Merchant Banking & Financial Services MCQ

1. A merchant bank is a financial institution conducting money market activities and:
   a. Lending  
   b. Underwriting and financial advice  
   c. Investment service  
   d. All of the above

2. In India Merchant banking along with management of public issues and loan syndication covering activities like-
   1. Project counseling  
   2. Portfolio management  
   3. Investment counseling  
   4. Mergers and amalgamation of the corporate firms  
   5. Securities and exchange
      a. 1, 2, 4, 5  
      b. 1, 2, 3, 5  
      c. 1, 2, 3, 4  
      d. 2, 3, 4, 5

3. Formal merchant banking activity in India was originated in______.  
   a. 1978  
   b. 1969  
   c. 1769  
   d. 1987
4. In India, merchant-banking activity was originated with the merchant banking division set up by the __________.
   a. Barclays bank  
   b. Grind lays bank  
   c. Yes bank  
   d. None of the above

5. State Bank of India started merchant banking in ______ followed by ICICI in ______.
   a. 1972, 1974  
   b. 1978, 1980  
   c. 1973, 1974  
   d. 1980, 1981

6. The early growth of merchant banking in the country is assigned to the _______.
   a. FEMA  
   b. Foreign Exchange Regulation Act, 1973  
   c. Securities Contracts Act  
   d. Income-tax Act

7. Developmental activities of merchant banking:
   a. Sources of funds forever  
   b. Expanding industry and trade  
   c. Leaving a widening gap unbridged between supply and demand of investible funds.  
   d. All of the above
8. Different enactments for raising funds from the capital market:

1. Companies Act
2. Income-Tax Act
3. Foreign Exchange Regulation Act
4. Securities Contracts Act
5. Corporate laws and Regulations
   a. 1, 2, 4, 5
   b. 2, 3, 4, 5
   c. 1, 2, 3, 4, 5
   d. 2, 3, 4

9. The term ‘Merchant Bank’ is used in:

a. United States
b. United Kingdom
   c. America
d. India

10. In India, merchant Banks operate in the form of divisions of India and foreign banks and financial institution, Subsidiary companies established by-

1. SBI Capital Markets Ltd.
2. Can Bank Financial Services Ltd.
3. PNB Capital Services Ltd.
4. BOI Finance Ltd.
5. Indian Bank Merchant Banking Services Ltd.

   a. 1, 2, 4, 5
   b. 2, 3, 4, 5
   c. 1, 2, 3, 4, 5
   d. 1, 3, 4, 5
11. Banks implement the RBI’s ______ policies.

a. Monetary
b. Credit
c. Commercial
d. Both a and b

12. State level financial institutions are:

1. IFCI
2. SFCs
3. SIDCs
4. IRBI
5. SIICs
   a. 1, 2, 4
   b. 2, 3, 5
   c. 1, 3, 5
d. 1, 4, 5

13. ______ is basically a savings and investment corporation.

a. UTI
b. IDBI
c. SBI
d. RBI
14. Identify the money market instruments:

1. Call Money Market
2. Treasury Bills
3. Commercial bills
4. Commercial paper
5. Certificate of deposit
6. Foreign investment policy
   a. 1, 2, 4, 5, 6
   b. 2, 3, 4, 5, 6
   c. 1, 2, 3, 4, 5
   d. All of the above

15. Secondary markets in treasury bills require involvement of _______ and _______.

   a. Brokers, Dealers
   b. Buyers, Sellers
   c. Consumer, Producer
   d. All of the above

16. Merchant bank is an organization that-

   a. Underwrites securities for corporations
   b. Advice clients on mergers
   c. Involved in ownership of commercial ventures
   d. All of the above
17. The criteria for authorization of merchant bankers includes:

