

Sample questions for Practice

Course MFM (Sem VI) (Choice Based)

Subject: - Financial Modelling

1. The price specified on an option that the holder can buy or sell the underlying asset is called the:
 - (a) Premium
 - (b) Call
 - (c) Put
 - (d) strike price

2. Which of the following is not a cash inflow?
 - (a) Decrease in debtors
 - (b) Issue of shares
 - (c) Decrease in creditors
 - (d) Sale of fixed assets

3. What is not used to prepare the Cash Flow Statement:
 - (a) Profit and loss account
 - (b) Balance Sheet
 - (c) Additional Information
 - (d) Auditors Statement

4. Which of the following could be financed from working capital?
 - (a) Office Premises
 - (b) Accounts receivable
 - (c) A new office laptop
 - (d) Machinery

5. If the annual interest rate is 6%, the price of a 1-year Treasury bill with INR 100 face value would be:
 - (a) INR 94.00
 - (b) INR 94.33
 - (c) INR 95.25
 - (d) INR 96.10

6. Which of the following will not cut information?
 - (a) Pressing Ctrl + C
 - (b) Selecting Edit>Cut from the menu
 - (c) Clicking the Cut button on the standard
 - (d) Pressing Ctrl+X

7. By selling short a futures contract of INR 100,000 at a price of 115 you are agreeing to deliver
 - (a) INR100,000 face value securities for INR 115,000
 - (b) INR 115,000 face value securities for INR 110,000
 - (c) INR 100,000 face value securities for INR 100,000
 - (d) INR 115,000 face value securities for INR 115,000

8. Comments can be added to cells using:
 - (a) Edit > Comments
 - (b) Insert > Comments
 - (c) File > Comments
 - (d) View > Comments

9. Consumer Price Index (CPI) measures the:
 - (a) Changes in the quantity
 - (b) Changes in the prices
 - (c) Changes in the cost
 - (d) Changes in the profit

10. The process of protecting oneself against future price changes by shifting some or all of the risk to someone else is called:
 - (a) Speculating
 - (b) Investing
 - (c) Hedging
 - (d) Gambling

11. How is it possible for a firm to be profitable and still go bankrupt?
 - (a) Earnings have increased more rapidly than sales.
 - (b) The firm has positive net income but has failed to generate cash from operations
 - (c) Net income has been adjusted for inflation
 - (d) Sales have not improved even though credit policies have been eased

12. A firm that issues stocks and bonds to raise funds results in:
 - (a) Decreases Cash
 - (b) Increases Equity
 - (c) Increases Cash
 - (d) Increases Liabilities

13. A contract that requires the investor to buy securities on a future date is called a:
 - (a) Short contract
 - (b) Long contract
 - (c) Hedge
 - (d) Cross

14. The payoffs for financial derivatives are linked to:
 - (a) securities that will be issued in the future
 - (b) the volatility of interest rates
 - (c) previously issued securities
 - (d) government regulations specifying allowable rates of return

15. For the calculation of trend percentage, which year is considered 100 percent?
 - (a) first year
 - (b) second year
 - (c) third year
 - (d) last year

16. If you buy a put option on Treasury futures at 115, and at expiration the market price is 110
- (a) the call will be exercised
 - (b) the put will be exercised
 - (c) the call will not be exercised
 - (d) the put will not be exercised
17. If you sold a short contract on financial futures, you hope interest rates:
- (a) Fall
 - (b) Rise
 - (c) are stable
 - (d) fluctuate
18. According to Black Scholes model, short term seller receives today's price which?
- (a) Short term cash proceeds
 - (b) Proceeds in cheques
 - (c) Zero proceeds
 - (d) Full cash proceeds
19. From the Fisher equation, we see the relationship between the nominal interest rate and expected inflation as:
- (a) Direct and one-to-one
 - (b) Direct but more than one-to-one
 - (c) Inverse
 - (d) There is no relationship between these two variables
20. The most common type of interest rate swap is:
- (a) the plain vanilla swap
 - (b) the basic swap
 - (c) the notional swap
 - (d) the ordinary swap
21. Which of the following represents the fisher's equation?
- (a) Nominal interest rate = real interest rate + inflation
 - (b) Nominal interest rate + inflation = real interest rate
 - (c) Nominal interest rate = real interest rate - inflation
 - (d) Nominal interest rate = real interest rate / inflation
22. A profitability index of .85 for a project means that:
- (a) the present value of benefits is 85% greater than the project's costs
 - (b) the project's NPV is greater than zero
 - (c) the project returns 85 cents in present value for each current dollar invested
 - (d) the payback period is less than one year
23. An increase in variable costs _____.
- (a) Increases p/v ratio
 - (b) increases the profit
 - (c) Reduces contribution
 - (d) Increase margin of safety

24. Which of the following is not a valid data type in excel:

- (a) Number
- (b) Character
- (c) Label
- (d) Date / Time

25. Cash flow example from a financing activity is:

- (a) Receipt of Dividend on Investment
- (b) Payment of Dividends
- (c) Cash Received from Customers
- (d) Purchase of Fixed Asset



