

Financial Service

B.Com.

III Sem

MULTIPLE CHOICE QUESTIONS AND ANSWERS

1. The term ----- refers financial investment in a highly risky and growth oriented venture with the objective of earning a high rate of return.
(a) Venture capital (b) Merchant banking (c) Leasing (d) none of these.
2. ----- is a road towards a high growth economy.
(a) Venture capital (b) Merchant banking (c) Leasing (d) None of these.
3. ----- act as an intermediary to link up the sources of ideas and the sources of fund.
(a) Venture capital (b) Merchant banking (c) Leasing (d) None of these.
4. V C F s of specialized financial institution promoted by -----.
(a) Central government (b) RBI (c) state government (d) None of these.
5. I D B I , I F C I , I C I C I etc. are promoted by -----.
(a) V C F s of specialized financial institution (b) V C F s of commercial bank
(c) Private V C F s (d) None of these.
6. Write the example of V C F s of state financial institution.
(a) K S I D C (b) T D I C I (c) C V C F (d) None of these.
7. Which of the following is a V C F promoted by specialized financial institution.
(a) Indus venture capital fund (b) I L & F S Venture corporation Ltd.
(c) I D B I venture capital fund (d) None of these.
8. Off shore VCFs are promoted by ----- & financial institution.
(a) Foreign banks (b) Private banks (c) State banks (d) None of these.
9. High risk is an outstanding feature of -----.
(a) Mutual fund (b) venture capital (c) Debenture finance (d) govt. bonds.
10. ----- is needed for developing a product in the initial stages.
(a) Seed capital (b) Startup capital (c) Second round financing (d) None of these.

11. ----- capital is needed for product development and initial marketing.
 (a) seed capital (b) Startup capital (c) first round financing (d) None of these.
12. ----- provided at a stage when product has been launched in the market but has not earned enough profits to meet future capital needs.
 (a) first round financing (b) Second round financing (c) Startup capital (d) None of these.
13. ----- capital is provided for early manufacturing and marketing expense.
 (a) Startup capital (b) seed capital (c) first round financing (d) Second round financing
14. The additional finance provided by VCFs to overcome fledging stage is called -----.
 (a) Second round financing (b)) first round financing (c) seed capital (d) None of these.
15. ----- is known as Mezzanine capital.
 (a) Development financing (b) Expansion financing (c) Replacement finance (d) none of these.
16. ----- stage is called fledging stage.
 (a)) first round financing (b) Second round financing (c) Startup capital (d) None of these.
17. ----- stage of financing includes financing development, expansion, buyout etc.
 (a) Early stage financing (b) Later stage financing (c) first round financing (d) None of these.
18. ----- is known as bridge finance.
 (a) Development financing (b) Expansion financing (c) Replacement finance (d) none of these.
19. ----- refers to transfer of management control.
 (a) Bridging (b) Buyout (c) Buyin (d) None of these.
20. ----- refer to the process of acquiring an existing product line by the current operating management.
 (a) MBDs (b) MBIs (c) CVCF (d) None of these.
21. ----- means buying the control of a sick company.
 (a) Turn around (b) Buyout (c) Bridge (d) None of these.
22. Venture capital organized in -----.
 (a) 1995 (b) 1954 (c) 1952 (d) 1950.
23. Financing sick unit to make them profitable is called -----.
 (a) Turn around (b) Buyout (c) Bridge (d) None of these.
24. The purpose of valuation is to assess the ----- & viability of the venture & to decide of the percentage of the VCF ownership in the new venture.

(a) Profitability (b) Feasibility (c) Availability (d) None of these.

25. ----- is used to estimate the value of venture capital investment.

(a) Revenue multiplier (b) Dual structuring (c) first chieago method (d) None of these.

26. The purpose of valuation is to assess the profitability & ----- of the venture.

(a) Accessibility (b) Marketability (c) Viability (d) None of these.

27. ----- types of valuation method can be adopted by VCFs.

(a) 1 (b) 2 (c) 3 (d)4.

28. In ----- method the starting time & exit time of the venture investment is only considered.

(a) Conventional valuation method (b) First chieago method

(c) revenue multiplier method (d) None of these.

29. In the ----- method the entire earnings stream of the venture investment is considered.

(a) Conventional valuation method (b) First chieago method

(c) revenue multiplier method (d) None of these.

