

FY.BAF SEM II Question Bank
Innovative Financial Services (IFS)

SR NO	Unit no.	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	Answer
1	I	The bills should have maximum of ____ days.	30	60	90	180	90
2	I	Bill Discounting is governed by the ____	Indian Contract Act, 1872	Sale of Goods Act, 1930	Bill Discounting Act, 1956	Negotiable Instrument Act, 1881	Negotiable Instrument Act, 1881
3	I	The ____ introduced a new bill market scheme in November 1970.	SEBI	SBI	RBI	Central Bank of India	RBI
4	I	A ____ bill discounting means that the investor discounts the purchase bill of the company and pays the company, who in turn pay their supplier.	Purchase	Sales	Export	Import	Purchase
5	I	A ____ bill discounting means that the investor discounts the sales bill of the company and pays directly to the company.	Purchase	Sales	Export	Import	Sales
6	I	In the ____ factoring, the factor does not make any advance payment to the client.	Maturity	Advance	Both (a) & (b)	None of (a) & (b)	Maturity
7	I	100% finance is provided in ____	Factoring	Forfaiting	Both (a) & (b)	None of (a) & (b)	Forfaiting
8	I	____ may be for financing a series of sales involving bulk trading.	Factoring	Forfaiting	Both (a) & (b)	None of (a) & (b)	Factoring
9	I	A ____ is defined as, "any person who is engaged in the business of issue management".	Factor	Manager	Merchant banker	Insurer	Merchant banker
10	I	Financial Services are ____	intangible	inseparable	variable	all of the above	all of the above
11	I	____ market facilitates the trading of foreign exchange.	Capital Market	Money Market	Commodity Market	Forex Market	Forex Market
12	I	____ refers to capital which is available for financing the new business ventures.	Borrowed Capital	Venture Capital	Fixed Capital	Share Capital	Venture Capital
13	I	____ is an apex housing finance institution in the country.	India Home loan Limited	HDFC Housing Finance	National Housing Rank	ICICI Home Finance	National Housing Rank
14	I	____ is the most comprehensive form of factoring combining the features of almost all the factoring services.	Recourse factoring	Non-recourse factoring	Advance factoring	Full factoring	Full factoring
15	I	Two factors are involved in ____ type of factoring.	Domestic factoring	International factoring	Advance factoring	Maturity factoring	International factoring
16	I	Under ____ service, the buyer gets ownership only after the payment of the last instalment.	Lease Financing	Hire Purchase	Factoring	Insurance	Hire Purchase
17	I	Bill discounting is a contingent liability for the ____.	Drawer	Drawee	Holder of the bill	Bank	Drawer
18	I	____ is an arrangement where a group of banks participate to provide funds for a single loan.	Bill Discounting	Lease financing	Securitisation of debt	Loan Syndication	Loan Syndication
19	I	Which of the following is not a fund based financial service?	Insurance Service	Mutual Fund	Portfolio management service	Underwriting	Portfolio management service
20	I	____ is defined as a process of transformation of illiquid asset into security-which may be traded later in the market.	Securitisation	Factoring	Forfaiting	Bill discounting	Securitisation
21	I	____ are in charge of the issue process in Issue management.	Merchant Bankers	Underwriters	Brokers to an Issue	Bankers to an Issue	Merchant Bankers
22	I	____ is a fund based financial service which provides resources to finance receivables as well as facilitates the collection of receivables.	Bill discounting	Securitisation	Underwriting	Factoring	Factoring
23	I	____ factoring provides the entire spectrum of services such as collection, credit protection, sales-ledges administration and short term finance.	Recourse	Full	Non-recourse	Advance	Full
24	I	The name of the factor is not disclosed in the ____ factoring although the factor maintains the sales ledger of the supplier.	disclosed	full	Undisclosed	advance	Undisclosed
25	I	____ is only financing of foreign trade.	Bank Loan	Securitisation	Factoring	Forfaiting	Forfaiting
26	I	____ requires letter of credit.	Factoring	Forfaiting	Both (a) & (b)	None of (a) & (b)	Forfaiting
27	I	100% finance is provided in ____	Factoring	Forfaiting	Both (a) & (b)	None of (a) & (b)	Forfaiting
28	I	____ factoring known as old-line factoring.	Recourse	Non-recourse	Advance	Maturity	Non-recourse
29	I	____ is known as collection factoring.	Maturity	Advance	Recourse	Confidential	Maturity
