60. Investments by bank in Inter Bank Participation Certificates, on a risk sharing basis, is priority sector. (True/False)

61. The aggregate capital charge for market risk is the sum total of capital charge for (i) interest rate, (ii) equity investment, (iii) forex and gold open positions
- (i) to (iii) all
 - (i) to (iii) only
 - (i) to (ii) only
 - (ii) to (iii) only
62. Which of the following statement regarding the total regulatory capital under Basel III is correct?
- Total regulatory capital is sum total of Tier I capital and Tier 2 capital.
 - Tier I capital is called 'going-concern' capital and Tier 2 capital is called 'gone-concern' capital.
 - Tier I capital comprises common equity Tier I and additional Tier I.
 - All of the above
63. Basel III capital regulations are based mutually reinforcing pillars. These pillars are (i) Pillar-1 minimum capital standards (ii) supervisory review of capital adequacy (iii) risk management.
- All the (iii) are correct.
 - Only (ii) and (iii) are correct.
 - Only (i) and (iii) are correct.
 - Only (ii) and (iii) are correct.
64. Who controls the PACs (Primary Agricultural Society)?
- Registrar of co-operative society
 - State Government
 - NABARD
 - All of the above
65. Basel III recommendations shall be completely implemented in India by
- 31.03.2020
 - 31.03.2019
 - 31.03.2018
 - 31.03.2017
66. Which of the following statements is not correct regarding Basel III implementation in India?
- Minimum tier I capital ratio should be 8%.
 - Tier 2 capital should be max 2%.
 - Minimum total capital ratio should be 9%.
 - Minimum total capital ratio plus capital conservation buffer should be 11.5%.
67. Lending to which of the following activities is part of priority sector (i) agriculture (ii) micro and small enterprises (iii) renewable energy (iv) social infrastructure (v) export credit?
- (i) to (v) all
 - (i) to (iv) only
 - (i), (ii) and (iv) only
 - (i), (ii), (iii) and (v) only
68. What is the time period of the notice to be given by a bank for taking possession of a security SARFAESI Act 2002?
- 15 days
 - 30 days
 - 45 days
 - 60 days
 - 90 days
69. Loans for food and agro processing units are to be classified as
- Direct MSE advance
 - Direct agriculture advance
 - Agriculture advance
 - Indirect agriculture advance
70. The trading book of a bank is subject to market risk. As per Basel III, which of the following is not included in the trading book for capital adequacy purpose?
- Securities under HFT and AFS
 - Open gold positions and forex positions
 - Trading positions in derivatives
 - Securities under HTM

71. Lending to which of the following activities is part of priority sector (i) agriculture (ii) micro and small enterprises (iii) renewable energy (iv) social infrastructure (v) export credit?

- (A) (i) to (v) all
- (B) (i) to (iv) only
- (C) (i), (ii) and (iv) only
- (D) (i), (ii), (iii) and (v) only

72. Under Basel III, the risk weight is _____ % for capital charge for credit risk on the basis of standardized approach, for claims included in regulatory retail portfolio.

- (A) 20%
- (B) 50%
- (C) 75%
- (D) 100%

73. As per Basel III implementation in India, within the minimum Tier I capital, the additional Tier I capital can be

- (A) Min 5.5% of Risk Weighted Assets (RWA)
- (B) Max 5.5% of RWA
- (C) Min 1.5% of RWA
- (D) Max 1.5% of RWA

74. For short term crop loans, additional interest subvention at the rate of _____ is available from Govt, of India through RBI, where the farmers make prompt payment of the loan.

- (A) 3%
- (B) 2.5%
- (C) 2%
- (D) 1.5%

75. What is the amount of court fee for filing a case in a Lok Adalat?

- (A) Minimum Rs. 750.
- (B) Above the amount of Rs. 5 lac, Rs. 100 for each Rs. 1 lac
- (C) Max amount is Rs. 10,000
- (D) No court fee is payable.
- (E) Court fee is discretion of Lok Adalat.

76. In a consortium account, the banks have different opinion to take action under SARFAESI Act.

- (A) Action can be initiated only if majority of banks consent.
- (B) Action can be taken if banks holding 75% share by value consent.
- (C) Action can be taken if banks holding 60% share by value consent.
- (D) Action can be taken if banks holding 75% share by value and 60% by no. Give consent.

77. No dues certificate is not to be insisted by banks in case of agriculture loans for an amount up to

- (A) Rs. 25,000
- (B) Rs. 50,000
- (C) Rs. 1,00,000
- (D) Not required

78. Lok Adalats are constituted under the provisions of which of the following?

- (A) Judicial Services Act
- (B) State Legal Services Act
- (C) Legal Services Authorities Act
- (D) Lok Adalats Act

79. For market risk, the minimum capital requirement is expressed in terms of two separately calculated charges which are

- (A) Specific risk and general market risk.
- (B) Special risk and general risk.
- (C) Liquidity risk and liquidation risk.
- (D) Counter party credit risk and trading partner's risk.

