

**Q.1) Which of the following is not a Money Market instrument?**

- a) Treasury Bills
- b) Repurchase Agreements
- c) Shares of a Company
- d) Certificate of Deposit

**Q.1) Solution (c)**

Money Market is a place for short term lending and Borrowing normally within a year but terms of upto three years are not uncommon. It deals in short term debt financing and investments. Investment in money market is done throughout money market instruments. Money market instrument meets short term necessities of the borrowers and provides liquidity to the lenders. Money Market Instruments are as follows:

- 1) Treasury Bills (T-Bills)
- 2) Repurchase Agreements
- 3) Commercial Papers
- 4) Certificate of Deposit
- 5) Banker's Acceptance

Shares of a company are bought and sold in the capital markets which are instruments of long term capital.

**Q.2) Consider the following statements with reference to the Capital Markets**

- 1. Capital Markets consists of long term borrowing and lending through bonds only
- 2. Secondary markets in India are regulated by the RBI

**Which of the above statements is/are incorrect?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.2) Solution (c)**

Capital markets consists of financial instruments that deal with raising the capital for long term, typically greater than 3 years. Capital is raised both through equity (sales of shares) as

well as by debt (sale of bonds and debentures). capital markets comprise of Primary markets, secondary markets and long term finance institutions. Primary and secondary markets are regulated by SEBI and not RBI

**Q.3) Consider the following statements with reference to the Demutualization of the Stock exchanges**

1. Demutualization means the separation of the ownership from the management in the day to day running of business
2. The Stock Exchanges that are association of persons are to be converted into a for-profit company

**Which of the above statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.3) Solution (c)**

Demutualization of Stock exchanges means Changing mutually owned companies into for-profit company by issuing shares. This is done to separate the ownership of the company from the management of the company

The Stock Exchanges that are association of persons shall be converted into a for-profit company limited by shares. The Exchanges that are companies limited by guarantee shall be re-registered as companies limited by shares. The ownership and management rights and trading rights associated with membership cards shall be segregated. It shall not be necessary for a shareholder to be a trading member and vice versa. The membership cardholders shall become initial shareholders of the Exchange which shall ensure that at least 51% of its equity shares are held by public other than shareholders having trading rights within 12 months. No shareholder, who is a trading member, shall have voting rights (taken together with voting rights held by him and by persons acting in concert with him) exceeding specified percentage of the voting rights in the Exchange.

**Q.4) Consider the following statements with reference to SEBI**

1. It regulates the trading of Shares in the Stock exchanges
2. It regulates the trading of Agricultural Commodities in Commodity exchanges

**Which of the following statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.4) Solution (c)**

The primary function of SEBI is regulating the stock markets in India. Until sep 2015, the SEBI was only regulator of the stock markets and the regulation of trade in Agricultural products was carried out by Forward Markets Commission. On 28 September 2015 the FMC was merged with the Securities and Exchange Board of India (SEBI). So, now, SEBI is the regulator of both the sectors.

**Q.5) Consider the following statements with reference to the Foreign Direct Investment**

1. FDI inflows are highly volatile as the capital can leave the country overnight
2. FDI is preferable over debt financing as it does not create interest obligations

**Which of the following statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.5) Solution (b)**

FDI is more stable and less volatile in nature, in contrast the Foreign Portfolio Investments are highly volatile in nature. They are also called the Hot Money, as they can leave India overnight to invest in other markets.

FDI being more stable in nature involves investments with long term profits in mind. They generate profits by locally producing the goods and services, as such are more preferable over the Debt financing as it creates interest obligations even when the business is not running well.

**Q.6) Consider the following statements about Foreign Portfolio Investment (FPI)**

1. Returns in FPI are in the form of dividends and interest payments
2. Investment through FPI does not entail control of the management of the company
3. FPI is the passive holding of securities and other financial assets by a foreign firm

**Which of the following statements is/are correct?**

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All of the above

**Q.6) Solution (d)**

Foreign portfolio investment (FPI) is defined as an investment by individuals, firms, or a public body in foreign financial instruments, such as foreign stocks, government bonds, etc. In FPI, the equity stake in the foreign business entity is not significant enough to exert any management control.

