

# NISM V-A MUTUAL FUND QUESTION AND ANSWERS

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## QUESTIONS

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### Question no. 1

**Which of the following is/are correct regarding Real Estate Investment Trusts?**

- (i) These trusts are registered with SEBI and invest in commercial real estate projects.
- (ii) The minimum subscription amount in an initial offer shall be Rs. 2 lakh
- (iii) Both (i) and (ii) are correct
- (iv) Both (i) and (ii) are incorrect

### Question no. 2

**Complete the following sentence:**

**AMCs are required to invest seed capital of \_\_\_\_\_ percent of the amount raised subject to a maximum of Rs. \_\_\_\_\_ lakh in all the growth option of the mutual fund schemes (excluding close-ended schemes) through the lifetime of the scheme**

- (i) 1%, 50 Lakh
- (ii) 2%, 25 Lakh
- (iii) 5%, 50 Lakh
- (iv) None of the above

### Question no. 3

**The custodian has the custody of the investments in a scheme and a custodian is largely independent of**

- (i) Sponsors
- (ii) AMCs
- (iii) Trustees
- (iv) Both (i) and (ii)

### Question no. 4

**SEBI does not approve or disapprove Offer Documents, it gives its observations**

- (i) True
- (ii) False

**Question no. 5**

**A transaction charge is paid to distributors for investments of**

- (i)** Rs. 10,000 and over
- (ii)** Rs. 100000 and over
- (iii)** Rs. 50,000 and over
- (iv)** Rs. 20,000 and over

**Question no. 6:**

**As per the Finance Act 2018, "Health and Education Cess" will be levied at the rate of \_\_\_\_\_ on aggregate of base tax and surcharge.**

- (i)** 4%
- (ii)** 5%
- (iii)** 3%
- (iv)** 2%

**Question no. 7:**

**There is an exit load of \_\_\_\_\_ percent on redemption from the short-term debt fund up to three months.**

- (i)** 0.25%
- (ii)** 1.25%
- (iii)** 0.50%
- (iv)** None of the above

**Question no. 8:**

**Which of the following document must be read carefully in order to get details on risk factors before investing in Mutual Fund Units?**

- (i)** KIM
- (ii)** SAI
- (iii)** SID
- (iv)** None of the above

**Question no. 9:**

**A high fiscal deficit can have negative impact on interest levels and economic activity.**

- (i)** True
- (ii)** False

**Question no. 10:**

The cap on equity investment is \_\_\_\_\_ in active choice for private sector subscribers under NPS.

- (i) 75%
- (ii) 30%
- (iii) 40%
- (iv) 50%

**Question no. 11:**

According to the Certified Financial Planner – Board of Standards (USA), the last stage in financial planning is \_\_\_\_\_.

- (i) Analyse and Evaluate Client's Financial Status
- (ii) Establish and Define the Client-Planner Relationship
- (iii) Monitor the Financial Planning Recommendations
- (iv) Develop and Present Financial Planning Recommendations and/or Options

**Question no. 12:**

The asset allocation that is worked out for an investor based on risk profiling is called \_\_\_\_\_.

- (i) Tactical Asset Allocation
- (ii) Fixed Asset Allocation
- (iii) Flexible Asset Allocation
- (iv) Strategic Asset Allocation

**Question no. 13:**

The funds that combine features of both open-ended and close-ended schemes are called

- (i) Interval Funds
- (ii) Dual Funds
- (iii) Middle Funds
- (iv) Intermediary Funds

**Question no. 14:**

Day to day operations of mutual fund is handled by

- (i) Asset Management Company
- (ii) Sponsor
- (iii) Trustee
- (iv) None of the above

**Question no. 15:**

When the trustees / AMC make any change in the fundamental attributes of a scheme, Unit-holders are given the option to exit at the prevailing Net Asset Value. This exit window must be kept open for

- (i) 30 days
- (ii) 15 days
- (iii) 5 Days
- (iv) 10 Days

**Question no. 16:**

\_\_\_\_\_ is a category of funds that invest in a diverse mix of securities that cut across sectors and market capitalization

- (i) Equity-Mixed Funds
- (ii) Juxtaposed Funds
- (iii) Diversified equity fund
- (iv) None of the above

**Question no. 17:**

**Bonds / Debentures are generally issued for tenors beyond**

- (i) 1 week
- (ii) 180 days
- (iii) One year
- (iv) None of the above

**Question no. 18:**

**How many types of Pension Accounts are offered under National Pension System?**

- (i) 2
- (ii) 3
- (iii) 4
- (iv) More than 4

**Question no. 19:**

\_\_\_\_\_ are exchanged in low volumes and often have limited numbers of interested buyers and sellers, which can lead to volatile changes in price when a transaction does occur.

