
RBI GRADE B

FINANCE AND MANAGEMENT – MOCK TEST 1

Note – Question 1 to 35 are of 2 marks each and question 36 to 65 are of 1 mark.

QUESTION 1

With reference to 'Maslow's Hierarchy of Needs Theory' the Self-respect, achievement and autonomy all are examples of:

- a. Physiological factors
- b. Internal esteem factors
- c. Social factors
- d. External esteem factors
- e. None of the above

Correct Answer – Option b - Internal esteem factors.

Explanation – In the Maslow's Hierarchy of Needs Theory, esteem need (self respect, achievement, reputation, recognition and Attention) are classified in two categories, one is internal and other are external – Internal are those which are related to self-esteem nature like self respect, autonomy etc.

QUESTION 2

SIDBI was set up in ___ as a wholly owned subsidiary of_____

- a. 1990 – IDBI
- b. 1985 – EXIM
- c. 1969 – RRBI
- d. 1975 - IFCI
- e. None of these

Correct answer – Options a – 1990 – IDBI

Explanation – SIDBI – Small Industrial development bank of India, is set-up in year 1990, by IDBI, with

objective of aiming at need to Small enterprises.

QUESTION 3

What is meant by 360 degree appraisal?

- a. line manager rates subordinates simultaneously
- b. person himself gives feed back
- c. senior manager rates all line managers simultaneously
- d. Where every employee rates another employee chosen at random
- e. where feedback is obtained from peers, subordinates and supervisors

Correct Answer – Option e - **where feedback is obtained from peers, subordinates and supervisors**

Explanation – 360 name suggests, all the corners to whom person deals so it is a system if appraisal where feedback from all the concerned – peers, subordinates and supervisor are obtained.

QUESTION 4

Find the Current Account Deficit from the given information:

- I) Imports of Visible Items are INR 2000 crore
- II) Exports of Visible Items are INR 1000 crore
- III) Deficit from Invisible Items are INR 700 crore

- a. 1300 Crore
- b. 300 Crore
- c. 2300 Crore
- d. 1700 Crore
- e. None of these

Correct answer – Options d – **1700 Crore**

Explanation –

Step 1 - Balance of Trade = Imports - Exports of Visible Items

$2000 - 1000 = \text{INR } 1000 \text{ Crore}$

Step 2 - Current Account Deficit = Balance of Trade - Balance of Services

1000-(-700) = INR 1700 Crore.

QUESTION 5

Which of the following problems may result due to skill gaps?

- a. Delays developing new products.
- b. Increased business.
- c. **Poor customer service.**
- d. Quality issues.
- e. None of these

Correct Answer – Option c - **Poor customer service.**

Explanation – Delays developing new products require R&D rather skill, Increased business require resources rather skills, Quality issues are matters of technical conformity to production standard. But customer service are interpersonal in nature and required certain individual skills hence due skill gap problem of poor customer service can be arises. Option e not applies.

QUESTION 6

Registration under GST is required, if turn over in previous year exceeds INR

- a. 12 lakhs
- b. 20 lakhs
- c. 5 lakhs
- d. 50 lakhs
- e. 75 lakhs

Correct answer – Options b – **20 lakhs**

Explanation – As per section 22(1) limit of INR 20 lakhs is provided for compulsory registration, However 11 states are specified under article 279A (4) (g), where such limit is 10 lakhs

QUESTION 7

Using the rule of 144 in how many years INR 10000 will be 40000 @ 6% p.a.

- a. 24
- b. 20
- c. 28
- d. 12
- e. 18

Correct answer – Options a – **24 years**

Explanation – $144/6=24$, it will take 24 years The "Rule of 144" is a simplified way to determine how long an investment will take to be 4 times, given a fixed annual rate of interest. This is not exact time, this rule provide only rough estimate.

QUESTION 8

Incremental changes are _____.

- a. more dramatic than radical change
- b. less dramatic than radical change
- c. infrequently encountered
- d. usually very expensive
- e. None of above.

Correct Answer – Option b - **less dramatic than radical change**

Explanation – In Incremental changes, changes are launched in step-to-step basis (phased implementation) rather in one go (big bang or radical change)

QUESTION 9

You have opted in a SIP that invests INR500 at the end of first year, INR1000 at the end of 2 year and INR1500 at the end of 3rd year. calculate what amount you will get at the end of 3 year if the rate of return is 6% per annum.