Thus, FPI is the passive holding of securities and other financial assets by a foreign firm, which does not entail management control of the issuing firm. The returns in the case of FPI are generally in the form of non-voting dividends or interest payments.

**Q7) Consider the following statements with reference to the Start-up India Fund**

1. It will provide early stage seed capital to the startups
2. RBI is the custodian of the Start-up India Fund

**Which of the following statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.7) Solution (a)**

Start-up India Fund is a "Fund of Funds for Startups" (FFS) at Small Industries Development Bank of India (SIDBI) for contribution to various Alternative Investment Funds (AIF), registered with Securities and Exchange Board of India (SEBI) which would extend funding support to Startups.

The fund does not directly provide finance to the startups, rather it distributes the corpus among various registered Venture capital funds that will in turn provide the funding to the startups. This would encompass support at seed stage, early stage and growth stage.

The corpus of FFS is Rs.10,000 crore which shall be built up over the 14th and 15th Finance Commission cycles subject to progress of the scheme and availability of funds. An amount of Rs.500 crore has already been provided to the corpus of FFS in 2015-16 and Rs.600 crore earmarked in the 2016-17.

**Q.8) Consider the following statements with reference to the Venture capitalists (VCs)**

1. They invest money collected from a pool of investors
2. They provide the seed capital to start a business
3. Investment by VCs can be either as debt or as equity

**Which of the following statements is/are correct?**

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

**Q.8) Solution (c)**

Venture capitalists are the mostly the Limited Liability Partnership firms/funds, which raises fund from different investors. As against Angel investment where the decision of investment rests with the individual, a Fund/ Portfolio Manager in Venture Capital firms is the one who hunts for promising deals to get the best returns for their investor's money.

VCs have fund/ portfolio managers to manage their investment portfolio. They have a dedicated and skilled team, which looks out for promising opportunities, and get the deal closed.

Venture Capitals generally invests in Growth stage (Series A) and forward, when the company has some proven numbers. As compared to angels they are less risk takers.

VC's investment can be either as equity or loan or a mix of both. If it is done by equity they demand a seat in the Board of the company.

**Q.9) Consider the following statements with reference to Initial public offering (IPO)**

1. IPO is the process through which the shares are sold to the public for the first time
2. Once the shares are purchased by the general public they can be sold in the Stock Exchanges

**Which of the following statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.9) Solution (c)**

An initial public offering, or IPO, is the very first sale of stock issued by a company to the public. Prior to an IPO the company is considered private, with a relatively small number of shareholders made up primarily of early investors. The public, on the other hand, consists of everybody else – any individual or institutional investor who wasn't involved in the early days of the company and who is interested in buying shares of the company.

After the conclusion of IPO, the stocks are listed on the stock exchanges and the people can buy and sell the shares that they are holding.

**Q.10) Consider the following statements with reference to Indian Depository Receipts (IDRs)**

1. IDRs are used by the Indian companies to raise capital overseas
2. It is a derivative instrument with the shares of the issuing company as the underlying asset

**Which of the following statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2

d) Neither 1 nor 2

**Q.10) Solution (b)**

A foreign company can access Indian securities market for raising funds through issue of Indian Depository Receipts (IDRs). An IDR is an instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

**Q.11) Consider the following statements with reference to P-notes**

1. P-notes provide foreign investors an opportunity to invest in Indian stock markets
2. Since the identity of the investor is not revealed, it can be used for Money laundering

**Which of the following statements is/are incorrect?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.11) Solution (d)**

Participatory Notes commonly known as P-Notes or PNs are instruments issued by registered foreign institutional investors (FII) to overseas investors, who wish to invest in the Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India - SEBI. Any dividends or capital gains collected from the underlying securities go back to the investors.

The shares of the Indian companies are the underlying assets based on which P-notes are created, hence they are derivative instruments.

**Q.12) Consider the following statements with reference to “Rights Issue”**

1. In rights issue, the existing shareholders are given the first right to additional shares
2. In rights issue, the existing shareholders are issued additional shares for free

Which of the following statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.12) Solution (a)**

A rights offering (issue) is an issue of rights to a company's existing shareholders that entitles them to buy additional shares directly from the company in proportion to their existing holdings, within a fixed time period. In a rights offering, the subscription price at which each share may be purchased is generally at a discount to the current market price. Rights are often transferable, allowing the holder to sell them on the open market.