1. Investment Advisors aim to maximize ____ of a client.
 - a. Satisfaction
 - b. Family welfare
 - c. Tax savings
 - d. Wealth

2. Please read following two statements...
 - i. Wire House Wealth manager provides complete Investment advisory functions from advise to execution
 - ii. Wire House broker is independent of Wire House Wealth management FirmPlease comment...
 - a. Only i is Correct
 - b. Only ii is Correct
 - c. Both i and ii are Correct
 - d. Both i and ii are Incorrect

3. Which of the following is not a client category in wealth management?
 - a. Mass affluent
 - b. High net worth
 - c. Unified households
 - d. Wellness executive

4. Deepak was advised by his Wealth Planner to invest 30% in Equities, 50% in real estate, 15% in Gold and balance in liquid Bank Balance. This process is called as...
 - a. Financial Planning
 - b. Financial Vision
 - c. Wealth Analysis
 - d. Investment Education

5. In Wealth Management, the control over investments is in the hands of
 - a. Wealth manager
 - b. Client
 - c. SEBI
 - d. RBI

6. In open architecture, the Wealth Managers advise
 - a. Only Proprietary Products
 - b. proprietary and external products and services
 - c. Only External Products
 - d. Financially Suitable Products

7. Deciding what proportion of funds are to be invested in which type of investment is
 - a. Investment Overview
 - b. Asset Planning
 - c. Investment Analysis
 - d. Asset Allocation

8. An investment in Fixed Deposit, of Rs. 15000, would yield maturity value of ___ after 5 years, if Bank provides 8.15% return
- Rs. 22193
 - Rs. 21112
 - Rs. 30000
 - Rs. 16222
9. What is the present value of CFs 15000 for 5 consecutive years, when the expected rate is 12%
- ₹ 84,000.00
 - ₹ 1,80,000.00
 - ₹ 54,072.00
 - ₹ 75,000.00
10. A Project generates Cash Inflows of Rs. 15000, Rs. 12000 and Rs. 14000 over next three years, against the investment of Rs. 32000. What is NPV, if the Discounting Rate is
- ₹ 41,000.00
 - ₹ 34,072.00
 - ₹ 2,072.00
 - ₹ 5,000.00
11. Which of the following is not a function of an Investment Advisor?
- Making investment recommendations
 - Conducting securities analysis
 - Resolve Family Disputes
 - Management of clients' assets
12. White labeled solutions essentially provide...
- Solutions which are tendered in White Envelope
 - Selling a solution made by another
 - Attractive discount offers
 - A common financial plan for all the customers
13. In terms of numbers, large amount of wealth is concentrated in the hands of...
- HNIs
 - Large businessmen
 - Board of Directors
 - Wealth Managers
14. Which one of the following is not a type of a Financial Risk?
- project-specific risk
 - Industry-specific risk
 - International risk
 - Client - Advisor Relationship Risk

15. Please read following Statements about Separately Managed Accounts (SMA) and choose from the options below... a. Customers have lesser Degree of Control in Investments. b. SMAs are not Customized
- Both are Incorrect
 - Both are Correct
 - Only a is Correct
 - Only b is Correct
16. Which of the following is not a feature of Pooled Funds?
- portfolio from many individual investors
 - professionally managed
 - lower trading costs
 - Customized Investment Product
17. Which of the following is not an advantage of Technology in Wealth Management
- Relationship and communication
 - Aggregation and reporting
 - Risk and Return Analysis
 - Behavior and customization
18. Investor's risk tolerance is considered only in...
- Risk-Return Investment
 - Tactical Asset Allocation
 - Strategic Asset Allocation
 - Integrated Asset Allocation
19. Standard Deviation of Government Securities is supposed to be near to...
- 100
 - 1
 - Infinite
 - 0
20. A bond is likely to give Rs. 11,000, Rs. 12000 and Rs. 13000 in 4th, 5th and 6th year respectively. What should be its value today, if the investor wants 12% rate of return?
- ₹ 35,000.00
 - ₹ 28,641.00
 - ₹ 36,000.00
 - ₹ 20,386.00
21. The three dimensions in client profiling are...
- goals, constraints and preferences
 - Personality, Goals and Resources
 - Availability, Returns and Perspective
 - Wealth, Income and Returns
22. Unified managed Accounts provide chance to the investor for _____
- Unification
 - Diversification
 - Tax Saving
 - Better Return

23. Mobility Solutions/Mobile Applications in Wealth Management Facilitate
- Interaction and Collaboration for Clients and Advisors
 - Growth in portfolio Valuation
 - Risk Assessment
 - Good Returns
24. What is the rate that a HNI investor is obtaining if he gets Rs. 500000, Rs. 750000 and Rs. 1000000 in coming three years against the investment of Rs. 18,43,783 Today?
- 10%
 - 11%
 - 9.50%
 - 12%
25. What monthly sum can be awarded if a college deposits Rs. 500000 with the bank that is offering 9% rate on a perpetuity?
- ₹ 45,000.00
 - ₹ 3,750.00
 - ₹ 50,000.00
 - ₹ 4,50,000.00