**CBCS**

**VI SEMESTER;**

 **DEPARTMENT OF ECONOMICS;**

**OBJECTIVES**

 **NAME OF THE PAPER: FINANCIAL INSTITUTIONS AND MARKETS**

 PAPER – XI

SECTION –A

**MULTIPLE CHOICE QUESTIONS (200X1=200)**

**MODULE-I**

**CENTRAL BANKS -RBI**

1. The Reserve Bank of India was established on

a) April 1, 1935 ( )

b) July 12, 1982 ( )

c) May 26, 2006 ( )

d) September 30, 2005 ( )

2. On which commission’s recommendations; Reserve Bank of India was established?

(a) Chamberlain Commission ( )

(b) Hilton Young Commission( )

(c) Keynes Commission ( )

(d) None of the above ( )

3. Which among the following is incorrect?

a) RBI is the Bank of Issue ( )

b) RBI acts as Banker to the Government ( )

c) RBI is Banker's Bank ( )

d) RBI does not regulate the flow of credit ( )

4. Which of the following is true about the restrictions on RBI?

(i) It is not to compete with the commercial banks.

(ii) It is not allowed to pay interest on its deposits.

(iii) It cannot engage directly or indirectly in trade.

(iv) It cannot acquire or advice loans against immovable property.

(v) It is prohibited from purchasing its own shares or the shares of any other bank or any company or granting loans on such security.

(a) only (i),(ii),(iii), and (iv) ( )

(b) only (v) ( )

(c) all the above ( )

(d) none of the above ( )

5. Which of the following is not the work of RBI?

(a) Bank of the banks ( )

(b) Credit controller ( )

(c) Custodian of foreign currency ( )

(d) Allocating funds directly to the farmers for agricultural development ( )

6. Which of the following words is not used in Monetary Policy?

(a) Cash reserve ratio ( )

(b) Repo Rate ( )

(c) Bank rate ( )

(d) Blue chip ( )

7. For issuing / printing currency notes, the RBI has adopted a system –

(a) Minimum Reserve System ( )

(b) Fixed fiduciary system. ( )

(c) Maximum limit system ( )

(d) Proportional reserve system. ( )

8. Central Bank is a

(a) Commercial Bank ( )

(b) Exchange bank ( )

(c) Apex bank. ( )

(d) Scheduled bank. ( )

9. Central Bank is an institution which is

(a) Privately owned ( )

(b) State owned ( )

(c) Internationally owned ( )

(d) Jointly owned by state and private. ( )

10. The methods of credit control used by RBI includes

1. Open market operation
2. Changes in CRR and SLR
3. Selective credit control
4. Changes in SLR

1. (i), (ii) and (iii) ( )
2. (ii), (iii) and (iv) ( )
3. (i), (iii) and (iv) ( )
4. (i), (ii), (iii) and (iv) ( )

11. The full form of EMI used in the banking sector is

(a) Easy Monthly Installment ( )

(b) Equal Monthly Investment ( )

(c) Equated Monthly Installment ( )

(d) Equated Mortgage Investment. ( )

12. Bank rate is decided by

(a) Reserve Bank of India ( )

(b) Govt. of India ( )

(c) State Bank of India ( )

(d) Securities and Exchange Board of India (SEBI) ( )

13. The reserves held by the Commercial Banks over and above the statutory minimum with the RBI are called

(a) Cash reserves ( )

(b) Deposit reserves ( )

(c) Excess reserves ( )

(d) Momentary reserves. ( )

14. Banking in India is controlled by

(a) Union Finance Commission ( )

(b) Union Ministry of Finance ( )

(c) Union Ministry of Commerce ( )

(d) Reserve Bank of India ( )

15. Which of the following is not the function of Reserve Bank of India?

(a) Acting as banker to the Government. ( )

(b) Keeping foreign Exchange Reserve. ( )

(c) Regulating credit in the country. ( )

(d) Issuing of one rupee notes and coins. ( )

16. The objectives of monetary policy is / are

(a) Price Stability ( )

(b) Economic growth ( )

(c) Increase import of luxury goods ( )

(d) Both (a) and (b) ( )

17. Bank rate is defined as

(a) Rate of interest charged by commercial banks from borrowers ( )

(b) Rate of interest allowed by commercial banks on demand deposits. ( )

(c) Rate of interest allowed by commercial banks on time deposits. ( )

(d) Rate which RBI purchases or rediscount bills of exchange of commercial banks. ( )

18. The Reserve Bank of India was nationalized in

(a) 1st January 1949. ( )

(b) 1st April, 1935 ( )

(c) 1st May, 1947 ( )

(d) 1st June, 1949 ( )

19. The Governor of RBI is appointed by

(a) Board of Directors ( )

(b) Central Government ( )

(c) Finance Minister ( )

(d) None of the above ( )

20. The chairman of the Central Board of RBI is

(a) Governor ( )

(b) Deputy Governor. ( )

(c) Finance Minister, Govt. of India ( )

(d) Prime Minister ( )

21. Which of the following is true about the functions performed by RBI -

(i) It is the Bank of Issue

(ii) It acts as banker to the Government

(iii) It is the banker of other banks

(iv) It regulates the flow of credit

(a) Both (i) and (ii) ( )

(b) Both (iii) and (iv) ( )

(c) All the Above ( )

(d) None of the above ( )

22. Which of the following is true about the objectives of RBI trying to achieve-

(i) Price Stability

(ii) Reduce deficit

(iii) Encourage export

(iv) Growth

(a) Both (i) and (ii) ( )

(b) Both (iii) and (iv) ( )

(c) All the Above ( )

(d) None of the above ( )

23. The custodian of India’s foreign exchange reserve is

(a) State Bank of India (SBI) ( )

(b) Reserve Bank of India (RBI) ( )

(c) International Monetary Fund (IMF) ( )

(d) World Bank ( )

24. Which of the following is true about the functions of RBI-

(a) Export finance

(b) Agriculture finance

(c) Collecting data and publication

(d) Exchange management and control

a) Both (i) and (ii) ( )

(b) Both (iii) and (iv) ( )

(c) All the Above ( )

(d) None of the above ( )

25. Which of the following is true that RBI as a banker to the government

(i) Maintaining and operating deposit accounts of Central and State Governments.