If the new shares are offered free of cost, then it becomes a bonus issue.

**Q.13) Consider the following statements about Offer For Sale (OFS) issue**

1. The primary aim of OFS is to raise additional capital to run an enterprise
2. The primary aim of OFS is to dilute the shareholding of the promoters

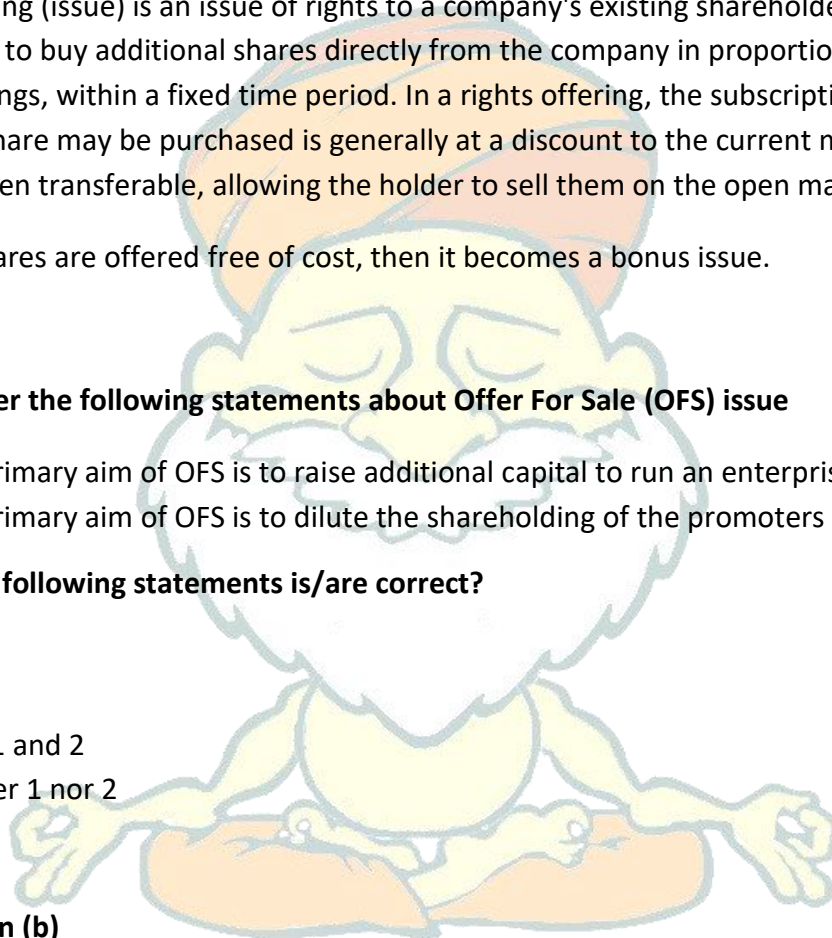
Which of the following statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.13) Solution (b)**

Unlike a follow-on public offering (FPO), where companies can raise funds by issuing fresh shares or promoters can sell their existing stakes, or both, the OFS mechanism is used only when existing shares are put on the block. Only promoters or shareholders holding more than 10 per cent of the share capital in a company can come up with such an issue.

It makes it easier for promoters of publicly-traded companies to cut their holdings and comply with the minimum public shareholding norms by June 2013. The method was largely adopted by listed companies, both state-run and private, to adhere to the Sebi order. Later,





the government started using this route to divest its shareholding in public sector enterprises

**Q.14) Consider the following statements with reference to Preference Shares**

1. Preference Shares are a combination of both debt and equity
2. Preference shareholders have preference over the common stock holders in case of winding up of business

**Which of the following statements is/are correct?**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.14) Solution (c)**

Preference shares, more commonly referred to as preferred stock, are shares of a company's stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, the shareholders with preferred stock are entitled to be paid from company assets first. Most preference shares have a fixed dividend, while common stocks generally do not. Preferred stock shareholders also typically do not hold any voting rights, but common shareholders usually do.

