

PRACTICE QUESTIONS

WEALTH MANAGEMENT MODULE

1. A weakness of SELECTIVELY Invest is that leverage in an investment is not captured

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) Not Attempted

Correct Answer : FALSE

2. If Rs.10lakh is required in 10 years and inflation is expected to be 10%, then the money requirement in 10 years is given by

[1 Marks]

- (a) Rs. 10lakh X (1-10%)¹⁰
- (b) Rs. 10lakh ÷ (1+10%)¹⁰
- (c) Rs. 10lakh X (1+10%)¹⁰
- (d) Rs. 10lakh ÷ (1-10%)¹⁰
- (e) Not Attempted

Correct Answer : Rs. 10lakh X (1+10%)¹⁰

3. With passive investment, the investor can avoid losses

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) Not Attempted

Correct Answer : FALSE

4. What drives the performance of asset classes?

[2 Marks]

- (a) local economy
- (b) global economy
- (c) Neither 1 nor 2
- (d) Both 1 and 2
- (e) Not Attempted

Correct Answer : Both 1 and 2

5. 'RESIDEX' is computed by

[1 Marks]

- (a) Crisil
- (b) I-Sec
- (c) NHB
- (d) HDFC
- (e) **Not Attempted**

Correct Answer : NHB

6. Which of the following is / are growth asset/s?

[1 Marks]

- (a) Neither gold nor real estate
- (b) Equity
- (c) Equity and Real Estate
- (d) real estate
- (e) **Not Attempted**

Correct Answer : Equity and Real Estate

7. Taxable income upto Rs. _____ is exempt for Partnership Firms, for PY 2017-18

[2 Marks]

- (a) 1,80,000
- (b) nil
- (c) 2,00,000
- (d) 2,50,000
- (e) **Not Attempted**

Correct Answer : nil

8. A benefit of holding physical gold is that wealth tax is not payable

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

9. Section 80C deduction is available for

[2 Marks]

- (a) individuals and partnership firms
- (b) individuals and HUF
- (c) individuals

- (d) all assesses
(e) **Not Attempted**

Correct Answer : individuals and HUF

10. High Treynor Ratio is indicative of better risk-adjusted performance in a comparison of similar schemes

[2 Marks]

- (a) TRUE
(b) FALSE
(c) **Not Attempted**

Correct Answer : TRUE

11. In early stages of an economic recovery, which of the following sectors are likely to be preferred by equity investors?

[2 Marks]

- (a) mining
(b) education
(c) healthcare
(d) fast moving consumer goods
(e) **Not Attempted**

Correct Answer : mining

12. Horses are illiquid and opaque assets

[1 Marks]

- (a) TRUE
(b) FALSE
(c) **Not Attempted**

Correct Answer : TRUE

13. A debenture yields 10% p.a. payable semi-annually. It is to mature in 1 year at Rs.1lakh. What should be its value today, assuming yield on similar instruments is 9%

[2 Marks]

- (a) 100917.43
(b) 105263.16
(c) 101119.41
(d) 105369.63
(e) **Not Attempted**

Correct Answer : 101119.41

14. An investor can never make a loss with a SIP

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

15. Favorable economic situations are suited for high yield spread investments

[2 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

16. SIP is also referred to as 'rupee cost averaging'

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

17. Mark-to-market reflects the true value of an asset as it is decided with respect to the historical book value.

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

18. Lowest premium cost for the cover is payable on

[2 Marks]

- (a) term insurance
- (b) money back
- (c) endowment
- (d) Unit Life Insurance Plan
- (e) **Not Attempted**

Correct Answer : term insurance

19. When an investor offers equity mutual fund units to the scheme for re-purchase, STT is applicable at

[2 Marks]

- (a) nil
- (b) 0.25%
- (c) 0.20%
- (d) 0.02%
- (e) **Not Attempted**

Correct Answer : 0.25%

20. Discount factor used in FCFF calculation is

[2 Marks]