30. The ----- is used to estimate the annual revenue of the new company.

(a) Revenue multiplier factor (b) Expense multiplier factor

(c) Conventional multiplier factor (d) None of these.

31.----- is an interest free loan provided by VCFs without any predetermined repayment schedule.

(a) Conventional loan (b) Conditional loan

(c) Income notes (d) None of these.

32. ----- form of loan financing carries lower interest rates initially & increases when the assisted venture units become commercially operational.

(a) Conventional loan (b) Conditional loan (c) Income notes (d) None of these.

33. ----- are instruments which carry a lower interest rate plus a royalty on sales.

(a)Income notes (b) Debt instrument (c) Equity instrument (d) None of these.

34. ----- is a combination of conventional and conditional loans.

(a) Income notes (b) Debt instrument (c) Equity instrument (d) None of these.

35. The venture capital process involves post investment Services is also called -----.

(a) Investment nurturing (b) Turn around financing (c) Seed money (d) None of these.

36. ----- nurturing means the continuous & ongoing investment of the VCF through representation in the board of the venture.

(a) Hands on (b) Hands off (c) Hands holding (d) none of these.

37. In ----- nurturing the VCFs play only a passive role in the affairs of the venture.

(a) Hands on (b) Hands off (c) Hands holding (d) none of these

38. ----- is known as promoters buy back.

(a) Sale of shares to employees (b) sale of shares to public

(c) Sale of shares to friends & relatives (d) None of these.

39. ----- is a forced exit option results from a failed venture investment.

(a) Public issue (b) Liquidation (c) O TCEI route (d) None of these.

40. VCFs can be structured as an investment trust under the Indian act -----.

(a) 1882 (b) 1883 (c) 1884 (d) 1885.

41. ----- partner whose liability is unlimited.

(a) General (b) limited (c) Venture (d) None of these.

42. There are ----- VCFs registered with SEBI.

(a) 157 (b) 158 (c) 159 (d) 160.

43. IDBI venture capital fund was starts in -----.

(a) 1987 (b) 1988 (c) 1989 (d) 1990.

44. ----- was setup in 1989.

(a) VECAUS (b) ICICI venture (c) IDBI VCF (d) None of these.

45. The first nationalized bank in India to start a VCF -----.

(a) Canara bank (b) SBI (c) Bank of India (d) ICICI.

46. ----- of the venture capital fund created by government and operated through IDBI.

(a) TDICI (b) KSIDC (c) ICICI ventures (d) None of these.

47. ----- is the oldest private sector venture fund in India.

(a) IVML (b) TDICI (c) KSIDC (d) None of these.

48. SIDBI venture capital scheme started operation in -----.
- (a) 1992 (b)1993 (c)1994 (d)1995.
49. Software fund is the first dedicated fund for software industry setup in -----.
- (a) 1995 (b) 1996 (c)1997 (d) 1998.
50. ----- is established to provide mezzanine finance to mid-cap companies in the knowledge based sector.
- (a)ICICI IT fund (b) ICICI structured products fund
(c) ICICI global opportunity fund (d) None of these.
51. The first bank to set up a separate merchant banking division in India.
- (a) Punjab national bank (b) Standard chartered bank
(b) (c) National & Grin days bank (d) National city bank.
- 52.The first Indian commercial bank to set up a merchant banking division in 1972.
- (a) S B I (b) S B T (c) Bank of India.
- 53.Which of the following is not a fee-based financial service?
- (a) Corporate counseling (b) Lease financing (c) Profit management (d) Issue management.
- 54.Which of the following is not a fund based financial services.
- (a) Credit rating agencies (b) Venture capital (c) Consumer credit (d) Factoring.
- 55.All merchant bankers must have minimum net worth of -----.
- (a) 5crore (b) 1crore (c) 10crore (d) 20crore.
- 56.Find out odd one- Authorization criteria of merchant bankers.
- (a) All business performed (b) professional competence
(c)Capital adequacy (d) Past experience.
- 57.Financial intermediaries provide services on the basis of non-fund activities, also called -----.
- (a) Participating activity (b) Fee based activity
(c) Commission based activity (d) Salary based activity.
58. ----- covers the entire range of services provided by a merchant banker.
- (a) Project counseling (b) Corporate counseling (d) Credit syndication (d) Market makers.
59. Functions of financial services exclude -----.
- (a) Mobilization of savings (b) Allocation of fund

(c) Specialized services (d) Collection of tax.