Preference shares have the characteristics of both equity shares and debentures. Like equity shares, dividend on preference shares is payable only when there are profits and at the discretion of the Board of Directors

**Q.15) Recently the NITI Ayog has suggested Strategic Sale of nearly 22 PSUs, in this context consider the following statements with reference to Strategic Sale of PSUs**

1. In Strategic Sale the government retains the Majority ownership of the company
2. In Strategic Sale the government's stake is sold to the highest bidder

**Which of the following statements is/are correct?**

1. 1 only
2. 2 only

3. Both 1 and 2
4. Neither 1 nor 2

**Q.15) Solution (b)**

According to the Department of Disinvestment, in the strategic sale of a company, the transaction has two elements: Transfer of a block of shares to a Strategic Partner and Transfer of management control to the Strategic Partner.

Strategic sale takes place when more than 51% of shares go to the private sector strategic partner. This means the effective ownership of the company rests with the private partner. According to the strategic sale guidelines in India, the Strategic Partner, after the transaction, may hold less percentage of shares than the Government but the control of management would be with him.

**Q.16) Consider the following statements about Capital Gains**

1. Capital gains tax can be defined as a source of custom and excise revenue
2. In case of Shares and equity mutual funds holding period of 36 months or more qualifies as 'long-term capital gain'

**Select the correct statements**

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.16) Solution (d)**

Any profit from the sale of a capital asset is deemed as 'capital gains'. A capital asset is officially defined as any kind of property held by an assessee, excluding goods held as stock-in-trade, agricultural land and personal effects.

Normally if an asset is held for less than 36 months, any gain arising from selling it is treated as a short-term capital gain (STCG) and taxed in your hands. This becomes a 'long-term' capital gain (LTCG) if the asset is held for 36 months or more. Shares and equity mutual funds alone enjoy a special dispensation on capital gains tax. In their case, a holding period of 12 months or more qualifies as 'long-term'.



Current tax laws state LTCG arising on the sale of listed equity shares or equity oriented mutual funds are exempt from tax if you have paid Securities Transaction Tax (STT) on the sale transaction. STCG from such shares and funds is also taxable at a flat 15 per cent (plus surcharge and cess). The short-term capital loss from financial assets can be set off against any other capital gain.

Capital Gains Tax – IT and not customs and excise.

**Q.17) \_\_\_\_\_ is the only Indian destination that features in The Association of British Travel Agents (ABTA) '12 Destinations to Watch for this year'.**

- a) Kerala
- b) Sikkim
- c) Meghalaya
- d) Rajasthan

**Q.17) Solution (a)**

Source: <http://indiatoday.intoday.in/story/kerala-destination-india-abta-tourism-travel-liftr/1/848311.html>

**Q.18) Consider the following statements about Socio Economic and Caste Census 2011 (SECC 2011)**

1. It was the first-ever caste-based census since 1931 Census of India
2. Beneficiaries for Pradhan Mantri Awas Yojana – Gramin (PMAY – Rural) will be chosen according to data taken from the SECC 2011

**Select the correct statements**

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.18) Solution (c)**

The rural development ministry has taken a decision to use the SECC data in all its programmes such as MGNREGA, National Food Security Act, and the Deen Dayal Upadhyaya Grameen Kaushalya Yojana. SECC 2011 was the first-ever caste-based census since 1931 Census of India.

The government is embracing a more scientific way to implement social welfare programmes in a move to better combat poverty by weeding out underserving beneficiaries.

It will adopt the Socio-Economic and Caste Census (SECC) instead of the poverty line-based method to identify recipients for its pro-poor schemes. The SECC 2011 ranks households based on their socio-economic status to enable state governments to prepare a list of families living below the poverty line. It also makes available information regarding the socio-economic condition and education status of various castes and sections of the population.