(ii) Receipt and collection of payments to the Central and State Governments.

(iii) Making payments on behalf of Central and state Governments.

(iv) Providing ways and means advances to the Central and State Governments.

(a) Both (i) and (ii) ( )

(b) Both (iii) and (iv) ( )

(c) All the Above ( )

(d) None of the above ( )

26. Which of the following coins is not issued by the RBI ?

1. Re. 1 ( )
2. Rs. 2 ( )
3. Rs. 5 ( )
4. Rs. 10 ( )

27. RBI has withdrawn the circulation of coins in the denomination of 1 paise, 2 paise, 3 paise, 5 paise, 10 paise, 20 paise and 25 paise in which year ?

1. 2010 ( )
2. 2011 ( )
3. 2012 ( )
4. 2013 ( )

28. Which of the following is/ are the Quantitative Instrument of RBI ?

1. CRR ( )
2. SLR ( )
3. All of the above( )
4. None of above ( )

29. Which among the following would not help RBI to control the inflation in the country ?

1. Increase in Reserve Ratio Requirements ( )
2. Increase in Bank Rate ( )
3. Purchase of securities in open market ( )
4. Increase in Repo Rate ( )

30. What would be the impact on cash reserves of the commercial banks if RBI conducts the sale of securities?

1. Decrease ( )
2. Increase ( )
3. Either increase or decrease ( )
4. Remains contant ( )

31. Which of the following works as the agent of RBI while it has no own offices ?

1. IMF ( )
2. SBI ( )
3. GOI ( )
4. Ministry of Finance ( )

32. Which of the followong Governors of RBI also served as the Finance Minister of India ?

1. Pranav Mukherjee ( )
2. Amitabha Ghosh ( )
3. Sir Benegal Rama Rao ( )
4. Dr. Manmohan Singh ( )

33. Which of the following statements is/are not true ?

1. RBI is the Bank of Issue. ( )
2. RBI acts as the Banker of the Government. ( )
3. RBI is known as the Banker's Bank. ( )
4. RBI does not regulate the credit flow. ( )

34. Which is not a function of RBI ?

1. Holding cash reserves of all commercial banks and make available financial accommodation to them. ( )
2. Assuming responsibility of all banking operations of the government. ( )
3. Assuming the responsibility of the statistical analysis of data related to macro economy of India . ( )
4. Assuming the responsibility to meet directly or indirectly all reasonable demands for the accommodation. ( )

35. To control inflation and tackle the problem of exchange liquidity due to foreign exchange inflows, the RBI

(a) Sells government securities. ( )

(b) Purchase securities ( )

(c) Decrease bank rate. ( )

(d) Raise interest rate. ( )

36. Ways and Means advanced by RBI refers to

(a) Meeting temporary mismatches between receipts and expenditure. ( )

(b) Providing short term loans for consumption expenditure. ( )

(c) Buying goods from abroad. ( )

(d) Providing funds for recurring expenditure ( )

37. The commercial banks were required to keep some percentages of their time deposits and their demand deposits with the RBI in the form of reserves is known as

(a) Statutory Liquidity ratio ( )

(b) Cash reserve ratio ( )

(c) Moral suasion ( )

(d) Open market operation ( )

38. Decreasing percentage of statutory liquidity ratio by RBI

(a) Increase the volume credits at the hands of commercial banks. ( )

(b) Reduce inflation. ( )

(c) Decrease the volume credit at the hands of commercial banks. ( )

(d) Raise the interest rate charged by the commercial banks. ( )

39. If the RBI wants to control the speculation on the price of essential commodities, adopted a measure known as

(a) Open market Operations. ( )

(b) Credit monitoring Arrangement ( )

(c) Selective credit control ( )

(d) Moral suasion. ( )

40. The RBI’s function of Banker to Government implies

(a) Issue of currency

(b) Buys and sells government securities

(c) Manages public debt by issuing government loans

(d) Sells treasury bills on behalf of government

(a) All of the above ( )

(b) (a), (b) and (c) ( )

(c) (b), (c ) and (d) ( )

(d) (a), (c) and (d) ( )

**Multiple choice question key answers:**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1-a** | **2-b** | **3-d** | **4-c** | **5-d** | **6-d** | **7-a** | **8-c** | **9-b** | **10-d** |
| **11-c** | **12-a** | **13-c** | **14-d** | **15-d** | **16-d** | **17-d** | **18-a** | **19-b** | **20-a** |
| **21-c** | **22-c** | **23-b** | **24-c** | **25-c** | **26-a** | **27-b** | **28-c** | **29-d** | **30-a** |
| **31-b** | **32-d** | **33-d** | **34-c** | **35-a** | **36-a** | **37-b** | **38-a** | **39-c** | **40-c** |