- a. 3212.8
- b. 3012.8
- c. 3112.8
- d. 3221.8

e. 3121.8

Correct answer – Options e – **INR 3121.8**

Explanation – INR 500 is invested only for 2 years, INR 1000 is invested for one year and INR 1500 is invested for 0 year Therefore, the amount that you will get is

$$500(1+0.06)^2+1000(1+0.06)^1+1500(1+0.06)^0$$

$$561.8+1060+1500$$

INR 3121.8

QUESTION 10

Which of the following are the primary functions of all organizations?

- a. operations, marketing, and quality
- b. sales, quality control, and operation
- c. advertising, human resources, and finance/accounting
- d. marketing, operations, and finance/accounting
- e. none of the above

Correct Answer – Option d - **marketing, operations, and finance/accounting**

Explanation – Marketing, Operation/Production and Finance/Accounting are considered as primary function of all organisations, because without these organisation can't function, even it is fully automated, operates in goods or services.

QUESTION 11

Financial information related to the year ended 31st march 2018.

Sales Rs. 80,00000

Return on net worth 25%

Rate of income tax 50%

Net Profit to sales ratio 6.25%

Cost of goods sold Rs.20,00,000

Interest on Debentures Rs. 50000

What will be operating expenses and Profit before Interest and Tax for the year 31st march, 2018

- a. 51,30,000 & 10,70,000
- b. 10,00,000 & 52,40,000
- c. 10,50,000 & 49,50,000
- d. 10,50,000 & 60,00,000
- e. 11,70,000 & 52,30,000

Correct answer – Options e – **13.45%**

Explanation

Net Profit (6.25% of sales)	500000
Add Income tax @ 50%	500000
Profit Before tax	<u>1000000</u>
Interest on debenture	50000
Profit Before Interest and Tax	<u>1050000</u>



Operating Expense = Sale – (Cost of goods sold + Profit Before Interest and Tax)

$$8000000 - (2000000 + 1050000) = 4950000$$

QUESTION 12

Which of the following is/are the internal stakeholder group

- a. Debt holders
- b. Customers
- c. Shareholder
- d. Suppliers
- e. a & c only

Correct Answer – Option c – Shareholder

Explanation – Stake holders are those who can make impact over business and business can have impact upon them. They are classified in three categories namely internal, connected and external. Shareholders are only internal stakeholder group among given option. Debenture holder are not real owner, may be consider as connected but not internal.

QUESTION 13

Good luck company produce 1 million units of toys. The annual fixed cost is INR 0.5 million. The per unit variable cost INR 3. Selling price is 50% above unit variable cost.

What is the degree of operating leverage?

- a. 1.3
- b. 1.4
- c. 1.5
- d. 1.6
- e. 1.7

Correct answer – Options e – All of the above

Explanation – Degree of operating leverage = Contribution/EBIT (risk due to fixed cost – committed nature)

$(\text{No. of Units}) * (\text{SP} - \text{VC}) / [(\text{No. of Units})(\text{SP} - \text{VC}) - \text{FC}]$

$(1000000) * (3 * 1.5 - 3) / [(1000000) * (3 * 1.5 - 3) - 5000000] = 1.5 \text{ times}$

QUESTION 14

As per RBI benchmark for allocation of bank credit, women beneficiaries should receive at least ____% of net bank credit.

- a. 2
- b. 5
- c. 10
- d. 8
- e. 1

Correct answer – Options b – 5%

Explanation – As per RBI benchmark for allocation of bank credit, certain sector or group are notified to ensure minimum benefits – like minimum credit/advance for primary sector are reserved. Similar way minimum credit for woman are reserved at 5%

QUESTION 15

Which one of the following is a role of board of director?

- a. To define vision mission and values of the company and make necessary changes, as and when required.
- b. To ensure effective communication with the stake holders and monitor the relationship with them.
- c. To give ultimate direction to the company.
- d. To safe-gaurd asset of company
- e. All of the above

Correct Answer – Option e – **All of the above**

Explanation – Board of directors are responsible for overall management of company with all respects. They act as agent of shareholder but for all the stakeholders.