The Ministry of Rural Development will start using SECC 2011 data this year for its National Social Assistance Programme to pay pension to rural poor and National Rural Livelihood Mission. Both schemes use BPL data to estimate the number of the poor. "BPL data tells us how many are poor and SECC who are those poor... it is a more targeted and scientific approach in ensuring the right person gets the benefit

**Pradhan Mantri Awas Yojana Gramin** - <http://www.pmawasyojana.co.in/gramin/>

**Q.19) Consider the following statements about Financial Stability and Development Council (FSDC)**

1. It is chaired by Governor of Reserve Bank of India
2. A sub-committee of FSDC is under the chairmanship of Finance Minister of India
3. Members of FSDC include the heads of PFRDA, SEBI and IRDA

**Select the *incorrect* statements**

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

**Q.19) Solution (a)**

The Central Government had established Financial Stability and Development Council (FSDC) in December 2010 with the Finance Minister as its Chairman. The idea to create it was first mooted by the Raghuram Rajan Committee on Financial Sector Reforms in 2008. It is a super regulatory body for regulating financial sector which is a vital for bringing healthy and efficient financial system in the economy.

The FSDC envisages to strengthen and institutionalise mechanism of

- maintaining financial stability
- Financial sector development
- inter-regulatory coordination along with monitoring macro-prudential regulation of economy

The Chairman of the FSDC is the Finance Minister of India and its members include the heads of the financial sector regulatory authorities.

A sub-committee of FSDC has also been set up under the chairmanship of Governor RBI. The Sub-Committee discusses and decides on a range of issues relating to financial sector development and stability including substantive issues relating to inter-regulatory coordination.

As a result of the deliberations of the Sub-Committee of the FSDC held on August 16, 2011, two Technical Groups were set up – a Technical Group on Financial Inclusion and Financial Literacy and an Inter Regulatory Technical Group.

**Q.20) Consider the following statements about Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**

1. It enables NRIs and overseas scientific community to participate and contribute to R&D in India
2. It will be implemented through the National Skill Development Corporation (NSDC)

**Select the correct statements**

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

**Q.20) Solution (b)**

It is a skill development program targeted at Indian youth seeking overseas employment to make India the Skill Capital of the World. It was launched after inauguration of 14th Pravasi Bhartiya Divas convention at India's IT hub Bengaluru, Karnataka.

PKVY will provide training and certify Indians who are seeking overseas employment in selected sectors that have high demand in the global labour market in line with international standards. It will be implemented by the National Skill Development Corporation (NSDC) through its training partners and in consultation with the Union Ministry of External Affairs and the Union Skill Development Ministry. It also aims at boosting the confidence of the Indian youth so that they don't feel like strangers when they land in a country of their choice for vocation. For this purpose, NSDC will leverage various MoUs it signed between 2011 and 2015 with different agencies of Germany, Canada, Australia, Singapore, UK, US, European Union, France, Iran and China.

Source: [http://www.business-standard.com/article/news-ani/pm-to-launch-pravasi-kaushal-vikas-yojana-for-indians-seeking-overseas-employment-117010800581\\_1.html](http://www.business-standard.com/article/news-ani/pm-to-launch-pravasi-kaushal-vikas-yojana-for-indians-seeking-overseas-employment-117010800581_1.html)

**Q.21) Consider the following statements about The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS)**

1. It was launched to make available collateral-free credit to the micro and small enterprise sector
2. Only the new enterprises are eligible to be covered under the scheme
3. The Ministry of Micro, Small and Medium Enterprises, and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises

**Which of the following statements is/are correct?**

- a) 1 and 2
- b) 1 and 3
- c) 2 and 3
- d) All of the above

**Q.21) Solution (b)**

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS) was launched by the Government of India (GoI) to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, GoI and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises.

Source: <http://www.thehindu.com/todays-paper/tp-business/Cabinet-boosts-corpus-for-small-enterprises/article17057511.ece>

**Q.22) Agenda 2063 is concerned with**

- a) Sustainable Development Goals
- b) African Union
- c) World Fare Trade Organization
- d) None of the above

**Q.22) Solution (b)**

Agenda 2063 is both a Vision and an Action Plan. It is a call for action to all segments of African society to work together to build a prosperous and united Africa based on shared values and a common destiny.