**FILL UP THE BLANKS:**

1. The Board of Directors of RBI were appointed by \_\_\_\_\_\_\_\_\_\_.
2. The first Headquarters of Reserve Bank of India (RBI) at\_\_\_\_\_\_\_\_\_.
3. The Headquarters of Reserve Bank of India (RBI) shifted from Kolkata to Mumbai in \_\_\_\_\_\_.
4. The first Reserve Bank of India (RBI) Governor was \_\_\_\_\_\_\_\_\_\_\_\_.
5. The first Indian RBI Governor was\_\_\_\_\_\_\_\_\_\_.
6. Banking Ombudsman scheme was introduced by \_\_\_\_\_\_\_\_\_\_.
7. RBI can issue any amount of currency notes under the \_\_\_\_\_\_\_\_\_\_\_.
8. All commercial banks maintain a certain proportion of their demand and time deposits with the \_\_\_\_\_\_\_\_\_\_.
9. In India, the monopolistic control of note issue is vested in\_\_\_\_\_\_\_\_\_**.**
10. The Central Board of RBI should convene a Board Meeting atleast \_\_\_\_\_times in a year.
11. \_\_\_\_\_\_\_\_\_\_\_\_aims at shifting the flow of bank credit from speculative and undesirable purposes to socially desirable and economic useful uses.
12. \_\_\_\_\_\_\_\_is the purchase and sale of securities, bills and bonds of Government by RBI from and to public and financial institutions on the open market.
13. \_\_\_\_\_\_\_\_\_is an advances made by the RBI to the Government to meet the temporary mismatches between receipts and expenditure.
14. In India, Bank rate is fixed by \_\_\_\_\_\_\_\_\_\_\_\_
15. \_\_\_\_\_\_\_\_\_is the percentage of reserve that the commercial banks have to keep with the RBI from the time and demand deposits.
16. \_\_\_\_\_\_\_\_\_is the rate at which the RBI borrows money from commercial banks.
17. Under Banking Regulation Act, 1949, all commercial banks are required to keep some percentages out of the time and demand deposits with them in the form of liquidity ratio is known as \_\_\_\_\_\_\_\_\_\_\_\_\_**.**
18. \_\_\_\_\_\_\_\_\_is one of the techniques of credit control like persuasion and pressure on commercial bank, followed by Reserve Bank of India.
19. A \_\_\_\_\_\_\_\_\_\_is the interest rate at which a nation’s central bank lends money to the domestic commercial banks.
20. A \_\_\_\_\_\_\_\_\_\_\_\_is the interest rate at which the central bank in a country repurchases

Government securities (such as Treasury securities) from commercial banks.

**KEY ANSWER OF FILL UP THE BLANKS**

1. Govt. of India.

2. Kolkata

3. 1937

4. Sir Osborne Smith

5. C.D.Deshmukh

6. Reserve Bank of India

7. Minimum reserve system

8. central bank

9. Reserve Bank of India

10. Six

11. Selective credit control

12. Open market operations

13. The ways and means

14. Reserve Bank of India.

15. Cash reserve Ratio (CRR)

16. Reverse Repo rate

17. Statutory Liquidity Ratio

18. Moral suasion

19. Bank Rate

20. Repo rate

**MODULE-II**

**MONEY & COMMERCIAL BANKING**

**MULTIPLE CHOICE QUESTIONS**

1.Which of the following is a commercial bank?

 a) State Bank of India ( )

b) Unit Trust of India (UTI) ( )

 c) IDBI ( )

d) NABARD ( )

* 1. Which one of the following is near money?

 a) Treasury Bills ( )

 b) Bills of Exchange ( )

 c) Bonds and Debentures ( )

 d) All of the above ( )

3.In July 1969, 14 major Indian scheduled banks were nationalised and 6 more banks were nationalised in

 a) April 1980 ( )

b) May 1980 ( )

 c) April 1981 ( )

 d) May 1981 ()

4. The liabilities of a bank are

a) Advance and loans ( )

b) Time deposits and shares ( )

c) Cash with reserve ratio ( )

d) Bonds and debentures of share holders( )

5. The recent conversion of Financial Institutions into Commercial Banks or Non-Banking Finance Companies (NBFCs) under the regulatory aspect of RBI was suggested by

* + - 1. Narasimham Committee ( )
			2. Ministry of Company Affairs ( )
			3. Ministry of Finance ( )
			4. None of the above ( )

6. Which property the paper money does not possess

a) Acceptability ( )

b) Divisibility ( )

c) Duality ( )

d) Portability ( )

7. Rupee is a coin

a) Full Value ( )

b) Token money ( )

c) Credit money( )

d) Convertible ( )

8. Which one of the following is not includedin the function of money

a) Make demand and supply ( )

b) Store of value ( )

c) Medium of exchange ( )

d) Measure of value ( )

9. Convertible money means

a) It can buy means( )

b) Government can give gold against it ( )

c) Illegal money ( )

d) Low value of money ( )

10. Commercial banks create

a) Credit money ( )

b) Token money ( )

c) Legal money ( )

d) Do not create money ( )

11. The most important features of money is

a) General acceptability ( )

b) Convertibility into gold ( )

c) Store of value ( )

d) Medium of exchange ( )

12. Which movement encourage the formation of commercial banks

a) Swadeshi movement ( )

b) Quit India movement ( )

c) Non-cooperationmovement ( )

d) Civil disobedience movement ( )

13. In which year was the Banking Regulation Act passed?

a) 1949 ( )

b)1955 ( )

c)1959 ( )

d)1969 ( )

14. What is the most widely used tool of monetary policy?

a) Issuing of notes ( )

b) Open market operation ( )

c)Discount rate ( )

d) None of the above ( )

15.Banking sector comes under which of the following sectors?