30	I	____ factoring is also known as drop shipment factoring.	Maturity	Supplier Guarantee	Confidential	Recourse	Supplier Guarantee
31	II	The Securities and Exchange Board of India (SEBI) was constituted in ____	1988	1990	1992	1987	1988
32	II	The issuing company is expected to pay brokerage within ____ months from the date of allotment.	1	2	3	4	2
33	II	The ____ also offer certain other specialized services such as advisory services on matters such as mergers and amalgamations.	Underwriters	Merchant Bankers	Brokers	Bankers	Merchant Bankers
34	II	A bankers to an issue is required to maintain books of accounts for a minimum period of ____ years.	1	2	3	4	3

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35	II	Where in order, the client places a limit on the price of the security; it is a case of ____.	Limited Order	Best Rate Order	Immediate Or Cancel Order	Stop Loss Order	Limited Order
36	II	An ____ order is one that has to be executed immediately and may have to be cancelled if the order is not executed immediately.	Limited	Open	Immediate Or Cancel	Stop Loss	Immediate Or Cancel
37	II	Where the client orders the broker to sell as the price reaches a particular level, it is a case of ____.	Limited	Open	Immediate Or Cancel	Stop Loss	Stop Loss
38	II	Under the ____ order, the client does not fix any price limit or time limit on the execution of the order and relies on the judgement of the broker.	Limited	Open	Immediate Or Cancel	Stop Loss	Open
39	II	Securitisation is the process of pooling and repackaging of homogenous ____ financial assets into marketable securities.	Liquid	Illiquid	Fixed	Current	Illiquid
40	II	Following services are provided by Merchant Bankers:	Project advisory	Factoring service	Loan syndication	Both (i) and (iii)	Both (i) and (iii)
41	II	In _____, the holder gets the right to sell an asset at the specified price and time.	Call Option	Put Option	In-the-money option	Out-of-the-money option	Put Option
42	II	In _____, the holder gets the right to buy an asset at the specified price and time.	Call Option	Put Option	In-the-money option	Out-of-the-money option	Call Option
43	II	_____ are also responsible for preparing the prospectus and marketing the issue.	Brokers to an Issue	Underwriters	Merchant Bankers	Bankers to an Issue	Merchant Bankers
44	II	_____ make a commitment to get the issue subscribed either by others or by themselves.	Brokers to an Issue	Underwriters	Merchant Bankers	Bankers to an Issue	Underwriters
45	II	_____ means an offer for sale of securities by any body corporate to public through a Merchant Banker.	Issue	Broking	Underwriting	Financing	Issue
46	II	The _____ are exposed to the risk of under subscription	Brokers to an Issue	Underwriters	Merchant Bankers	Bankers to an Issue	Underwriters
47	II	A ____ means any person not being a member of stock exchange who acts on behalf of a stock broker as an agent or otherwise for assisting the investors in buying, selling or dealing in securities through such stock brokers.	Sub-broker	Stock Broker	Clearing member	Underwriter	Sub-broker
48	II	_____ contracts are not normally traded on stock exchange.	Futures	Forwards	Options	Swaps	Forwards
49	II	A ____ is a contract between two parties which derives its value/ price from an underlying asset.	Sale	Hire Purchase	Derivative	Lease	Derivative
50	II	_____ are contracts that represent an agreement to buy or sell a set of assets at a specified time in the future for a specified amount.	Futures	Forwards	Options	Swaps	Futures
51	II	_____ may be defined as a contract between two parties whereby one party obtains the right, but not the obligation, to buy or sell a particular underlying security/asset for a specified price on or before a specified date.	Futures	Forwards	Options	Swaps	Options
52	II	The ____ settlement system is adopted in stock exchanges.	Flexible	Fixed	Alternate	Rolling	Rolling
53	II	_____ is the process of turning assets into securities.	Securitisation	Factoring	Forfaiting	Bill discounting	Securitisation
54	II	_____ is an entity which would buy the assets to be securitized from the originator.	Special Purpose Vehicle	Institutional Investor	Rating Agency	Bank	Special Purpose Vehicle
55	II	A ____ should be obtained from SEBI to act as a clearing member.	Letter of credit	Certificate of commencement	Certificate of Registration	Trade Agreement	Certificate of Registration