QUESTION 16

Which is/are solvency ratios out of following

- a. Gearing ratio
- b. Current ratio
- c. Capital Adequacy ratio
- d. Interest coverage ratio
- e. None of these

Correct answer – Options b – **Current Ratio**

Explanation – Current ratio measures the Relation between Current asset and Current Liabilities, ($\text{Current Asset/Current Liability} = \text{how many times we can meet our current liabilities}$) hence tell about cover of current asset over current liabilities means solvency.

QUESTION 17

Find the YTM on the bond which pays an annual interest of 12% and has been bought at INR 50 discount. The face value of the bond is INR 1000 and it matures in 5 years.

- a. 12.45 %
- b. 12.85 %
- c. 13.85 %
- d. 14.45 %
- e. 13.45 %

Correct answer – Options e – **13.45%**

Explanation

F = Face value = 1000

P = Market Price/Discounted Price = 1000 – 50 = 950

I = Annual interest = 12% of 1000 = 120

n = Years to maturity = 5

YTM = $[I + (F-P)/n] / [(F+P)/2] = (120+50/5) / (1950/2) = 131/975 = 13.44\%$ say 13.45%



QUESTION 18

In _____, bonus paid to a worker is equal to 50% of time saved multiplied by rate per hour.

- a. Hasley Plan
- b. Bedaux Plan
- c. Barth Scheme
- d. Rowan Plan
- e. None of these

Correct Answer – Option a – **Hasley Plan**

Explanation – Hasley plan suggest share of benefit of time saved among worker and organisation. Such share ratio is 50:50.

QUESTION 19

What do you understand by the term insider trading?

- a. is the voluntary release of non public information , as a moral protest , by a member or former member of an organization outside the normal channels of communication to an appropriate audience about illegal and /or immoral conduct in the organization .
- b. opinion on the future ability of the issue of a specific fixed income securities to make timely payments on principles and interest thereon
- c. is an illegal practice of buying and selling shares of corporate securities based on fiduciary information, which known only to small group of persons, such as executive and their friends
- d. is trading of shares of company by person who is on roll employee of company
- e. none of these

Correct Answer – Option c – is an illegal practice of buying and selling shares of corporate securities based on fiduciary information, which known only to small group of persons, such as executive and their friends

Explanation – It is criminal activity under SEBI Act 1992 and Companies Act 2013. Person is insider, having price sensitive information, dealing in securities of company, either for himself for other, using such information, for making any kind of gain.

QUESTION 20

NABARD has been established on the recommendation of

- a. Talwar committee
- b. Tandon committee
- c. Narasimhan Committee
- d. Shivaraman committee
- e. None of these

Correct answer – Options d – Shivaraman committee

Explanation – NABARD was established on the recommendations of B. Shivaraman Committee, on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC).

QUESTION 21

Which of the following are to be followed by Commercial Banks for risk management?

- a. Basel II norms
- b. Basel III norms
- c. Basel I norms
- d. Solvency II norms
- e. Solvency I norms

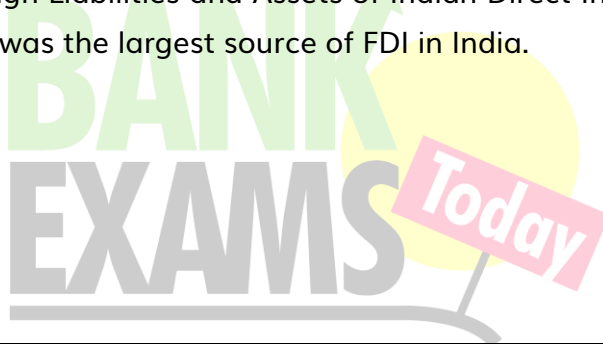
Correct answer – Options a – **Basel II norms**

Explanation – The Basel II Accord was published initially in June 2004 and was intended to amend international banking standards that controlled how much capital banks were required to hold to guard against the financial and operational risks banks face.

QUESTION 22

According to Census on Foreign Liabilities and Assets of Indian Direct Investment Companies 2016-17 released by RBI _____ was the largest source of FDI in India.

