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:

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