56	II	_____ is a certificate that is given to an investor against certain mortgaged-backed securities that lie with the issue.	Pass Through Certificate (PTC)	Certificate of Holding	Certificate of Registration	Trade Agreement	Pass Through Certificate (PTC)
57	II	A ____ swap is used to transform a loan in one currency into a loan in another currency.	Interest-rate	Forex	Currency	Call	Currency
58	II	A ____ swap can be used to transform a floating rate loan into a fixed rate loan or vice-versa.	Interest-rate	Forex	Currency	Call	Interest-rate
59	II	An option is said to be _____ if on exercising the option, it would produce a cash inflow for the buyer.	in-the-money	out-of-the-money	at-the-money	on-the-money	in-the-money
60	II	An option -holder will not exercise the option when it is _____.	in-the-money	out-of-the-money	at-the-money	on-the-money	out-of-the-money
61	II	An _____ is one in which the spot price of the underlying is equal to the strike price.	in-the-money	out-of-the-money	at-the-money	on-the-money	at-the-money
62	II	_____ options are options contracts that can be exercised at any time upto the expiration date.	Indian	American	Australian	European	American
63	II	_____ options are options contracts that can be exercised only on the expiration date.	Indian	American	Australian	European	European
64	III	According to the Accounting Standard on Leases _____, the classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.	9	19	10	1	19

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65	III	It is important to note that in the leasing contract, ownership of the asset is with the _____.	lessor	lessee	Both (a) & (b)	None of (a) & (b)	lessor
66	III	In a _____ lease, the lessor does not transfer all the risks and rewards incidental to the ownership of the asset.	Finance	Operating	Both (a) & (b)	None of (a) & (b)	operating
67	III	In a _____, the lessor transfer to the lessee substantially all the risks and rewards incidental to the ownership of the asset.	Finance Lease	Operating lease	Both (a) & (b)	None of (a) & (b)	Finance Lease
68	III	The setting up of the National Housing Bank (NHB), a fully owned subsidiary of the Reserve Bank of India in _____, as the apex institution marked the beginning of emergence of housing finance as a fund based financial services in India.	1988	1987	1989	1990	1988
69	III	The NHB, which is wholly-owned subsidiary of the _____.	Bank of India	State bank of India	Reserve Bank of India	HDFC	Reserve Bank of India
70	III	Pradhan Mantri Awaas Yojana was launched in _____ with an aim to provide affordable housing to urban poor.	July-2015	June-2015	June-2017	June-2018	June-2015
71	III	The Early Stage Financing of a venture capital includes _____.	Seed Capital / Pre-start ups	Start ups	Secound Round Finance	All of the above	All of the above
72	III	Features of Venture Capital includes _____.	High Risk	Illiquid investment	High Technology	All of the above	All of the above
73	III	The _____ is suitable for the buyers who need the asset for short period or are not sure of long term needs.	Hire purchase sytem	Leasing	Bank Loan	Venture capital	Hire purchase sytem
74	III	The growth in _____ finance is considered an important barometer measuring growth in an economy	hire purchase	lease	housing	Venture capital	housing
75	III	_____ as the regulator of HFCs, guides, monitors and inspects the activities of HFCs so that efforts are channelized in the right direction.	India Home loan Limited	HDFC Housing Finance	National Housing Rank	ICICI Home Finance	National Housing Rank
76	III	_____ refers to the financing of a start up company by typically high wealth investors who think the business has potential to grow substantially in the long run.	hire purchase	Leasing	housing finance	Venture capital	Venture capital
77	III	A _____ is an instutional investor who has an access to liquid funds and is willing to provide it to talented start ups and innovative enterprises	Venture Capitalist	Mutual Fund	Sponsor	LIC	Venture Capitalist
78	III	_____ stage is an 'applied research' phase in venture capital financing.	Second Round Financing	Seed Capital	Expansion	Development	Seed Capital
79	III	_____ is the stage when commercial manufacturing has to commence.	Start ups	Seed Capital	Expansion	Development	Start ups
80	III	_____ refers to the stage when product has already been launched in the market but has not earned enough profits to attract new investors.	Second Round Financing	Seed Capital	Expansion	Development	Second Round Financing