80. Who is the monitoring authority of the financial affairs of an urban co-operative bank?

- (A) SBI
- (B) RBI
- (C) Co-operative Bank of India
- (D) UBI

81. Credit enhancements under Securitization exposure, that are first loss positions, is to be risk weighted at _____ % under Basel III requirements.

- (A) 125%
- (B) 375%
- (C) 625%
- (D) 1111%

82. The capital requirement for general market risk is designed under Basel III to capture the risk of loss arising from change in.

- (A) Prices of securities
- (B) Market value securities
- (C) Interest rate on securities
- (D) All of the above

83. Out of the following, which are domestic credit rating agencies, approved by RBI for the purpose of credit rating to determine risk weight for rated exposures (i) Brickwork (ii) CARE (iii) Fitch (iv) CRISIL (v) Moody's (vi) SMERA (vii) Standard and Poor?

- (A) (i), (ii), (iv), (vii)
- (B) (i), (ii), (iv), (vi)
- (C) (i), (ii), (iii), (iv)
- (D) (i), (ii), (iv), (v)

84. Domestic banks are to deposit in RIDF with NABARD, the shortfall in respect of

- (A) Agricultural advances target of 18%.
- (B) Priority sector target of 40%.
- (C) Weaker section advances of 10%.
- (D) All of the above

85. A crop loan given by a bank (i) is restricted to Rs. 10 lac (ii) is need based (iii) is on the basis of scale of finance determined by the bank (iv) is on the basis of scale of finance determined by Dist. Technical Committee.

- (A) (i) and (iv) correct
- (B) (ii) and (iv) correct
- (C) (i) and (iii) correct
- (D) (ii) and (iii) correct

86. For achieving target for advances to women enterprise, a women enterprise is one where in addition to management by women, the contribution of women in the capital of the business activity is not less than

- (A) 26%
- (B) 49%
- (C) 51%
- (D) 74%

87. The account became doubtful on Feb 12, 2012. The balance is Rs. 6 lac. The amount of provision as on March 31, 2015 will be

- (A) 1.20 lac
- (B) 1.80 lac
- (C) 3 lac
- (D) 6 lac

88. If a crop loan is given under tie-up arrangement, the collateral security is not to be obtained for a loan up to

- (A) Rs. 1 lac
- (B) Rs. 2 lac
- (C) Rs. 3 lac
- (D) Rs. 5 lac

89. The working group to facilitate issue of electronic Kissan credit cards was headed by Sh _____.

- (A) V. K. Sharma
- (B) T. M. Bhasin
- (C) T. Janardhan
- (D) M. Udeshi

90. What is the maximum ceiling on Foreign Direct Investment (FDI) for investment in the equity of private banks in India?

- (A) 25%
- (B) 26%
- (C) 74%
- (D) 51%

91. RBI treats Core Investment Companies having an asset size of _____ as systemically important core investment companies.

- (A) Rs. 10 crore and above
- (B) Rs. 50 crore and above
- (C) Rs. 100 crore and above
- (D) Rs. 200 crore and above

92. Lending target for weaker section within the priority sector are _____ % of priority sector.

- (A) 25%
- (B) 32%
- (C) 35%
- (D) 40%

93. The time gap between closure date of a public issue and its listing on stock exchange, has been reduced by SEBI from _____ to _____.

- (A) 42 days to 30 days
- (B) 30 days to 22 days
- (C) 22 days to 12 days
- (D) 30 days to 15 days

94. Universal Bank decides to prefer an appeal against the decision of Debt Recovery Tribunal. During what time period this appeal could be filed with DRAT?

- (A) Within 15 days of the order
- (B) Within 30 days of the order passed by DRT
- (C) Within 30 days of receipt of the order by the bank
- (D) Within 45 days of the receipt of order by the bank

95. Debt Recovery Tribunal is expected to decide a case

- (A) Within 60 days
- (B) Within 90 days
- (C) Within 180 days
- (D) There is no time limit.

96. If a party is aggrieved by the order of Registrar or Recovery Officer, the party can approach Presiding Officer of DRT within

- (A) 15 days and 30 days
- (B) 30 days and 15 days
- (C) 30 days and 45 days
- (D) 45 days and 30 days
- (E) No such provision is available.

97. Under PMEGP _____ % of the margin money (subsidy) projects should be from rural areas.

- (A) 60%
- (B) 50%
- (C) 40%
- (D) 25%

98. Which of the following in general, is eligible, as a borrower, under National Rural Livelihood Mission (NRLM)?

- (A) SC/ST women and non-SC/ST women
- (B) Women self help groups
- (C) SC/ST and non-SC/ST men
- (D) Any of the above

99. Net bank credit for priority sector is calculated as bank credit in India minus (i) bills rediscounted with RBI or other approved FIs (ii) loan provisions (iii) interest accrued on loans.

- (A) (i) to (iii) all
- (B) (i) and (ii) only
- (C) (ii) only
- (D) (i) only

100. Under which kind of following mechanisms, the DSB returns being submitted by banks to RBI, fall?

- (A) Early alert system
- (B) On-site surveillance
- (C) Off-site supervision
- (D) Risk based supervision system