60. Financial service companies exclude -----.

(a) Commercial banks (b) Insurance companies (c) Sole proprietorship (d) Crepitating agencies.

61. Specialized financial institution, are also known as -----.

(a) Leasing companies (b) U T I (c) N B F C s (d) Development bank.

62. Financial services offered financing risk project e.g. Risk capital scheme of I F C I venture capital fund of I D F I etc. to provide -----.

(a) Seed capital (b) Venture capital (c) Primary fund (d) secondary fund.

63. Identify odd one.

(a) C R I S I L (b) I C R A (c) C A R E (d) I C I C I.

64. In hire purchase system, each installment is treated as ----- till the last installment is paid.

(a) Interest (b) Hire charge (c) payment (d) Credit .

65. Fee based activity includes -----.

(a) Credit rating (b) Stock broking (c) Portfolio management services (d) lease finance.

66. Hedging of risks by using -----.

(a) Swaps and derivatives (b) Swaps only (c) Derivatives (d) None of these.

67. Asset based service also called -----.

(a) Fee based (b) Interest based (c) Capital based (d) fund based.

68. Non fund based activities also called -----.

(a) Fund capital based (b) Interest based (c) fee based (d) managing the capital issue.

69. Modern activities exclude.

(a) Personal advisory services (b) Managing the capital issue

(c) Assisting mergers and acquisitions (d) Capital restructuring.

70. ----- includes all asset based financing plans offered to individuals to help them acquire durable consumer goods.

(a) Trade credit (b) cash credit (c) Hire purchase (d) Consumer credit.

71. Functions of a factor exclude.

(a) Credit rating (b) Credit recording (c) Credit administration (d) Credit financing.

72. The factor assumes credit risks associated with the -----.
- (a) Collection of accounts (b) collection of securities
(c) Collect the fund (d) collect the goods .
73. ----- is the charge for short term financing in the form of advance part payment is in the form of interest charge for the period of advance payment.
- (a) interest (b) Deficit (c) Discount charge (d) Factor age.
74. Who is the chairman of high powered committee constituted by the R B I under factoring services.
- (a) U.K. Singha (b) Pranab Mugarjee (C)C.S. Kalyana Sundaram (d)None of these.
- 75.The minimum under writing obligation of a lead merchant banker is ----- of the total underwriting commitment.
- (a) 15% (b)5% (c)50% (d) 10%.
76. The maximum number of lead merchant bankers that can be appointed in the case the issue exceeds Rs.100crore less than Rs.200crore is -----.
- (a) 2 (b) 3 (c) 4 (d) 5.
- 77.Category 1 merchant bankers can act as .
- (a) Only as advisor (b) Underwriter (c) Consultant (d) All issue management functions.
78. Merchant bankers are .
- (a) Merchants (b) Banks (c) Neither merchants nor banks (d) None of these.
79. Merchant banker shall not associate with any business other than that of the securities market.
- (a) False (b) True (c) None of these (d) All of these.
80. All type of activities which are of a financial nature are called -----.
- (a) Financial market (b) Primary market (c) Capital market (d) financial services.
81. Find out odd one.
- (a) Fund based activity (b) Fee based activity
(c) Modern activities (d) Purchase of raw materials.
82. The number of lead merchant bankers may not exceeds in case any issue of , issue size less than Rs.50crore,number of MBs -----.

- (a) 1 (b)3 (c)2 (d) 4.

83. R O C stands for -----.

- (a) Registrar of companies (b) Registered companies
(c) Registrar of consuler (d) Registrar of capital.

84. ----- is a written consent or authorization representing or acting on behalf of an individual in matters of business, private affairs or other legal matters.

- (a) Memorandum of understanding (b) R O C (c) Agreement (d) Power of authority.

85. Lead merchant banker should advise the issuer to enter into ----- with a particular intermediary for the purpose of issue management.

- (a) Memorandum of understanding (b) R O C (c) Agreement (d) Arrangement.