- (a) cost of equity
- (b) WACC
- (c) risk-free rate of return
- (d) cost of debt
- (e) **Not Attempted**

Correct Answer : WACC

21. Longer tenor securities fluctuate in value more than securities of shorter tenor

[2 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

22. Margin calls come up only when the value of the position goes up

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

23. Which one of the following regulator regulates Real Estate in India?

[1 Marks]

- (a) RERA
- (b) SEBI
- (c) IBC

- (d) RBI
(e) Not Attempted

Correct Answer : RERA

24. A weakness of Financial Blood Test Report is that it does not capture insurance [1 Marks]

- (a) FALSE
(b) TRUE
(c) Not Attempted

Correct Answer : FALSE

25. The financial planner's fundamental role is to ensure that the client has adequate _____ to meet various financial goals. [1 Marks]

- (a) property
(b) gold
(c) money
(d) cash
(e) Not Attempted

Correct Answer : money

26. Short term capital loss under Income Tax Act, 1961 is to be set off against long term or short term gains [2 Marks]

- (a) TRUE
(b) FALSE
(c) Not Attempted

Correct Answer : TRUE

27. Beta requires only one series of data, while standard deviation requires two series [2 Marks]

- (a) FALSE
(b) TRUE
(c) Not Attempted

Correct Answer : FALSE

28. An investor who expects share prices to go down will [2 Marks]

- (a) buy put or write call

- (b) buy put
- (c) write call
- (d) buy call or write put
- (e) **Not Attempted**

Correct Answer : buy put or write call

29. Index funds are less risky than value funds

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

30. Gold fund of fund units can be converted into physical gold only for large investments (e.g. 1 kg)

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

31. Discount factor used in dividend discounting is

[2 Marks]

- (a) cost of debt
- (b) cost of equity
- (c) risk-free rate of return
- (d) WACC
- (e) **Not Attempted**

Correct Answer : cost of equity

32. Which of the following portfolios is appropriate for an investor who is in his late 40s, with two school-going kids?

[2 Marks]

- (a) Debt 20%, Equity 65%, Gold 10%, Liquid funds 5%
- (b) Debt 20%, Equity 25%, Gold 10%, Liquid funds 45%
- (c) Debt 30%, Equity 45%, Gold 10%, Liquid funds 15%
- (d) Debt 55%, Equity 20%, Gold 10%, Liquid funds 15%
- (e) **Not Attempted**

Correct Answer : Debt 30%, Equity 45%, Gold 10%, Liquid funds 15%

33. Ability to take risk increases with level of current wealth

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

34. The range of services to offer is left to the financial planner

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

35. Unlike financial planning, asset allocation does not have a role in wealth management

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

36. If policy-holder is not comfortable, he can cancel policy within specified period and get back the premium paid

[1 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

37. Basic rate for deduction of income distribution tax by debt mutual fund schemes for corporate investors is

[2 Marks]

- (a) 30%
- (b) 25%
- (c) nil
- (d) 12.50%
- (e) **Not Attempted**

Correct Answer : 30%

38. Bonus in a with-bonus policy is payable only if the assured survives.

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

39. Inheritance among Muslims is governed by principles of Sharia

[2 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

40. In a deep recession, professional investors are likely to prefer

[1 Marks]

- (a) real estate
- (b) debt
- (c) equity
- (d) Gold
- (e) **Not Attempted**

Correct Answer : Gold

41. Long term capital loss under Income Tax Act, 1961 can be set off against only long term capital gains

[2 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

42. If interest rates in the market were to decrease, fixed rate debt instruments issued earlier will lose value because of the poor sentiment

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

43. An Indian investing abroad needs to worry only about Indian laws, because international exposures will be protected by the government

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

44. An investor has a 60:40 equity : debt allocation in his portfolio. If he is following fixed asset allocation, what is his likely behaviour if equity market goes down 25% and he has nothing new to invest.