a) Manufacturing sectors ( )

b) Industrial sectors ( )

c) Service sectors ( )

d) None of the above ( )

16. Who is responsible for the supply of coins in India?

a) Reserve bank of India ( )

b) Ministry of finance ( )

c) Ministry of commerce and industry ( )

d) Bankers association of India ( )

17. Difference between total receipt and total expenditure is

a) Capital deficit ( )

b) budget deficit ( )

c) fiscal deficit ( )

d) Revenue deficit ( )

18. The commercial banks in India are governed by

a) Reserve bank of India Act 1934 ( )

b) Indian Companies Act 1956 ( )

c) Indian Banking Regulation Act 1949 ( )

d) Securities and Exchange Board of Indian Act 1993 ( )

19. Which of the following limits the power of credit creation by commercial bank

a) Fiscal policy ( )

b) Banking loan ( )

c) Business possession ( )

d) None of the above ( )

20.Deposits which arise from granting of loans are called

a) primary deposits ( )

b)derivative deposits ( )

c) fixed deposits ( )

d) All the above ( )

21. Which of the following limits the power of credit creation by commercial bank

a) Fiscal Policy ( )

b) Banking loan ( )

c) Business possession ( )

d) None of the above ( )

22. Which among the following is considered to be the most liquid asset?

a) Gold ( )

b) Money ( )

c) Land ( )

d) Treasury bonds ( )

23. The first financial institution set up in India

a) IDBI ( )

b) ICICI ( )

c) IRBI ( )

d) IFCI ( )

24. In order to control credit and investment , the central bank of a country should

a) Sell securities in the open market and hike the cash reserve ratio ( )

b) Buy securities in the open market ( )

c) Buy securities from the open market and hike the cash reserve ratio ( )

d) Sell securities in the open market ( )

25. Which one of the following is not an instrument of credit control in the banking system?

a) Open market operation ( )

b) Cash Reserve ratio ( )

c) Tax rate ( )

d) Bonds and debentures ( )

26. The commercial bank do not perform one function out of the following

a) Mobilization of saving ( )

b) Giving loans and advances ( )

c) Issues currency notes ( )

d) Financing priority sectors ( )

27. Credit creation power of the commercial banks gets limited by which of the following?

a) Banking habits of the people ( )

b) Cash reserve ratio ( )

c) Credit policy of the Central bank ( )

d) All the above ( )

28. Number of times a unit of money change hands in the course of a year is called

a) Supply of money ( )

b) Purchasing power of money ( )

c) Velocity of money ( )

d) value of money ( )

29. Assets – liability =

a) Profit ( )

b) Working capital ( )

c) Capital ( )

d) Long term liability ( )

30. The assets can be convert into cash within a short period like one year or less are known as

a) Current asset ( )

b) Fixed asset ( )

c) Tangible asset ( )

d) Investment ( )

31. Debentures is also name as

a) share ( )

b) Bond ( )

c) Equity ( )

d) Reserve ( )

32. A bills of exchange when drawn requires

a) Nothing ( )

b) Discounting ( )

c) Acceptance ( )

d)Investment ( )

33. The following is not a type of liability

a) Short term ( )

b) Current ( )

c) Fixed ( )

d) Contingent ( )

34. Whichof the following is most liquid measure of money supply in India

a) M1 ( )

b) M2 ( )

c)M3 ( )

d)M4 ( )

35. Which of the following money supply is used by RBI?

a) Currency notes ( )

b) Coins ( )

c) Both A &B ( )

d) None of the above ( )

36. The term ‘bank liquidity’ means

1. Its capacity to create credit
2. Its capacity to provide a high rate of interest
3. Its capacity to convert its assets into cash
4. None of the above

37. Accounting equation is base of

a) Single entry system ( )

b) Dual concept ( )

c) Double entry system ( )

d) Costing measurement system ( )

38. Anything used as money must be

a) Fixed in value ( )

b) Fixed in supply ( )

c) Legal tender ( )

d) Readily acceptable ( )

39. Which of the following can change money supply

a) National Assembly ( )

b) Supreme Court ( )

c) Government ( )

d) State Bank ( )

40. Which of the following increase money supply in the country?

a) Purchase of bonds by State Bank ( )

b) Sale of bonds by State Bank ( )

c) Increase in discount rate ( )

d) Decrease in taxes ( )

**Key answer :**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1-a | 2-d | 3-a | 4-b | 5-a | 6-c | 7-b | 8-a | 9-b | 10-a |
| 11-a | 12-a | 13-a | 14-c | 15-c | 16-b | 17-b | 18-c | 19-d | 20-b |
| 21-d | 22-b | 23-d | 24-a | 25-c | 26-c | 27-d | 28-c | 29-c | 30-a |
| 31-b | 32-c | 33-a | 34-a | 35-a | 36-c | 37-c | 38-d | 39-d | 40-a |

**Fill in the blanks**

1. The Accounting equation is Asset + liability + -----------------------

( equity/ shares/ bonds/ profit)

1. If the asset of a business is Rs 100,000 and equity is Rs 20,000 the value of liability will be --------

(20,000/30,000/80,000/40.000)

1. Net Income = Income -- --------------

( expense/ saving/ investment/ multiplier)

1. Medium of exchange is --------------- function of money

( primary/secondary/ contingent/ additional )

1. In the case of ---------coin intrinsic value is less than their face value

( token/ full bodied/ representation/ standard)

1. The most liquid asset is ------------

( money/ cheque/ shares/ debentures)

1. Introduction of ------------ removed difficulties of barter

( metals/ bank/ money/ shares)

1. In the initial stage of development --------------------was used.

( credit money/ paper notes/metallic coins/ commodity money)

1. The monetary policy of Central bankregulates the money supply to ----------- goals

( political/social/ economic/ education)

1. ----------- is considered to be the most liquid assets.