- a. USA
- b. Singapore
- c. UK
- d. Mauritius
- e. None of these



Correct Answer – Option d - **Mauritius**

Explanation - Mauritius was largest source of FDI in India (21.8% share at market value) followed by USA, UK, Singapore and Japan.

QUESTION 23

'Veblen effect' can be defined as practice of giving everyone

- a. Random ratings.
- b. Average ratings.
- c. Low ratings.
- d. High ratings.
- e. None of these

Correct Answer – Option b – **Average ratings.**

Explanation – Veblen effect works on the basis of central tendency, means assigning the same number without considering the individual characteristics of person/article under consideration.

QUESTION 24

Contextual leadership _____.

- a. Static approach of leading – believe business environment is not dynamic at all
- b. Believe leader and manager are same
- c. Assumes decreasing complexity up in the organization
- d. Defined plan need to be followed by leader, no need to change their response
- e. stresses that, a leader's responsiveness to the evolving trends

Correct Answer – Option e - **stresses that, a leader's responsiveness to the evolving trends**

Explanation – Anthony Mayo and Nitin Nohria explains Contextual Leadership as intelligence to understand an evolving (changing) environment, and making gain by responding to those evolving trends.

QUESTION 25

Which of the following are quantitative control methods

- a. Bank rate
- b. CRR
- c. Statutory Liquidity ratio
- d. Open market operations
- e. All of the above

Correct answer – Options e – **All of the above**

Explanation – Quantitative measure are those, which are relates to rate and ratios all the options are relates to quantitative measures.

QUESTION 26

Theory Y given by Douglas McGregor's rest on the belief that managers would assume that employees would:

- a. Dislike work
- b. Need to be controlled
- c. Exercise self direction
- d. Avoid responsibility
- e. It not related to employee at all

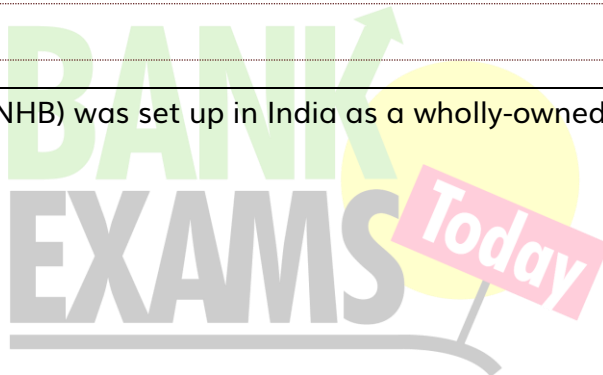
Correct Answer – Option c - **Exercise self direction.**

Explanation – There are two theories given by Douglas McGregor's, named Theory X and Theory Y for leader on nature of worker. Theory Y believes that people in the workforce are internally motivated and self directed and self controlled. Whereas Theory X is based on presumption that typical worker are pessimistic.

QUESTION 27

The National Housing Bank (NHB) was set up in India as a wholly-owned subsidiary of

- a. Reserve Bank of India
- b. HDFC
- c. State Bank of India
- d. ICICI Bank
- e. None of the above



Correct answer – Options a – **Reserve Bank of India**

Explanation – National Housing Bank, a wholly owned subsidiary of Reserve Bank of India, was set up on 9 July 1988 under the National Housing Bank Act, 1987.

QUESTION 28

Which of the following connect all business functions and become the basis for all managerial decisions?

- a. Marketing
- b. Technology
- c. Leadership
- d. motivation
- e. Information

Correct Answer – Option e - **Information**

Explanation – Information communicated is the basis of all decisions and bring all business function in alignment to each other.

QUESTION 29

_____ is popular, internet based modern means of communication.

- a. Tele-call
- b. Fax
- c. Electronic mail
- d. letter
- e. None of these

Correct Answer – Option c – **Electronic mail**

Explanation – E-mail is most commonly used internet based mode of communication, in rest of option it is either personnel delivery or telecommunication channel

QUESTION 30

Retail Banking means

- a. Credit facilities extended to retail traders
- b. Providing personal banking services directly to the consumers
- c. Collection of large number of dividend/interest warrants
- d. Both of a and b
- e. All of the above

Correct answer – Options b – **Providing personal banking services directly to the consumers**

Explanation – Retail banking, also known as consumer banking, is the provision of services by a bank to the general public, rather than to companies, corporations or other banks, which are often described as wholesale banking.

