

PRACTICE QUESTIONS

MUTUAL FUNDS : A BEGINNERS' MODULE

- Q:1 For anybody to start a mutual fund, relevant experience in financial services is mandatory [2 Marks]
- (a) TRUE
(b) FALSE
- Q:2 Mutual Funds in India follow a 3-tier structure [2 Marks]
- (a) TRUE
(b) FALSE
- Q:3 The sponsor registers the mutual fund with SEBI after forming the trust [2 Marks]
- (a) FALSE
(b) TRUE
- Q:4. Trustees manage investor's money [2 Marks]
- (a) TRUE
(b) FALSE
- Q:5 Fund managers of closed ended schemes are not allowed to churn portfolios as frequently as open end schemes [2 Marks]
- (a) TRUE
(b) FALSE
- Q:6 Only the physical securities are held by the Custodian. [2 Marks]
- (a) TRUE
(b) FALSE
- Q:7 The AMC cannot act as a Trustee for some other Mutual Fund.[2 Marks]
- (a) TRUE
(b) FALSE

Q:8 Offer Document is not a legal document [2 Marks]

- (a) TRUE
- (b) FALSE

Q:9 A scheme has 50 cr units issued with a face value of Rs. 10. Its NAV is Rs. 12.36. Its AUM in Rs. Cr is (Entry Load 2%) [2 Marks]

- (a) 500
- (b) 618
- (c) 630.36
- (d) Insufficient Information

Q:10 Entry load is highest for Liquid schemes [2 Marks]

- (a) TRUE
- (b) FALSE

Q:11 Tracking error in index funds is only due to entry loads [2 Marks]

- (a) TRUE
- (b) FALSE

Q:12 Scheme A has 2.5% entry load, Scheme B has none. No scheme has an exit load. How much more annual returns will be A have to deliver to match B's performance if B delivers 12% annual returns [2 Marks]

- (a) 2.5%
- (b) 12%
- (c) 14.87%
- (d) 2.87%

Q:13 Investors are mutual, beneficial and proportional owners of the scheme's assets. [2 Marks]

- (a) TRUE
- (b) FALSE

Q:14 Investors have a right to be informed about changes in the fundamental attributes of a scheme. [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 15 NAV of a scheme without entry load will rise more than NAV of a scheme with an entry load [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 16 A scheme with lower NAV is always better than a scheme with higher NAV [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 17 Index Funds invest in stocks comprising indices [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 18 If a scheme has 45 cr units issued and has a FV of Rs. 10 and NAV is at 11.13, unit capital (Rs. Cr) would be equal to [2 Marks]

- (a) 500.85
- (b) 50.85
- (c) 950.85
- (d) 450

Q: 19 If a scheme issues more units, its NAV will [2 Marks]

- (a) Have no impact
- (b) Fall
- (c) Rise
- (d) Can't say

Q: 20 Redemption of units translates into higher NAV [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 21 Offer Document has to be provided by the advisor along with the application form [2 Marks]

- (a) TRUE
- (b) FALSE

Q:22 A fund fact sheet is published by mutual funds [2 Marks]

- (a) TRUE
- (b) FALSE

Q:23 Fund fact sheet gives comparison of performance of each scheme with its benchmark [2 Marks]

- (a) TRUE
- (b) FALSE

Q:24 Expense Ratio = Expenses/ Average Weekly Net Assets [2 Marks]

- (a) TRUE
- (b) FALSE

Q:25 Among equity funds, risk is highest for index funds [2 Marks]

- (a) TRUE
- (b) FALSE

Q:26 Expense Ratio for a fund should be as low as possible [2 Marks]

- (a) TRUE
- (b) FALSE

Q:27 Expense Ratio will increase if investors start redeeming [2 Marks]

- (a) TRUE
- (b) FALSE

Q:28 A scheme has average weekly net assets of Rs. 324 cr and has annual expenses of Rs. 3.24 cr, its expense ratio is [2 Marks]

- (a) 1%
- (b) 10%
- (c) Can't say
- (d) Insufficient information

Q: 29 For a scheme to be defined as equity fund, it must have minimum [2 Marks]

- (a) 65% in Indian equities
- (b) 65% in equities
- (c) 51% Indian equities
- (d) 35% in Indian equities

Q: 30 Long term capital gains will not be charged for international funds with 100% investment in foreign equities as compared to a fund investing only in Indian companies [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 31 If YTM increases [2 Marks]

- (a) Future Value of Cash Flows goes down
- (b) Present Value of Cash Flows goes up
- (c) Present Value of Cash Flows goes down
- (d) Future Value of Cash Flows goes up

Q: 32 Gains made from Equity funds are not liable for long term capital gains tax [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 33 A 100% international equity fund is similar to a debt fund from taxation viewpoint [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 34 SWP stands for [2 Marks]

- (a) Systematic Whining Pain
- (b) Systematic Whining Plan
- (c) Systematic Withdrawal Plan

Q: 35 Growth option is for those investors who are looking for capital appreciation. [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 36 In case of Dividend Reinvestment option, the investor chooses to reinvest the dividend in the scheme. [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 37 Equity Mutual fund investors have to bear Securities Transaction Tax (STT) [2 Marks]

- (a) TRUE
- (b) FALSE

Q: 38 SEBI stands for [2 Marks]

- (a) Securities & Exchange Board Institute
- (b) Securities & Exchanges Board of India
- (c) Securities & Exchange Board of India
- (d) Securities & Exchanges Board of Institute

Q: 39 Money Markets refers to that part of the debt market where the maturity is [2 Marks]

- (a) less than 1 year
- (b) less than 1 month
- (c) less than 6 months
- (d) more than 1 year

Q: 40 Long term capital gains will not be charged for international funds with minimum 65% in Indian equities. [2 Marks]

- (a) FALSE
- (b) TRUE

NOTE : THIS IS A SAMPLE TEST. THE ACTUAL TEST WILL CONTAIN 50 QUESTIONS.

Answers :

1	(a)	21	(b)
2	(a)	22	(a)
3	(b)	23	(a)
4	(b)	24	(a)
5	(b)	25	(b)
6	(a)	26	(a)
7	(a)	27	(a)
8	(b)	28	(a)
9	(b)	29	(a)
10	(b)	30	(b)
11	(b)	31	(c)
12	(d)	32	(a)
13	(a)	33	(a)
14	(a)	34	(c)
15	(b)	35	(a)
16	(b)	36	(a)
17	(a)	37	(a)
18	(d)	38	(c)
19	(a)	39	(a)
20	(b)	40	(b)