1. Professional qualification in finance, law or business management
2. Infrastructure like adequate office space, equipment and manpower
3. Employment of two persons who have the experience to conduct business of merchant bankers
4. Capital adequacy
5. Past track record, experience, general expectation and fairness in all transaction

   a. 1, 2, 4, 5
   b. 1, 2, 3, 4, 5
   c. 2, 3, 4, 5
   d. None of the above

18. The four categories of merchant bankers issued by SEBI:

1. First category
   i. Who act as an advisor or consultant to an issue
2. Secondary category
   ii. Those authorized to act as an underwriter, advisor.
3. Third category
   iii. Those authorized to act in the capacity of co-manager
4. Fourth category
   iv. Who carry on any activity of issue management

   a. 1-I, 2-ii, 3-iii, 4-iv
   b. 1-iv, 2-iii, 3-ii, 4-I
   c. 1-iii, 2-I, 3-iv, 4-ii
   d. None of the above

19. Issue management is an important function of ______ and ______.

   a. Merchant banker, lead manager
   b. Public banker, Merchant banker
   c. Lead banker, Private banking
20. In simple terms, the management of issues for raising funds through various types of instruments by companies is known as:

a. Lead management
b. Merchant banking
c. **Issue management**
d. Public issue management

21. Companies raise funds for the purposes of:

1. Financing new projects
2. Expansion of existing units
3. Modernization & diversification of existing units
4. Organizing long term resources for working capital purposes

   a. 1, 2, 3
   b. 2, 3, 4
c. **1, 2, 3, 4**
d. 1, 3, 4

22. Categories of securities issue:

a. Public issue
b. Rights issue
c. Private placement
d. **All of the above**
23. Private placement covers-

a. Shares
b. Preference shares
c. Debentures
d. All of the above

24. Match the following:
1. Public issue  
   i. When capital funds are raised through the issue of prospects.
2. Rights issue  
   ii. When shares are issued to the existing shareholders of a company
3. Private placement  
   iii. When the issuing company sells securities directly to the investors

   a. 1-I, 2-ii, 3-iii  
   b. 1-iii, 2-ii, 3-I  
   c. 1-ii, 2-iii, 3-I  
   d. 1-iii, 2-I, 3-ii

25. Equity funding is preferable especially when the project is________.

a. Fund intensive  
b. Finance intensive  
c. Capital intensive  
d. Application intensive
26. Match the following:

1. Pre-Issue Activities
   i. Signing of MOU

2. Post-Issue Activities
   ii. Dispatch of share certificates
   iii. Issue of closure
   iv. Finalization of basis of allotment
   v. Filing with ROC
   vi. Advertisement

   a. 1-I, ii, iii and 2-iv, v, vi
   b. 1-I, iii, v and 2-ii, iv, vi
   c. 1-ii, iii, iv and 2-I, v, vi
   d. None of the above

27. The _______ has to manage the post-issue activities.

   a. Merchant banker
   b. Lead manager
   c. Bank promoter
   d. All of the above

28. It is a process by which a demand for the securities proposed to be issued by a body corporate is elicited.

   a. Book building
   b. Share certificate
   c. Promoter issue
   d. Circular
29. Financial services through the network of elements such as ________, serve the needs of individuals, institutions and Corporate.

a. Financial institutions
b. Financial markets
c. Financial instruments
d. All of the above

30. ______ is regarded as the fourth element of the financial system.

a. Financial services
b. Financial markets
c. Financial instruments
d. Financial institutions

31. Objectives of financial services:

1. Fund raising
2. Funds deployment
3. Specialized services
4. Regulation
5. Economic growth
   a. 1, 2, 4, 5
   b. 2, 3, 4, 5
   c. 1, 2, 3, 4, 5
   d. 1, 3, 4, 5

32. Chief characteristics of financial services:

1. Intangibility
2. Customer orientation
3. Inseparability
4. Dynamism
   a. 1, 2, 3
   b. 2, 3, 4
   c. 1, 3, 4
   d. 1, 2, 3, 4