QUESTION 31

Find the approximate yield to maturity (YTM) on a bond which is maturing after 5 years and carrying a coupon rate of 14 percent. The par value of the bond is INR 1000 and the market price is INR 1050.

- a. 11.58%
- b. 13.58%
- c. 10.25%
- d. 14.58%
- e. 12.68%

Correct answer – Options e – **12.68%**

Explanation – The approximate value of the YTM will be calculated as:

$$(C+(P-M)/n)/ (P+M)/2$$

Here, C = 14%*1000 =140, P=1000, M=1050, n=5

$$(140+(1000-1050)/5)/ (1000+1050/2) = 12.68%$$

QUESTION 32

Theory X given by Douglas McGregor's relates relate to:

- a. Maslow's lower level needs.
- b. Maslow's higher level needs.
- c. Maslow's middle level needs
- d. Neither level of Maslow's hierarchy of needs.
- e. Both levels of Maslow's hierarchy of needs.

Correct Answer – Option a - **Maslow's lower level needs.**

Explanation – In the Maslow's Hierarchy of Needs Theory, need are classified in two, lower and higher, in lower worker seeking respect from others and in case of higher he looks for self respect.

Theories given by Douglas McGregor's, named Theory X and Theory Y for leader on nature of worker. Theory Y believes that people in the workforce are internally motivated and self directed and self controlled. Whereas Theory X is based on presumption that typical worker are pessimistic.

Therefore one who is self regulated looks for self respect means higher needs (Theory Y and Higher Need) and vice versa (Theory X and Lower Need)

QUESTION 33

When did the National Bank of Agriculture and Rural Development establish?

- a. July, 1982
- b. July, 1969
- c. June, 1981
- d. June, 1982
- e. July, 1981

Correct answer – Options a – **July, 1982**

Explanation – National Bank for Agriculture and Rural Development is an apex development financial institution in India, headquartered at Mumbai, established on 12th July 1982 with seed capital of 100 crore.

QUESTION 34

What is the full form of CBS?

- a. Core Banking Solution
- b. Core Banking Software
- c. Core Banking System
- d. Core Banking Service
- e. None of these

Correct answer – Options a – **Core Banking Solution**

Explanation – CBS is core banking solution. It is the software which connect the banks branched to each other.

QUESTION 35

Communication sent to the speaker from the listener. These are called...

- a. Feedback
- b. Channels
- c. Encodings

- d. Speaks
- e. Decoding

Correct Answer – Option a – **Feedback**

Explanation – Communication is two way process, and response provided to speaker by listener is called feedback.

QUESTION 36

The Authentic leadership _____.

- a. Virtually the same as ethical leadership
- b. Not a very widely discussed approach
- c. Not one that emphasizes knowing thyself
- d. One that might serve as a base for numerous other leadership theories
- e. It is not a leadership concept

Correct Answer – Option d - **One that might serve as a base for numerous other leadership theories**

Explanation – Authentic leadership is leadership which focus on building the leader's legitimacy with followers through honest relationships. Leader in this value their input. Hence can be foundation to all theories.

Note; in authentic leadership; honest relation are built on an ethical foundation but it is different from ethical leadership.

QUESTION 37

The _____ style of leadership is where the focus of power is with the manager. The manager alone exercises decision-making, authority and the control of rewards or punishments.

- a. authoritarian
- b. democratic
- c. laissez-faire
- d. Contextual
- e. None of the above

Correct Answer – Option a - **authoritarian**

Explanation – As depicted from name itself authoritarian leadership follows the principle of authority and use of same for decision making rest with manager only (subordinate just have to follow, what is instructed to them)

QUESTION 38

Regulator for stock markets in India is _____

- a. SEBI
- b. RBI
- c. MCA
- d. MoF
- e. None of these

Correct answer – Options a – **SEBI**

Explanation – SEBI (security exchange board of India) is constituted under SEBI act 1992 for regulation of security market in India.