( gold/ money/ land/ bonds)

1. Historically the Indian rupee was a ------------ coin

( copper/ gold/ silver/ bronze)

1. ---------------- promote savings.

( increase in credit facilities/ increase tax/ rising price/ increase in personal incomes)

1. If no money is used to exchange goods, it is called ---------

( barter/ black market/ free trade/ currency)

1. In the equation MV =PV, M represent ----------

( money supply/ output/ money demand/ input)

1. The bankers bank is the ---------- bank

( central/ commercial/ foreign/ State)

1. ----------- is a primary function of commercial banks.

( accepting deposits/ letter of credit/ selling securities/ bonds)

1. Commercial banks create ---------- money

( paper/ metallic/ commodity/ credit)

1. --------- is not included in monetary tool.

( CRR/SLR/ deficit financing/ open market operation)

1. In the case of ------- RBI increase the rate of interest

( higher inflation/ lower inflation/ pressure of commercial banks /increase demand)

1. Deposit from ------- account can be withdrawn without any notice.

( saving/ current/ fixed/ recurring)

**Fill in the blanks :Key answer**

1. Equity
2. Rs 80,000
3. Expense
4. Primary
5. Token
6. Money
7. Money
8. Commodity money
9. Economics
10. Money
11. Copper
12. Increase in personal savings
13. Barter
14. Money supply
15. Central
16. Accepting deposit
17. Credit
18. Deficit financing
19. Lower inflation
20. Current

**MODULE –III**

**NON-BANKING FINANCIAL INSTITUTIONS**

**MULTIPLE CHOICE QUESTION**

1. ‘One man one vote’ principle in Co-operative Society was recommended by

 (a) Gorwala Committee ( )

 (b) Mac Lagan Committee ( )

 (c) Minto Morley Committee ( )

 (d) Montaque Chelmsford Committee ( )

2. Which of the following organizational structure is followed by cooperatives in India?.

 (a) Unitary structure ( )

 (b) Federal structure ( )

 (c) Centralized structure ( )

 (d) Decentralized structure ( )

3. The structure of cooperative banking system in India is federal and pyramid type of

 (a) four-tier ( )

 (b) three-tier ( )

 (c) two-tier ( )

 (d) five-tier ( )

4. The Urban Credit Cooperative are also commonly known as

 (a) Urban Cooperative Banks ( )

 (b) Cooperative Banks ( )

 (c) National Banks ( )

 (d) Non of the above ( )

5. The first District Cooperative Banks was established at \_\_\_\_\_\_\_\_\_\_\_\_ in 1910.

 (a) Mumbai in Maharastra ( )

 (b) Ahmedabad in Gujarat ( )

 (c) Chennai in Tamil Nadu ( )

 (d) Ajmer in Rajasthan ( )

6. Co-operative movement originated first in

 (a) Germany ( )

 (b) England ( )

 (c) France ( )

 (d) Spain ( )

7. Interest rate of Deposit of cooperative credit societies are fixed by

 (a) Registrar ( )

 (b) Government ( )

 (c) RBI ( )

 (d) General Body ( )

8. The land mortgage banks grant \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the farmers against the conveyance of land as security.

 (a) short term loans ( )

 (b) medium term loans ( )

 (c) long term loans ( )

 (d) short& medium term loans ( )

9. The National Co-operative Development Corporation (NCDC) was established in

 (a) march 1960 ( )

 (b) march 1961 ( )

 (c) March 1962 ( )

 (d) March 1963 ( )

10. Co-operative banks

 (a) cannot create credit ( )

 (b) are of ‘unit banking type’ ( )

 (c) cannotmobilizem\ deposit ( )

 (d) both (a) and (b) ( )

11. The first Development banks in India was

 (a) IDBI ( )

 (b) ICICI ( )

 (c) LIC ( )

 (d) IFCI ( )

12. Development banks provide

 (a) short-term credit only ( )

 (b) both short-term and medium-term credits ( )

 (c) both medium-term and long-term credits ( )

 (d) long-term credit only ( )

13. What is the apex organisation of Industrial Finance in India?

 (a) Industrial Finance Corporation of India ( )

 (b) Industrial Credit and Investment corporation of India ( )

 (c) Industrial Development Bank of India ( )

 (d) Life Insurance Corporation of India ( )

14. Which of the following is not an affiliate of the Reserve Bank of India?

 (a) Deposit Insurance Corporation ( )

 (b) Agriculture Refinance Corporation ( )

 (c) Industrial Development Bank of India ( )

 (d) Unit Trust of India ( )

15. The National Housing Bank was set up in India as wholly-owned subsidiary of which one of the following?

 (a) ICICI Bank ( )

 (b) State Bank of India ( )

 (c) Reserve Bank of India ( )

 (d) Life Insurance Corporation of India ( )

16. Which of the following organizations in India is mainly working to meet the credit needs of all types of agricultural and rural development?

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 (a) Reserve Bank of India (RBI) ( )

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 (c) Ministry of Finance ( )

 (d) All of the above ( )

22. The Industrial Credit and Investment Corporation of India (ICICI) was established as a private sector development bank at the initiative of the World Bank in

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 (a) Public sector institution ( )

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 (a) long-term credit to industries ( )

 (b) short-term credit and medium-term credit to the farmers ( )

 (c) risk capital to little known, unregistered, young and small business ( )

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30. Which was the first mutual fund established in India?