- (i) Thinly-traded securities
- (ii) Tightly-traded securities
- (iii) Densely-traded securities
- (iv) Slowly-traded securities

**Question . 20:**

**When money market instruments and debt securities with residual maturity of up to 60 days are not traded on a particular day, they shall be valued on**

- (i) Net Asset Value Basis
- (ii) Yield Matrix Basis
- (iii) Amortization Basis
- (iv) None of the above

ANSWERS:

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**Answer no. 1: (iii)**

Real Estate Investment Trusts (REIT) are trusts registered with SEBI that invest in commercial real estate assets. The REIT will raise funds through an initial offer and subsequently through follow-on offers, rights issue and institutional placements. The value of the assets owned or proposed to be owned by a REIT coming out with an initial offer will not be less than Rs. 500 crore and the minimum offer size will not be less than Rs.250 crore. The minimum subscription amount in an initial offer shall be Rs. 2 lakh. The units will be listed on the stock exchange.

**Answer no. 2: (i)**

**Answer no. 3: (iv)**

While the AMC manages the investments of the scheme, the assets of the scheme are held by the Custodian. Both operate under the overall control of the Trustees. It is also pertinent to note that the custodian has custody of the investments in a scheme. The custodian is largely independent of the sponsor and the AMC. This ensures structural protection of the scheme assets for the benefit of investors.

**Answer no. 4: (i)**

While SEBI does not approve or disapprove Offer Documents, it gives its observations. The mutual fund needs to incorporate these observations in the Offer Document that is offered in the market. Thus, the Offer Documents in the market are “vetted” by SEBI, though SEBI does not formally “approve” them.

**Answer no. 5: (i)**

A transaction charge is paid to distributors for investments of Rs. 10,000 and over. This does not apply to direct investments.

**Answer no. 6: (i)**

**Answer no. 7: (i)**

There is an exit load of 0.25 percent on redemption from the short-term debt fund up to three months from the date of allotment and no exit load thereafter.

**Answer no. 8: (iii)**

“Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment.

**Answer no. 9: (i)**

Government spending is generally positive for economic growth. But a high fiscal deficit can have negative impact on interest levels and economic activity. It translates into higher borrowings by the

government and pushes up the interest costs in the market. It also limits the ability of the government to provide fiscal impetus to the economy.

**Answer no. 10: (i)**

The cap on equity investment is 75 percent in active choice for private sector subscribers under NPS, with tapering off the equity allocation after attaining the age of 50 years by subscriber.

**Answer no. 11: (iii)**

**The steps in creating a comprehensive financial plan, as proposed by the Certified Financial Planner Board of Standards (USA) are as follows:**

- Establish and Define the Client-Planner Relationship
- Gather Client Data, Define Client Goals
- Analyse and Evaluate Client's Financial Status
- Develop and Present Financial Planning Recommendations and / or Options
- Implement the Financial Planning Recommendations
- Monitor the Financial Planning Recommendations

**Answer no. 12: (iv)**

Strategic Asset Allocation is the ideal that comes out of the risk profile of the individual, the return requirement to meet the goals and the investment horizon. Risk profiling is key to deciding on the strategic asset allocation.

**Answer no. 13: (i)**

Interval funds combine features of both open-ended and close-ended schemes. They are largely close-ended, but become open-ended at pre-specified intervals

**Answer no. 14: (i)**

Day to day operations of mutual fund is handled by the AMC. The sponsor or, the trustees if so authorized by the trust deed, shall appoint the AMC with the approval of SEBI.

**Answer no. 15: (i)**

Unit-holders are given the option to exit at the prevailing Net Asset Value, without any exit load. This exit window has to be open for at least 30 days.

**Answer no. 16: (iii)**

Diversified equity fund is a category of funds that invest in a diverse mix of securities that cut across sectors and market capitalization. The risk of the fund's performance being significantly affected by the poor performance of one sector or segment is low

**Answer no. 17: (iii)**

Bonds / Debentures are generally issued for tenors beyond a year

**Answer no. 18: (i)**

Pension Funds Regulatory and Development Authority (PFRDA) is the regulator for the National Pension System. Two kinds of pension accounts are offered: Tie I and Tier II

**Answer no. 19: (i)**

A thinly-traded security is one where the volume and value traded in a month is less than that specified. A debt instrument (other than government security) is considered thinly traded if on the valuation date there is no individual trade in the security in the market lots on the principle stock exchange.

**Answer no. 20: (iii)**

When money market instruments and debt securities with residual maturity of up to 60 days are not traded on a particular day, they shall be valued on amortization basis. If the residual maturity is more than 60 days, then in the event they are not traded they shall be valued on the basis of a yield matrix obtained from agencies entrusted to do so by AMFI.