[2 Marks]

- (a) Switch 15% of revised equity portfolio to debt
- (b) switch all equity to debt
- (c) do nothing
- (d) Switch 15% of original debt portfolio to equity
- (e) **Not Attempted**

Correct Answer : Switch 15% of original debt portfolio to equity

45. Inflation protection is offered by active exposure, but not passive exposure in equity

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

46. Fund management costs are low for

[2 Marks]

- (a) active exposure
- (b) debt funds
- (c) index funds
- (d) equity funds
- (e) **Not Attempted**

Correct Answer : index funds

47. Which of the following describes effective revenue deficit?

[2 Marks]

- (a) Revenue receipt minus revenue expenditure minus grants for capital assets
- (b) Revenue receipt minus revenue expenditure
- (c) Revenue receipt minus revenue expenditure plus grants for capital assets
- (d) revenue receipt minus plan non-plan expenditure
- (e) **Not Attempted**

Correct Answer : Revenue receipt minus revenue expenditure plus grants for capital assets

48. Distribution based on risk profile is called

[2 Marks]

- (a) flexible asset allocation
- (b) fixed asset allocation
- (c) tactical asset allocation
- (d) strategic asset allocation
- (e) **Not Attempted**

Correct Answer : strategic asset allocation

49. An individual who is in the highest tax bracket will have to pay self-assessment tax of Rs. ____ on his 8% bank deposit of Rs. 500,000

[2 Marks]

- (a) 8000
- (b) 12360
- (c) 9596
- (d) 8360
- (e) **Not Attempted**

Correct Answer : 8360

50. A straight line sloping downwards to the right represents the payoff in the case of

[2 Marks]

- (a) short futures
- (b) futures
- (c) options
- (d) long futures
- (e) **Not Attempted**

Correct Answer : short futures

51. Which of the following has the longest investment horizon?

[2 Marks]

- (a) MF equity scheme
- (b) MF debt scheme
- (c) VC fund
- (d) PE Fund
- (e) **Not Attempted**

Correct Answer : VC fund

52. Estate Plan is largely left to law, rather than the discretion of the individual concerned

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

53. Both fixed deposits and debt mutual fund schemes offer a fixed return to investors

[1 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

54. 'Assessment Year' needs to be April-March

[2 Marks]

- (a) TRUE
- (b) FALSE
- (c) **Not Attempted**

Correct Answer : TRUE

55. Adequacy of income becomes more important than growing wealth in _____ phase

[1 Marks]

- (a) windfall gain
- (b) accumulation
- (c) distribution
- (d) transition
- (e) **Not Attempted**

Correct Answer : distribution

56. A mutual fund bought shares worth Rs. 10 crore, which were subsequently sold for Rs. 14 crore. The profit of Rs. 4 crore would be

[2 Marks]

- (a) exempt from tax if STT is paid on sale
- (b) exempt from tax if long term capital gain and STT is paid on sale
- (c) exempt from tax
- (d) exempt from tax if long term capital gain
- (e) **Not Attempted**

Correct Answer : exempt from tax

57. Goal-based financial planning gets complex in the case of _____

[1 Marks]

- (a) changes in inflation
- (b) market volatility
- (c) multiple goals
- (d) sudden wealth
- (e) **Not Attempted**

Correct Answer : multiple goals

58. Non-corporate investors should opt for growth option in non-liquid debt schemes for better tax efficiency if they are in

[2 Marks]

- (a) nil tax bracket
- (b) nil or 10% tax bracket
- (c) any tax bracket
- (d) nil or 10% or 20% tax bracket
- (e) **Not Attempted**

Correct Answer : nil or 10% tax bracket

59. Will needs to be typed in legal size green paper

[2 Marks]

- (a) FALSE
- (b) TRUE
- (c) **Not Attempted**

Correct Answer : FALSE

60. Long term capital gains on debt is lower if STT is paid

[2 Marks]

- (a) FALSE

(b) TRUE

(c) Not Attempted

Correct Answer : FALSE