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 (b) Non Banking Financial Institutions ( )

 (c) Net Banking Financial Industries ( )

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 1. They can offer any rate of interest subject to their financial capacity

 2. They can not accept deposits repayable on demand.

 Which of the statements given above is/are correct?

 (a) 1 only ( )

 (b) 2 only ( )

 (c) Both 1 and 2 ( )

 (d) Neither 1 nor 2 ( )

37. Which one among the following promoted the concept of self-help groups (SHGs) for financing the poor.

 (a) RBI ( )

 (b) NABARD ( )

 (c) Union Ministry of Rural Development ( )

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 (c) IFCI ( )

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40. Which one of the following is the main objectives of Unit Trust of India.

 (a) To mobilize the saving of high income groups ( )

 (b) To mobilizes the saving of low and high income groups ( )

 (c) To mobilizes the saving of corporates ( )

 (d) To mobilizes the saving of low and middle income groups ( )

**KEY ANSWER**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1-b | 2-b | 3-b | 4-a | 5-d | 6-b | 7-a | 8-c | 9-d | 10-b |
| 11-d | 12-c | 13-c | 14-d | 15-c | 16-b | 17-b | 18-a | 19-d | 20-b |
| 21-a | 22-b | 23-c | 24-d | 25-a | 26-b | 27-a | 28-d | 29-c | 30-b |
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**Fill up the Blanks :**

1. In India, the first cooperative Societies Acts was passed in \_\_\_\_\_\_\_\_\_\_, by the Government of India.

2. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_acts as a balancing centre and clearing house for the central cooperative banks.

3. The first District Cooperative Banks Ajmer in Rajasthan was established at in \_\_\_\_\_\_\_\_\_\_\_\_.

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5. The members of a Co-operative Society have \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_liability.

6. The Primary Agricultural Credit Societies (PACS) are generally organised on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Model.

7. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ perform twin functions of providing medium and long term finance to entrepreneurs and performing various promotional roles conductive to economic development.

8. The agricultural Refinance and Development Corporation (ARDC), was established in 1963 to provide medium and long term finance for the development of Agriculture, but it was replace by \_\_\_\_\_\_\_\_\_\_\_\_ in 1982.

9. For promoting and developing exports and imports, an all-India level institution called \_\_\_\_\_\_\_\_\_\_\_\_\_\_ was established in 1982.

10. The IFCI and UTI are the subsidiaries of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

11. The State Financial Corporations are set up in the different states for providing term finance to medium and small scale Industries under the provision of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

12. \_\_\_\_\_\_\_\_\_\_\_provides short-term , medium-term and long-term credits to state co-operative Banks , RRBs, LDBs and other financial institutions approved by RBI.

13. A \_\_\_\_\_\_\_\_\_\_\_\_\_ is a financial intermediary that pools the savings of investors for collective investments in a diversified portfolio of securities.

14. All non-banking financial intermediaries with net owned funds of Rs.50 lakh and above are required to register themselves compulsorily with it in the\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

15. A\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ does not have full banking license but facilitate bank-related financial services like investment, contractual savings, and market brokering and risk pooling.

16. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_are pure financial intermediaries that specialize in the mobilization of public savings for investment in corporate securities. Their special service comprises entirely of professional management of a large and diversified portfolio of corporate securities.

17. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential.

18. The working and operation of Non-Banking Financial Company(NBFCs) are regulated by the Reserve Bank of India within the framework of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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19.NABARD 20.Parliament of India.

**MODULE –III**

**NON-BANKING FINANCIAL INSTITUTIONS**

**MULTIPLE CHOICE QUESTION**

1. ‘One man one vote’ principle in Co-operative Society was recommended by

 (a) Gorwala Committee ( )

 (b) Mac Lagan Committee ( )

 (c) Minto Morley Committee ( )

 (d) Montaque Chelmsford Committee ( )

2. Which of the following organizational structure is followed by cooperatives in India?.

 (a) Unitary structure ( )

 (b) Federal structure ( )

 (c) Centralized structure ( )

 (d) Decentralized structure ( )

3. The structure of cooperative banking system in India is federal and pyramid type of

 (a) four-tier ( )

 (b) three-tier ( )

 (c) two-tier ( )

 (d) five-tier ( )

4. The Urban Credit Cooperative are also commonly known as

 (a) Urban Cooperative Banks ( )

 (b) Cooperative Banks ( )

 (c) National Banks ( )

 (d) Non of the above ( )

5. The first District Cooperative Banks was established at \_\_\_\_\_\_\_\_\_\_\_\_ in 1910.

 (a) Mumbai in Maharastra ( )

 (b) Ahmedabad in Gujarat ( )

 (c) Chennai in Tamil Nadu ( )

 (d) Ajmer in Rajasthan ( )

6. Co-operative movement originated first in

 (a) Germany ( )

 (b) England ( )

 (c) France ( )

 (d) Spain ( )

7. Interest rate of Deposit of cooperative credit societies are fixed by

 (a) Registrar ( )

 (b) Government ( )

 (c) RBI ( )

 (d) General Body ( )

8. The land mortgage banks grant \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the farmers against the conveyance of land as security.