81	III	_____ refers to the financing of an enterprise which has overcome the highly risky stage and have recorded profits but cannot go public, thus needs financial support.	Replacement Capital	Expansion finance	Buy-Outs	Development Capital	Development Capital
82	III	_____ refers to the transfer of management control by creating a separate business by separating it from their existing owners.	Replacement Capital	Expansion finance	Buy-Outs	Development Capital	Buy-Outs
83	III	_____ refers to the financing for expansion either by growth implying bigger factory, large warehouse, new factories, new products, or new markets or through purchase of existing business.	Replacement Capital	Expansion finance	Buy-Outs	Development Capital	Expansion finance
84	III	_____ is an involuntary exit forced on the VCI as a result of a totally failed investment.	Liquidation	Buy-Outs	Reconstruction	Replacement Capital	Liquidation
85	III	_____ type of venture capital financing involves buying the control of a sick company which requires specialised skills in finance and management.	Liquidation	Buy-Outs	Turnaround	Replacement Capital	Turnaround
86	III	_____ type of venture capital financing involves providing funds for purchasing of existing shares of owners due to reasons such as personal need of finance, conflict in the family, or need for association with a well known name.	Liquidation	Buy-Outs	Turnaround	Replacement Capital	Replacement Capital
87	III	Venture capital investments are _____, and not subject to repayment on demand or following a repayment schedule.	Liquid	Illiquid	profitable	not profitable	Illiquid
88	III	In venture capital _____ involves inability of management teams to work together.	Management Risk	Market Risk	Product Risk	Operation Risk	Management Risk
89	III	In venture capital _____ refers to risk that product may fail in the market.	Management Risk	Market Risk	Product Risk	Operation Risk	Market Risk
90	III	In venture capital _____ refers to risk that product may not be commercially viable.	Management Risk	Market Risk	Product Risk	Operation Risk	Product Risk
91	III	In venture capital _____ refers to risk that operations may not be cost effective resulting in increased cost and decreased gross margins.	Management Risk	Market Risk	Product Risk	Operation Risk	Operation Risk
92	III	_____ is also called as capital lease.	Financial lease	Operating lease	Sale-lease	Hire Purchase	Financial lease
93	III	_____ is also called as service lease.	Financial lease	Operating lease	Sale-lease	Hire Purchase	Operating lease
94	III	_____ is a legal document outlining the terms which one party agree to rent.	Lease	Hire Purchase	Housing	stock	Lease

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95	III	Venture capital is a type of _____.	Equity	Debenture	Preference	Capital	Equity
96	III	Venture capital firms are like _____.	Sole trading	Partnership	Co-operative	Leadership	Partnership
97	IV	Methods of consumer credit scoring are _____.	Dunham Greenberg Formula	Specific Fixed Formula	Machinery Risk Formula	All of the above	All of the above
98	IV	An applicant scoring more than _____ points is considered as one with good credit standing.	30	50	70	100	70
99	IV	The effective rate of interest on consumer finance is generally _____ than the rate applicable to business finance.	lower	higher	same	very low	higher
100	IV	Dunham Greenberg Formula is not based on the customer's _____.	Employment record	income level	financial position	marital status	marital status
101	IV	Credit Card facility is an excellent example of _____.	cash credit	revolving credit	secured credit	term loan	revolving credit
102	IV	_____ credit is granted only to customers with good creditability.	Unsecured	Secured	Fixed	Short term	Unsecured
103	IV	The borrowers getting a score more than 3.5, is ranked as _____ under Specific Fixed Formula of Credit Score Method.	excellent borrower	marginal borrower	ordinary borrower	extra-ordinary borrower	excellent borrower
104	IV	_____ refers to the raising of finance by individuals for the acquisition of durable consumer goods.	Hire purchase	Equity finance	Venture capital	Consumer Finance	Consumer Finance
105	IV	_____ accept savings from and make loans to member individuals.	Co-operative Credit Societies	Banks	Insurance companies	Mutual Fund companies	Co-operative Credit Societies
