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# Banking and Financial Awareness Questions for SBI Clerk Mains

## Banking and Financial Awareness Quiz 5

Directions: Study the following the information carefully and answer the questions given below,

**1. Which among the following is NOT taken into consideration while calculating the Gross Domestic Product of a country in a financial year?**

- A. Investments                      B. Consumption                      C. Government Spending  
D. Capital Asset Projects Creation                      E. Both A and D

**2. Which among the following provides us a measure of the general price inflation in an economy?**

- A. Gross National Product                      B. Gross Domestic Product                      C. Functional Analysis Product  
D. GDP Deflator                      E. None of the above

**3. If the rate of inflation is very slow, it is known as which among the following?**

- A. Uncouth Inflation                      B. Disinflation                      C. Uninflation  
D. Deflation                      E. None of the above

**4. Which among the following gives us a clear picture of all the international transactions of a country in a financial year?**

- A. Balance of Trade                      B. Balance of Currency                      C. Balance of Payment  
D. Balance of Justification                      E. None of the above

**5. Selling off the stake of the government in a Public Sector Undertaking is known as –**

- A. Disinvestment                      B. De-investment                      C. Un-investment  
D. Cross investment                      E. None of the above

**6. AMFI is the regulator of mutual funds in India. It was established in the year –**

- A. 1995                      B. 1997                      C. 1996  
D. 1998                      E. 1999

**7. An asset is classified as NPA if the interest payment is overdue for 90 days, from the financial year ending on –**

- A. March 31, 2000                      B. March 31, 2003                      C. March 31, 2005  
D. March 31, 2004                      E. None of the above

**8. A substandard asset is such that it has remained in the NPA status for a period of less than or equal to \_\_\_\_\_ .**

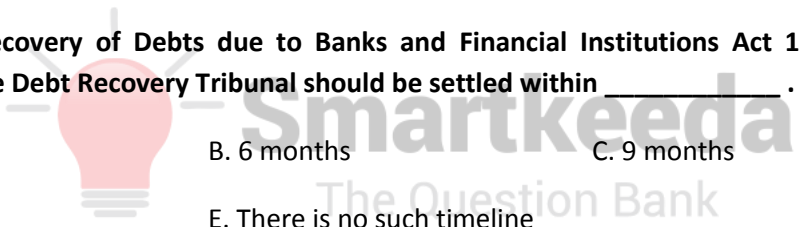
- A. 3 months                                  B. 6 months                                  C. 12 months  
D. 18 months                                E. 24 months

**9. Corporate Debt Restructuring can be done in assets in which the exposure is \_\_\_\_\_ or more.**

- A. Rs 5 Crores                              B. Rs 10 Crores                              C. Rs 15 Crores  
D. Rs 20 Crores                              E. None of the above

**10. As per Recovery of Debts due to Banks and Financial Institutions Act 1993, any case referred to the Debt Recovery Tribunal should be settled within \_\_\_\_\_ .**

- A. 3 months                                  B. 6 months                                  C. 9 months  
D. 12 months                                E. There is no such timeline



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**Correct answers:**

1	2	3	4	5	6	7	8	9	10
D	D	B	C	A	A	D	C	B	B

**Explanations:**

1. The Gross Domestic Product (GDP) is defined as the estimated value of the goods and services produced in a country in a financial year by the nationals as well as the foreigners. Therefore,  $GDP = \text{Consumption} + \text{Investment} + \text{Government spending} + \text{Exports} - \text{Imports}$ .

Hence, option D is correct.

2. GDP Deflator provides us a measure of the general price inflation of goods and services in an economy. It is obtained by dividing nominal GDP by real GDP and then multiplying the same by 100. Nominal GDP is the price of goods and services, unadjusted for inflation whereas in case of real GDP, the same is adjusted for inflation to give the real picture.

Hence, option D is correct.

3. Disinflation is defined as the situation where the inflation has slowed down temporarily. It is basically inflation at very slow rate. It can take place due to recession in the economy or tightening of the monetary policy by the central bank of the country. It is different from deflation due to the fact that it is only change in the rate of inflation.

Hence, option B is correct.

4. Balance of Payment (BOP) is defined as the statement of all the transactions between a country and the rest of the world in a financial year. It basically gives us an idea regarding all the international transactions taking place in a year. Balance of Trade gives us a picture regarding the exports and imports of a country in a financial year.

Hence, option C is correct.

5. Disinvestment is defined as the deliberate sale of the capital stock of a company in order to raise capital and change the equity or management structure of the organization. Selling of the stake in a public sector undertaking by the government is known as the disinvestment.

Hence, option A is correct.

6. Mutual Funds are investment companies that pool money from various sources and invest in various securities on behalf of such investors. It charges commission for that

and the returns adjusted will be provided to the investors. Association of Mutual Funds in India (AMFI) is the regulating body of mutual funds in the country. It was founded in 1995 and is based in Mumbai.

Hence, option A is correct.

7. An asset is classified as the Non-Performing Asset if there is no interest payment for a period of 90 days or more. This norm for identification of NPA has come into force from the financial year ending on March 31, 2004. It can happen if the cash credit or overdraft facility is out of order or a bill remains overdue for a period of more than 90 days, in case of the bills purchased and discounted.

Hence, option D is correct.

8. A substandard asset is such that it has remained in the NPA status for less than or equal to 12 months. If the asset is in the substandard class for a period of less than or equal to 12 months, it is termed as a doubtful asset whereas a loss asset is such that it has been identified as being in loss by the bank or the external auditors or the RBI inspection team but the amount has not been written off completely from the books of the bank.

Hence, option C is correct.

9. The Corporate Debt Restructuring (CDR) scheme came into effect in 2001 and under this scheme; accounts with outstanding exposures of Rs 10 Crores or more can be considered. It can come into play only when at least 75% of the creditors (by value of loan amount) and 60% of the creditors (by value of number of loans) agree to such proposal.

Hence, option B is correct.

10. The DRTs came into being as per the Recovery of Debts due to Banks and Financial Institutions Act 1993. Banks can file an application to the DRTs in order to recover such loan amount from an individual or a company. According to the provisions of the act, such case should be settled within 6 months from the date of such application.

Hence, option B is correct.

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