 (a) short term loans ( )

 (b) medium term loans ( )

 (c) long term loans ( )

 (d) short& medium term loans ( )

9. The National Co-operative Development Corporation (NCDC) was established in

 (a) march 1960 ( )

 (b) march 1961 ( )

 (c) March 1962 ( )

 (d) March 1963 ( )

10. Co-operative banks

 (a) cannot create credit ( )

 (b) are of ‘unit banking type’ ( )

 (c) cannotmobilizem\ deposit ( )

 (d) both (a) and (b) ( )

11. The first Development banks in India was

 (a) IDBI ( )

 (b) ICICI ( )

 (c) LIC ( )

 (d) IFCI ( )

12. Development banks provide

 (a) short-term credit only ( )

 (b) both short-term and medium-term credits ( )

 (c) both medium-term and long-term credits ( )

 (d) long-term credit only ( )

13. What is the apex organisation of Industrial Finance in India?

 (a) Industrial Finance Corporation of India ( )

 (b) Industrial Credit and Investment corporation of India ( )

 (c) Industrial Development Bank of India ( )

 (d) Life Insurance Corporation of India ( )

14. Which of the following is not an affiliate of the Reserve Bank of India?

 (a) Deposit Insurance Corporation ( )

 (b) Agriculture Refinance Corporation ( )

 (c) Industrial Development Bank of India ( )

 (d) Unit Trust of India ( )

15. The National Housing Bank was set up in India as wholly-owned subsidiary of which one of the following?

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**UNIT- V**

**Foreign Exchange Markets**

**SECTION –A**

**Multiple choice questions**

1. Which function of foreign exchange market protects against the foreign exchange risk?

(a) Credit function

(b) Hedging function

(c) Transfer function

(d) All of them

2. Reduction in the value of domestic currency by the government is called

(a) depreciation

(b) devaluation

(c) revaluation

(d) appreciation

3. Reduction in the value of domestic currency through market forces is called

(a) depreciation

(b) devaluation

(c) revaluation

(d) appreciation

4. Increase in the value of domestic currency by the government is called

(a)depreciation

(b) devaluation

(c) revaluation

(d) appreciation

5. What will be the effect on exports if foreign exchange rate increases?

(a) Increases

(b) Decreases

(c) Remains constant

(d) None of them

6. Foreign exchange is demanded by..

(a) domestic residents to purchase goods and services from other countries

(b) sending gifts and grants to foreign countries (abroad)

(c) the domestic residents to purchase financial assets in a particular country

(d) all of them

7. The supply of foreign exchange comes from..

(a) the foreigners purchasing home country's goods and services through exports

(b) the foreigners who invest in home country through joint ventures or through financial market operations

(c) currency dealers and speculators.

(d) all of them

8. Buyers and sellers of foreign exchange are

(a) central banks

(b) commercial banks

(c) brokers (d) all of them

9. Which exchange rate measures the average relative strength of a given currency with respect to other currencies without eliminating the effect of change in price?

(a) Nominal exchange rate

b) Nominal effective exchange rate

(c) Real exchange rate

(d) Real effective exchange rate

10. When one country manipulates exchange rate against the interest of other country, is known as

(a) managed floating

(b) dirty floating

(c) wide band

(d) crawling peg

11. Other things remaining the unchanged, when in a country the price of foreign currency rises, national income is:

(a) Likely to rise

(b) Likely to fall

(c) Likely to rise or to fall

(d) Not affected

12. Other things remaining the same, when in a country the market price of foreign currency falls, national income is likely

(a) to rise

(b) to fall

(c) to rise or to fall

(d) to remain unaffected

13. Devaluation which means fall in value of domestic currency in terms of foreign currency takes place in

(a) Flexible Exchange Rate regime

(b) Fixed Exchange Rate regime

(c) Both (a) and (b)

(d) Neither

14. A change from Rs. 60 = 1 dollar to Rs 62 = dollars indicates that Rs has

(a) Appreciated

(b) Depreciated

(c) Neither

(d) Either a or b

15. The larger fluctuations in portfolio value of foreign exchange of financial institutions leads to

(a) greater liquidity of assets

(b) greater volatility of rates

(c) lesser volatility of rates

(d) lesser liquidity of assets

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(a) Likely to rise

(b) Likely to fall

(e) both

(d) Not affected

17. Indirect quotation is also known as

(a) home currency quotation

(b) foreign currency quotation

 (c) European quotation

(d) American quotation

18. If rupee is getting depreciated fast and is considered undesirable by the government, the RBI may be advised to

(a) Sell dollars in the foreign exchange market

(b) Purchase dollars

(c) Print more currency notes

(d) Raise tariffs on imports

19. If in an effort to control depreciation of rupee the RBI puts more dollars in the supply, it may lead to greater inflation, caused by

(a) Increase in money supply in the economy

(b) Reduced availability of goods due to increased exports.

(c) Reduced availability of goods due to reduced imports

(d) All of the above.

20. In which of the following items raises the supply of foreign exchange ?

(a) Import of goods from China

(b) Indian students going to USA for MBA

(c) Donation of 50 million $ received from Microsoft

(d) Purchase of land in England

21. A change from Rs. 140 = 2 £ to Rs. 60 = 1 £ indicates that Rs. is

(a) Appreciated

(b) Depreciated

(c) Neither

(d) Either (a) or (b)

22. Depreciation of domestic currency leads to rise in:

(a) Exports

(b) Imports

(c) Both (a) and (b)

(d) Neither (a) nor (b)

23. Flexible Exchange Rate System is also known as:

(a) Pegged Exchange Rate System

(b) Dirty Floating

(c) Floating Exchange Rate

(d) Both (b) and (c)

24. The rate which is determined by the government is known as:

(a) flexible

(b) fixed

(c) floating exchange rate

(d) none of these

25. The exchange rate at which demand for foreign currency becomes equal to its supply, is called

(a) equal rate of exchange

(b) mint parity

(c) equilibrium exchange rate

(d) all of these

26. Demand for foreign currency depends upon:

(a) repayment of international loans

(b) investment in rest of the world

(c) direct foreign investment in the domestic economy

(d) both (a) and (b)