QUESTION 39

Who is the chairman of the working group to review the Benchmark Prime Lending Rate constituted by RBI?

- a. M.S. Verma
- b. R.N. Malhotra
- c. J.V. Shetty
- d. Deepak Mohanty
- e. None of these

Correct answer – Options d – **Deepak Mohanty**

Explanation – working group to review the Benchmark Prime Lending Rate was constituted in June 2009, under chairman ship of Deepak Mohanty, who was executive director, RBI then.

QUESTION 40

What are the correct three levels of strategic planning in sequence order starting from up to down;

- a. Operational, intermediate and strategic
- b. Corporate, Business and functional
- c. Head Office, Regional and local
- d. Top, middle and bottom
- e. Divisional, Functional and personal

Correct Answer – Option b - **Corporate, Business and functional**

Explanation – Strategic plans are formulated at corporate level – Company as whole, then at Business level (SBU or Divisions), then at functional level of each division. (e.g. firstly for ITC as whole, then for Hotel Division, FMGC, Agro and lastly finance, HR, operations etc. Of all division individually.

QUESTION 41

Which one of following PMJDY relates to

- a. Female Education
- b. Food Safety
- c. Literacy
- d. Financial Inclusion
- e. none of the above

Correct answer – Options d – **Financial Inclusion**

Explanation – PMJDY is stands for Pradhan Mantri Jan Dhan Yojana and is aiming for Financial Inclusion to ensure every one must have access to banks. It launched on 28.08.2014

QUESTION 42

IPO stands for _____

- a. Initial payment option
- b. Initial public option
- c. Initial price offer
- d. Interim public offer
- e. Initial public offer

Correct answer – Options e – **Initial Public Offer**

Explanation – IPO stands for initial public offer, when for first time company issue its

securities in primary market

QUESTION 43

What distinguishes the levels of communication

- a. Number of people, environment involved and channels used
- b. Noise occurring, channels used and the formality of situation
- c. Environment involved, noise occurring, and feedback opportunity
- d. Number of people, channels and environment involved
- e. Number of people, formality of situation and feedback opportunity

Correct Answer – Option e – **Number of people, formality of situation and feedback opportunity**

Explanation – level of communication depends upon factor like Number of people – decide the level of complexity, Formality of situation – channel and mode, Feedback opportunity.

QUESTION 44

Well-functioning financial markets promote

- a. inflation
- b. deflation
- c. unemployment
- d. growth
- e. none of the above

Correct answer – Options d – **growth**

Explanation – Financial market is system where savings are mobilised to generate advances through credit creation, if this operates at optimal level, then finance is easily and competitively available, which lead to growth of business at micro and economy at macro level.

QUESTION 45

Theory which believes that employees will exercise self-direction and Self-control when they are committed to the objectives is known as:

- a. Theory A
- b. Theory X
- c. Theory Z
- d. Theory Y
- e. None of above

Correct Answer – Option d - **Theory Y**

Explanation – There are two theories given by Douglas McGregor's, named Theory X and Theory Y for leader on nature of worker. Theory Y believes that people in the workforce are internally motivated and self directed and self controlled. Whereas Theory X is based on presumption that typical worker are pessimistic.

QUESTION 46

Budget deficits are important to monetary authorities because

- a. The financing of government budget deficits may affect the conduct of monetary policy.
- b. Budget deficits may increase interest rates, putting pressure on the monetary authorities to expand the quantity of money to keep interest rates from rising.
- c. Budget deficits may put pressure on reserve bank to increase the growth rate of the money supply.
- d. Only a and c
- e. All of the above.

Correct answer – Options e – **all of the above.**

Explanation – Budget deficits is as situation where expenditure of government is more than its revenue, hence in such situation monetary policy will be affected, interest rate may be shoot up to reduce money with public for disposal, such deficits may be finance with printing new currency.

QUESTION 47

Organizations develop through training and development, which bring benefits to employees as well as to the organizations. Which of the following would not be regarded as a common feature that

would result from training in today's modern workplace?

- a. Same job as no new skill learned
- b. Improve chances of promotion
- c. Be able to move more easily between jobs and other organizations
- d. Develop a range of transferable skills
- e. None of these

Correct Answer – Option a - **Same job as no new skill learned**

Explanation – Training and development inculcate new skills in each of employee, hence they can also take shift in job, due to newly learned skills.