Source: <http://www.thehindu.com/todays-paper/tp-opinion/Reaching-out-to-Africa/article17020813.ece>

**Q.23) Consider the following statements about Lean Manufacturing Competitiveness Scheme**

1. It is a component of National Manufacturing Competitiveness Programme (NMCP)
2. It is basically an initiative to reduce "waste" in manufacturing
3. National Productivity Council (NPC) was selected as National Monitoring and Implementing Unit (NMIU) for facilitating implementation and monitoring of the Scheme

**Which of the following statements is/are correct?**

- a) 1 and 2
- b) 2 and 3
- c) 1, 2 and 3
- d) 1 and 3

**Q.23) Solution (c)**

The objectives of the Scheme are to enhance the manufacturing competitiveness of MSMEs through the application of various Lean Manufacturing (LM) techniques by;

- Reducing waste;
- Increasing productivity;
- Introducing innovative practices for improving overall competitiveness;
- Inculcating good management systems; and
- Imbibing a culture of continuous improvement.

The Lean Manufacturing Competitiveness Scheme was started as a pilot phase in 2009 for 100 Mini Clusters (10 or so manufacturing MSME units) in 11th Five Year Plan. National Productivity Council (NPC) was selected as National Monitoring and Implementing Unit (NMIU) for facilitating implementation and monitoring of the Scheme.

The Scheme was up-scaled in September, 2013 considering the recommendations of the evaluation report conducted by Quality Council of India (QCI).

Source: [http://www.business-standard.com/article/government-press-release/interaction-with-beneficiaries-of-up-scaled-revised-2013-lean-manufacturing-competitiveness-117012001291\\_1.html](http://www.business-standard.com/article/government-press-release/interaction-with-beneficiaries-of-up-scaled-revised-2013-lean-manufacturing-competitiveness-117012001291_1.html)

**Q.24) 'Mission 41K' and 'Mission Raftaar' is concerned with**

- a) Ministry of Road Transport and Highways
- b) Ministry of Power
- c) Ministry of Railways
- d) Both (a) and (c)

**Q.24) Solution (c)**

**Mission 41K** - A plan that would save Rs 41,000 crore over 10 years through an integrated energy management system



In this initiative, railways will electrify 24,000 km of rail tracks over the next five years by doubling the annual rate of electrification from 2,000 km to 4,000 km in the next two years.

**Mission Raftaar** - Raise average speed of both passenger carrying trains and freight carrying trains

**Source:** [http://www.business-standard.com/article/economy-policy/suresh-prabhu-unveils-mission-41k-energy-plan-for-railways-117011800230\\_1.html](http://www.business-standard.com/article/economy-policy/suresh-prabhu-unveils-mission-41k-energy-plan-for-railways-117011800230_1.html)

**Q.25) Consider the following statements about Transports Internationaux Routiers (TIR)**

1. It is the only global customs transit system that provides easy and smooth movement of goods across borders in sealed compartments or containers under customs control from the customs office of departure to the customs office of destination
2. All members of INSTC are signatories to TIR Convention 1975
3. The conventions were adopted under the auspices of the United Nations Economic Commission for Europe (UNECE)

**Which of the following statements is/are correct?**

- a) 1 and 2
- b) 1 and 3
- c) 2 and 3
- d) All of the above

**Q.25) Solution (b)**

India is gearing up to sign the Transports Internationaux Routiers (TIR), or the customs convention on the international transport of goods.

TIR is the only global customs transit system that provides easy and smooth movement of goods across borders in sealed compartments or containers under customs control from the customs office of departure to the customs office of destination.

It plays an important role in boosting regional connectivity and facilitating cross-border trade flows

Since all members of INSTC, except India and Oman, are already signatories to TIR Convention 1975, custom issues and common documentation issues could be quickly resolved if India signs the convention and aligns its system with it.

The TIR system operates with certain parameters – secure vehicles or container, international guarantee chain, TIR carnet, reciprocal recognition of customs controls, controlled access and TIR IT risk management tools.

These elements guarantee that goods travel across borders with minimum interference en route and at the same time provide maximum safeguards to customs administration.

The TIR system has a globally accepted electronic control system for integrated transit operations.

The conventions were adopted under the auspices of the United Nations Economic Commission for Europe (UNECE)

Source: <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-gears-up-to-ink-pact-for-global-customs-transit-system/articleshow/56578293.cms>