86. The number of lead merchant bankers may not exceed in case any issue of, issue size 200crore to 400crore.

- (a) 4 (b) 3 (c) 6 (d) 5.

87. Post issue management activities include:-

- (a) Analysis of collection (b) Processing of data (c) Issue of refund orders (d) All of these.

88. Pre-issue management activities include:-

- (a) Lead manager (b) Underwriting (c) Overall supervision (d) None of these.

89. A merchant bank can help an organization specifically in promotional functions, -----.

- (a) Sponsoring the issue (b) Marketing (c) None of these (d) All of these.

90. Role of merchant bankers -----.

- (a) Mobilization of funds (b) Promotional function (c) Innovation (d) All of these.

91. ----- is a financial intermediary who helps to mobilize and transfer capital from those who possess it to those who need it.

- (a) Lease finance (b) Venture capital (c) Merchant banker (d) hire purchaser .

92. ----- is a method of renting assets.

- (a) Hire purchase (b) Lease (c) hedge finance (d) Credit rating.

93. ----- is a long term risk capital to finance high technology projects which involve risk but at same time has strong potential for growth.

- (a) Venture capital (b) hedge finance (c) Merchant banker (d) hire purchaser.

94. ----- is the opinion of the rating agency on the relative ability and willingness of the issuer of debt instrument to meet the debt service obligations as and when they arise.
- (a) Credit rating (b) rating by merchant banker (c) merit rating (d) operating feed back.
95. The features of hire purchase:
- (a) The possession of goods is given to the buyer immediately.
- (b) The ownership in the goods remains with the vendor till the last installment is paid.
- (c) The seller can repossess the goods in case of default in payment .
- (d) All of these.
96. Discounting of bills of exchange is an attractive ----- based financial service provided by the finance companies.
- (a) Fee (b) Fund (c) Opinion (d) Capital.
97. Factoring is method of raising ----- finance through account receivable credit offered by commercial banks and factors.
- (a) Long term (b) Medium term (c) short term (d) all of these.
98. Insurance is a -----.
- (a) Instrument (b) Contract (c) Agreement (d) Rating.
99. ----- is a fund based financial service, provides resources of finance receivable as well as facilities the collection of receivables.
- (a) Leasing (b) hedge finance (c) Merchant banker (d) Factoring.
100. ----- is a service offered by a stock broker ie; buying and selling or dealing in shares on behalf of the customers.
- (a) Lease finance (b) Venture capital (c) Merchant banker (d) Stock broking.
101. N B H stands for -----.
- (a) National house banker (b) National house bank
- (c) National house building (d) New housing bank.
102. N.B F C stands for .
- (a) Non banking finance companies (b) Non banking financial corporation
- (c) Non bulk finance companies (d) None of these.

ANSWERS

1. Venture capital 2. Venture capital 3. Venture capital 4. Central government 5. VCFs specialized
6. KSIDC 7. IDBI venture capital fund. 8. Foreign banks 9. Venture capital.
10. Seed capital. 11. Startup capital. 12. Second round financing 13. First round financing.
14. Second round financing. 15. Development financing. 16. Second round financing.
17. Later stage finance. 18. Expansion financing. 19. Buyout. 20. MBOs.
21. Turn around. 22. 1950. 23. Turn around. 24. Profitability.
25. Revenue multiplier 26. Viability. 27. 3 28. Conventional valuation method.
29. First chi ago method. 30. Revenue multiplier factor. 31. Conditional loan.
32. Conventional loan. 33. Income notes. 34. Income notes 35. Investment nurturing
36. Handson 37. Handsoff 38. Sale of shares to employees 39. Liquidation. 40. 1882
41. General 42. 157 43. 1987 44. VECAUS 45. Canarabank 46. TDICI
47. IVML 48. 1993 50. Structered products fund.
51. C 52. A 53. B 54. A 55. A 56. A 57. B
58. B 59. D 60. C 61. D 62. B 63. D 64. B
65. D 66. A 67. D 68. C 69. B 70. D 71. A
72. A 73. C 74. C 75. A 76. C 77. D 78. C
79. B 80. D 81. D 82. C 83. A 84. D 85. A
86. D 87. D 88. D 89. D 90. D 91. B 92. B
93. A 94. A 95. D 96. B 97. C 98. C 99. D
100. D 101. D 102. A