QUESTION 48

If the CPI in 2017 is 200, and in 2016 the CPI is 180, the rate of inflation from 2016 to 2017 is

- a. 20%.
- b. 10%.
- c. 0%.
- d. -10%.
- e. -20%.

Correct Answer – Options d – **-10%**

Explanation – $180-200/200 = 10\%$, mean consumer goods prices are declined by 10%

QUESTION 49

The contingency theory that focuses on the followers' readiness is

- a. Trait theory
- b. Expectancy theory
- c. Hersey and Blanchard's situational leadership theory
- d. Fiedler's contingency theory
- e. Path-goal leadership theory

Correct Answer – Option c – **Hersey and Blanchard's situational leadership theory**

Explanation – contingency means high probability of varied results, to manage this flexibility is required. Hersey and Blanchard Situational Leadership Theory suggest leaders should be flexible so that they match their style to the experience and ability of those they are leading.

QUESTION 50

Futures markets have grown rapidly because futures

- a. are standardized
- b. have lower default risk
- c. are liquid
- d. regulated
- e. all of the above.

Correct Answer – Options e – **all of these**

Explanation – Futures are exchange traded contracts, hence standardized – prefixed contract size and delivery date, Marked to margin – hence no default, can be trade – hence liquid and regulated by exchange/regulator.

QUESTION 51

The process of communication is aimed at delivering a clear message from a sender to a receiver, using.....

- a. verbal channels
- b. written channels
- c. Gestural means
- d. Only a & b
- e. all a, b and c

Correct Answer – Option e – **all a, b and c**

Explanation – Ultimate aim is to provide the clear message through any of channel, it may be verbal – speak, Non-verbal – written, gestural – signs.

QUESTION 52

Forward contracts are of limited usefulness to financial institutions because of ;

- a. Default risk.
- b. Impossible to hedge risk.
- c. Lack of liquidity.
- d. All three above.
- e. Both (a) and (c) of the above.

Correct Answer – Options e – **both (a) and (c) of the above**

Explanation – Forward contracts are good to hedge the risk but some residual risk remains there due to lack of liquidity and default risk. hence hold limited usefulness.

QUESTION 53

Communication is used by people to share and analyses the,

Thoughts,_____ and ideas.

- a. Information
- b. Data
- c. Skill
- d. Knowledge
- e. All of these

Correct Answer – Option a – **Information**

Explanation – Only information can be shared through communication and useful for analysis, data is raw form of information, skill and knowledge are personnel in nature they can be learned or applied but can't be shared through communication only.

QUESTION 54

By hedging a portfolio, a bank manager

- a. Reduces interest rate risk.
- b. Increases reinvestment risk.
- c. Increases exchange rate risk.
- d. Increases the probability of gains.
- e. None of these

Correct Answer – Options a – **reduces interest rate risk**

Explanation – Hedging is technique to reduce risk, hence only option a is correct.

QUESTION 55

Communication is a _____ of giving and receiving information through any number of channels.

- a. one-way process
- b. two-way process
- c. three-way process
- d. multi-way process
- e. All of these

Correct Answer – Option b – **two-way process**

Explanation – Communication is two way process, where on one end there is sender and receiver on another end.

QUESTION 56

Which of the following is not true about Bitcoins?

- I. Bitcoins are a digital currency that can be used to buy products and services without any intermediary.
 - II. The Indian government and the Reserve Bank of India have issued several warnings against dealing in Bitcoins, the former even comparing it with a Ponzi scheme.
 - III. India has banned Bitcoins
- a. I Only
 - b. III Only
 - c. Both I & II
 - d. Both II & III
 - e. All of the Above

Correct Answer – Options b – **III only**

Explanation - Bitcoins are a digital currency that can be used to buy products and services without any intermediary. The Indian government and the Reserve Bank of India have issued several warnings against dealing in Bitcoins, the former even comparing it with a Ponzi scheme. India has not banned Bitcoins, although eight countries including China have prohibited the digital currency.

QUESTION 57

Which of the following categories of body movement is correctly defined?