27. In a flexile exchange rate regime

(a) central government control the rate

(b) state government control the rate

© government do not have any intervention

(d)central bank control the rate

28. Foreign exchange transactions involve monetary transactions

(a) among residents of the same country

(b) between residents of two countries only

(c) between residents of two or more countries

(d) among residents of at least three countries

29. Paper currency was used for internal use and gold was used for international settlement under standard

(a) IMF

(b) gold bullion

(c) fixed

(d) floating

30. A foreign currency account maintained by a bank abroad is its

(a) nostro account

(b) vostro account

(c) loro account

(d) foreign bank account

31. The statutory basis for administration of foreign exchange in India is

(a) Foreign Exchange Regulation Act, 1973

(b) Conservation of foreign Exchange and Prevention of Smuggling Act.

(c) Foreign Exchange Management Act, 1999

(d) Exchange Control Manual

32. Reduction in the value of domestic currency by the government is called

(a) depreciation

(b) devaluation

(c) revaluation

(d) appreciation

33. The market forces influencing the exchange rate are not fully operational under

(a) floating exchange rate system

(b) speculative attack on the market

(c) fixed exchange rate system

(d) current regulations of IMF

34. According managed to classification by IMF, the currency system of India falls under

(a) Managed flating

(b) independently floating

(c) crawling peg

(d) pegged to basket of currencies

35. Under fixed exchange rate system, the currency rate in the market is maintained through

(a) official intervention

(b) rationing of foreign exchange

(c) centralising all foreign exchange operations with central bank of the country

(d) none of the above

36. Euro was launched on

(a) 1999

(b) 2000

(c) 2002

(d) 2004

37. Indirect rate of exchange is quoted in India for -

(a) sale of foreign travellers cheque

(b) sale of rupee travellers cheques

(c) purchase of personal cheques

(d) none of the above

38. A transaction in which the currencies to be exchanged the next day of the transaction is known as

(a) ready transaction

(b) value today

(c) spot transactions

(d) Value tomorrow

39. The transaction in which the exchange of currencies takes place at a specified future date, subsequent to the spot date is known as a

(a) swap transaction

(b) forward transaction

(c) future transaction

(d) non-deliverable forwards

40. The buying rate is also known as the

(a) bid rate

(b) offer rate

(c) spread

(d) swap

Key answer:

1. b
2. b
3. a
4. c
5. a
6. d
7. d
8. d
9. d
10. b
11. a
12. b
13. b
14. b
15. b
16. a
17. b
18. a
19. d
20. c
21. a
22. a
23. c
24. b
25. c
26. d
27. c
28. b
29. b
30. a
31. c
32. b
33. c
34. a
35. a
36. a
37. d
38. d
39. b
40. a

**FILL IN THE BLANKS:**

1. Convertibility of rupee refers to its convertibility into a \_\_\_\_\_\_\_\_\_as desired by its holder

2. Balance of payment records \_\_\_\_\_\_\_ transactions of the country with outsiders

3. Generally exports are recorded at \_\_\_\_\_\_\_\_\_value in balance of payments

4. \_\_\_\_\_\_\_\_\_ rate system refers to a system in which foreign exchange rate is determined by market forces and central bank influence the exchange rate through intervention.

5. Imports of goods and services raises the \_\_\_\_\_\_\_\_\_\_\_ of foreign exchange

6. Under FEMA, the RBI has been authorised to make \_\_\_\_\_\_\_ to carry out the provisions of the Act

7. \_\_\_\_\_\_\_\_ is one country manipulates exchange rate against the interest of other country.

8. \_\_\_\_\_\_\_\_\_ is a function of foreign exchange market protects against the foreign exchange risk.

9. Reduction in the value of domestic currency by the government is called \_\_\_\_\_\_\_\_\_.

10. The \_\_\_\_\_\_\_ is also known as offer rate.

11. In a \_\_\_\_\_ transaction the quoting bank parts with foreign currency and acquires home currency

12. In a pure form fixed exchange rate system the exchange rate for currency is determined by the \_\_\_\_\_\_\_.

13. Convertibility of rupee refers to its convertibility into a \_\_\_\_\_\_\_\_ as desired by its holder.

14. Rupee is partially convertible on \_\_\_\_\_\_\_\_\_.

15. Forward exchange rates involve the exchange of \_\_\_\_\_\_\_\_ at some specified future date.

16. The starting point for understanding how exchange rates are determined is a simple idea called \_\_\_\_\_\_\_\_ which states that if two countries produce an identical good, the price of the good should be the same throughout the world no matter which country produces it

17. In the long run, a rise in a country's price level (relative to the foreign price level) causes its currency to \_\_\_\_\_\_\_\_\_\_ while a rise in the country's relative productivity causes its currency to appreciate

18. For a foreign exchange of specific currency, the \_\_\_\_\_\_\_\_ is classified as open position

19. Pegging operations refer to all efforts made by the \_\_\_\_\_\_\_\_\_ to keep the rate of exchange stable.

20. For fixed exchange rate system, a Central Bank actively uses its \_\_\_\_\_\_\_\_reserves to maintain the officially determined exchange rate.

Key answer:

1. Foreign currency
2. Economic
3. FOB
4. Managed floating
5. Demand
6. Regulations
7. Dirty floating
8. Hedging function
9. Devaluation
10. Selling rate
11. Purchase
12. Government
13. Foreign currency
14. Capital account
15. Bank deposits
16. The law of one price
17. Depreciate
18. Non-hedged position
19. Central government
20. Foreign currency