33. Match the following:
1. Fund based activities
   i. Underwriting of/or investment in shares

2. Non-fund based activities
   ii. Dealing in secondary market
   iii. Arrangement of funds from financial institutions
   iv. Managing the capital issues

a. 1-I, ii and 2-iii, iv
b. 1-ii, iv and 2-I, iii
c. 1-I, iv and 2-ii, iii
d. 1-iii, iv and 2-I, ii

34. Factors affecting assigned ratings:
   a. The character and terms of the particular security being issued.
   b. The probability that the issuer will default the security and the ability and willingness of the issuer to make timely payments
   c. The degree of protection extended to investors if the securities are liquidated, reorganized, and/or if the organization declares bankruptcy.
   d. All of the above
35. Identify the benefits of credit-rating to investors:

1. Safeguard against bankruptcy
2. Lower cost of borrowing
3. Saving of resources
4. Reduction of cost in public issues
5. Credibility of issues
6. Wider audience for borrowing
   a. 1, 3, 5
   b. 2, 4, 6
   c. 1, 4, 5, 6
   d. All of the above

36. CRISIL has been promoted by ____ and ____.
   a. ICICI, UTI
   b. IDBI, SBI
   c. AXIS, UTI
   d. PNB, SBI

37. The term ____ is defined as a central location for keeping securities on deposit.
   a. Depository
   b. Instrument
   c. Institutions
   d. None of the above
38. The ______ is the apex organization in the Indian money market.

a. SBI  
b. RBI  
c. ICICI  
d. IDBI

39. The principal instruments of the organized money market –

1. The call money market  
2. The repo market  
3. The treasury bill market  
4. The commercial bill market  
5. The certificate of deposits market  
6. The commercial papers market  
7. The money market mutual funds

a. 1, 2, 4, 5, 7  
b. 2, 3, 5, 6, 7  
c. 1, 2, 3, 6, 7  
d. All of the above
40. Any change in flow of funds and the demand of them, is clearly reflected in –

   a. **Call money market**
   b. Money market
   c. Repo market
   d. Commercial bill market

41. _______ operates in Inter-bank call money market.

   a. Scheduled commercial banks
   b. Co-operative banks
   c. Financer house of India
   d. **All of the above**

42. Lead merchant banker should advice 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.

43. 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.
44. 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.

45. Role of merchant bankers------.

(a) Mobilization of funds

(b) Promotional function

(c) Innovation

(d) All of these.

46. ---------- 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.
47. ----------- 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.

48. -------------- 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.

49. The first bank to set up a separate merchant banking division in India.

(a) Punjab national bank
(b) Standard charted bank
(c) National & Grin days bank
(d) National city bank.

50. Which of the following is not a fee-based financial service?

(a) Corporate counseling
(b) Lease financing
(c) Profit management
(d) Issue management.
51. All merchant bankers must have minimum net worth of ____________.

(a) 5crore
(b) 1crore
(c) 10crore
(d) 20crore.

52. Find out odd one- Authorization criteria of merchant bankers.

(a) All business performed
(b) professional competence
(c) Capital adequacy
(d) Past experience.

53. ____________ covers the entire range of services provided by a merchant banker.

(a) Project counseling
(b) Corporate counseling
(c) Credit syndication
(d) Market makers.

54. Functions of financial services exclude ________________.

(a) Mobilization of savings (b) Allocation of fund
(c) Specialized services (d) Collection of tax.
55. Financial service companies exclude ------------------.

(a) Commercial banks

(b) Insurance companies

(c) **Sole proprietorship**

(d) Crepitating agencies.

56. 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.

57. Category 1 merchant bankers can act as .

(a) Only as advisor

(b) Underwriter

(c) Consultant

(d) **All issue management functions.**

58. Merchant bankers are .

(a) Merchants

(b) Banks
(c) Neither merchants nor banks

(d) None of these.

59. 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.

60. The number of lead merchant bankers may not exceed in case any issue of, issue size less than Rs.50 crore, number of MBs ____________.

(a) 1

(b) 3

(c) 2

(d) 4