- a. Emblems are movements that directly translate into words.
- b. Illustrators are movements that are universally recognized across cultures.
- c. Regulators control the rate of speech at which the speakers are talking.
- d. Adaptors are a form of feedback, signalling the listener's disagreement with the speaker.
- e. None of these

Correct Answer – Option a – **Emblems are movements that directly translate into words**

Explanation – Emblems are movement, which can be translated into words. These are part of gestural language.

QUESTION 58

Banking Regulation (Amendment) Act, 2017 is majorly focused on to deal with _____

- a. Fixed Assets
- b. Retail Assets
- c. Stressed Assets
- d. Performing Assets
- e. None of these

Correct Answer – Option c – **Stressed Assets**

Explanation - The Banking Regulation (Amendment) Act, 2017 seeks to amend the Banking Regulation Act, 1949 to insert provisions for handling cases related to stress assets.

QUESTION 59

_____Is also important for instructing employees on certain tasks and projects.

- a. Oral Communication
- b. Report
- c. interview
- d. Written communication
- e. None of these

Correct Answer – Option d – **Written communication**

Explanation – Written Communication is needed to be used for instruction (need for record purposes and clarity of direction) to employees.

QUESTION 60

Financial derivatives include

- a. stocks
- b. bonds
- c. future
- d. debt
- e. none of the above

Correct Answer – Option c – **Future**

Explanation – Future are exchange traded derivatives, where contract size are also fixed and rest all are financial instrument for raising fianance.

QUESTION 61

What does the governance framework determines

- a. Who the organisation is there to serve
- b. The regulatory framework in which the organisation operates
- c. The legal framework for the administration of the organisation
- d. Who the organisation is there to serve and how the purposes and priorities of the organisation should be decided
- e. All of these

Correct Answer – Option d – **Who the organisation is there to serve and how the purposes and priorities of the organisation should be decided**

Explanation – Corporate governance is determining the best way of conducting the affairs of corporate by director on behalf of stakeholders; hence option d is best fit here.

QUESTION 62

The disadvantage of swaps is that they

- a. lack liquidity
- b. are difficult to arrange for a counterparty
- c. suffer from default risk
- d. Only a and B
- e. all of the above

Correct Answer – Option e – **All of Above**

Explanation – Swaps are financial derivative, usually not held for trade hence lacks liquidity, it is not always easy to find the counterparty – whose need are equally opposite or willing to enter into swap obligation; other party can default.

QUESTION 63

With reference to principles of corporate governance, _____ protect shareowners rights, treat all shareholders including minorities, equitably and provide effective redress for violations.

- a. Transparency
- b. Responsibility
- c. Fairness
- d. Accountability
- e. Independence

Correct Answer – Option c – **Fairness**

Explanation – Fairness means fair/equity to all, no oppression by any class of stakeholder over another class of stakeholder.

QUESTION 64

The Reserve Bank relaxed norms for issuance of rupee-denominated overseas bonds, popularly known as Masala bonds, saying they will be treated as _____

- a. Euro Bond
- b. American Depositary Receipt
- c. Global Depositary receipt

- d. External Commercial Borrowings
- e. None of these

Correct Answer – Option d - **External Commercial Borrowings**

Explanation - Recently, RBI stated that masala bonds will no longer form part of the limit for FPI investments in corporate bonds. They will form part of the External Commercial Borrowings (ECBs) and will be monitored accordingly. As a result, INR 44,001 crore arising out of shifting of masala bonds will be released for foreign portfolio investor (FPI) investment in corporate bonds over the next two quarters

QUESTION 65

The Fiscal Responsibility and Budget Management Act, 2003, have which of following objectives

- a. to introduce transparent fiscal management systems in the country
- b. to introduce a more equitable and manageable distribution of the country's debts over the years
- c. to aim for fiscal stability for India in the long run
- d. only a and b
- e. all a, b and c

Correct Answer – Option e – **all a, b and c**

Explanation – FRBM act 2003, was enforced to institutionalize financial discipline, reduce India's fiscal deficit, improve macroeconomic management and the overall management of the public funds by moving towards a balanced budget and strengthen fiscal prudence. For these objectives power are assigned to RBI.