106	IV	_____ facilitate credit purchases of consume goods through respective banks which issue the credit cards.	Banks	Credit Card companies	Departmental stores	Buyers	Credit Card companies
107	IV	Tata Motor Credit Company acts as credit source to car buyers at Tata dealership is an example of _____.	Hire purchase	Leasing	Sales Finance Companies	Credit sales	Sales Finance Companies
108	IV	_____ companies are the source of credit for certain policy holders who own policies which include a saving component.	Banking	Mutual fund	Venture capital	Life Insurance	Life Insurance
109	IV	_____ facility is an excellent example of revolving credit.	Credit Card	Bank Draft	Saving account	Forex	Credit Card
110	IV	Credit card help in providing _____ credit.	Fixed	Secured	Revolving	unsecured	Revolving
111	IV	_____ means an assessment made of an entity's ability and willingness to meet the financial obligations of interest and principal repayment of the concerned debt instrument on time.	Credit rating	Audit	Investigation	Due-diligence	Credit rating
112	IV	_____ is a process of evaluating risk associated with the credit instrument.	Auditing	Credit rating	Investigation	Due-diligence	Credit rating
113	IV	_____ is an isolated function of a credit risk evaluation.	Due-diligence	Risk management	credit rating	Asset classification	Credit rating
114	IV	_____ is useful in differentiating credit quality.	Amount of assets	Turnover	Type of business	Credit rating	Credit rating
115	IV	_____ is a privilege of credit card offered to the family members i.e spouse, parents or children above 18 years of age of the primary credit card holder	Add on card	Smart Card	Bonus points	Family points	Add on card
116	IV	_____ is used to estimate the worthiness of the credit for the company country or any individual company.	Type of business	Credit rating	Amount of assets	Turnover	Credit rating
117	IV	_____ allows its holder to buy goods and services based on the holder's promise to pay for these goods and services.	Equity share	Bonds	Debentures	Credit card	Credit card
118	IV	A _____ can be defined as standard size plastic token, with a magnetic stripe that holds a machine readable code.	Bonus card	Credit Card	Visiting card	QR code	Credit card
119	IV	A _____ is a plastic card issued by bank or financial institution that allows its user to borrow pre-approved funds at the point of sale in order to complete a purchase.	Debit Card	Visiting card	Bonus card	Credit Card	Credit card
120	IV	_____ are the payment card which provide the electronic access to the cardholder, to his bank account.	Debit Card	Visiting card	Bonus card	Credit Card	Debit Card
121	IV	When the _____ is swiped or used electronically, in case of E-commerce transactions, amount is debited immediately from the bank account.	Debit Card	Visiting card	Bonus card	Credit Card	Debit Card
122	IV	_____ cards can be used to withdraw cash from an ATM.	Debit Card	Credit Card	Both (a) & (b)	None of (a) & (b)	Both (a) & (b)
123	IV	_____ cards are used for storing digital cash and patient's medical records.	Debit Card	Credit Card	Smart card	Add-on card	Smart card
124	IV	_____ is a plastic card that contains a microprocessor that enables the holder to perform operations requiring data that is stored in the microprocessor.	Smart card	Debit Card	Credit Card	Add-on card	Smart card
125	IV	_____ is the type of debit card.	Visa debit card	Master debit card	RuPay debit card	All of the above	All of the above
126	IV	_____ smart cards consists of electrical contacts which connect to the card reader where the card is inserted.	Contact	Contactless	Memory	Microprocessor based	Contact
127	IV	_____ smart cards communicates with the reader without any physical contact.	Contact	Contactless	Memory	Microprocessor based	Contactless
128	IV	_____ smart cards consists of memory circuits which can store, read, and write data.	Contact	Contactless	Memory	Microprocessor based	Memory

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129	IV	_____ smart cards comprise of micro- processor embedded on the chip along with the memory blocks.	Contact	Contactless	Memory	Microprocessor based	Microprocessor based
130	IV	Instruments with the _____ rating are considered to have the highest degree of safety regarding timely servicing of financial obligations.	AAA	AA	A	BBB	AAA