Banking and Financial Awareness Questions for SBI Clerk Mains

Banking and Financial Awareness Quiz 7

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

1. If money is lent or borrowed for a period of more than 14 days, it is known as –

A. Term money B. Notice money C. Call money

D. Fixed Money E. None of the above

2. Which among the following cannot take part in raising funds from the money market in India?

A. Scheduled Commercial Banks B. Regional Rural Banks

C. Cooperative Banks D. Both B and C E. All are eligible

3. What is the minimum denomination of the treasury bills issued by the government?

A. Rs 50000 B. Rs 1 lakh C. Rs 2 lakhs

D. Rs 25000 E. None of the above

4. Which among the following cannot issue Commercial Papers to raise funds from the market?

A. NABARD B. SIDBI C. EXIM Bank

D. Both B and C E. All can raise funds

5. Who among the following can invest in the Commercial Papers issued in India?

A. Individuals B. Foreign Institutional Investors

C. Non-Resident Indians D. Both B and C E. All A, B and C

6. What should be the minimum duration for which a certificate of deposit can be issued?

A. 7 days B. 30 days C. 45 days

D. 60 days E. 90 days

7. Which among the following can be considered as a part of the Secondary Market?

A. Bombay Stock Exchange B. National Stock Exchange

C. Multi-Commodity Stock Exchange

D. Both A and B E. All A, B and C

8. Which among the following does not define a bond issued by the authorized entities?

A. It is a long term debt instrument

B. It has a fixed maturity date C. It has a fixed rate of interest D. Both B and C

E. All A, B and C are characteristics of bonds

9. Which among the following was the first to issue a Masala Bond?

A. International Monetary Fund

B. World Economic Forum C. World Bank

D. International Finance Corporation E. None of the above

10. Green Bonds in India are regulated by which among the following?

A. Reserve Bank of India B. Ministry of Environment and Forests

C. Ministry of Finance D. SEBI E. None of the above

Correct answers:

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

Explanations:

1. Money Market is mainly used in order to trade for duration of less than a year. Mainly unsecured loans are considered in this segment such as call money (money lent or borrowed for a day only), notice money (money lent or borrowed for 2 days to 14 days) and term money (Money lent or borrowed for more than 14 days to less than a year).

Hence, option A is correct.

2. The money market can be tapped by the scheduled commercial banks except the regional rural banks, cooperative banks, primary dealers etc. The funds raised are mainly used to address the mismatch of funds. The money market is used for short term loans and trading and that is why the risk factor is very low here with the returns also being vey less. The participants in this market need to maintain a current account with RBI because of the short duration of trading in this market.

Hence, option B is correct.

3. Treasury Bills are issued by central government in order to raise funds from the market. There are three types of T-Bills in practice now – 91-day, 182-day and 364-days. There is no T-Bill issued by the state governments as of now. Such bills can be issued for a denomination of Rs 25000 and the multiples of that. These bills are issued at a discount and redeemed at par.

Hence, option D is correct.

4. Commercial Papers are unsecured money market instruments issued in the form of the promissory notes. This was first issued in India in the year 1990. These instruments can be issued by corporates, primary dealers and all India Financial Institutions such as NHB, NABARD, SIDBI, ECGC, EXIM Bank etc. CP can be issued for a minimum period of 7 days and the maximum period of a year.

Hence, option E is correct.

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Hence, option E is correct.

6. Certificate of Deposit is a negotiable instrument issued in 1989 for the first time and it is issued against funds deposited with a bank or financial institution. The scheduled commercial banks (excluding the RRBs and the Local Area Banks) and All-India Financial Institutions can issue such CDs. The minimum amount should be Rs 1 lakh whereas the duration should not be less than 7 days and not more than a year.

Hence, option A is correct.

7. Secondary market deals with the exchange of existing or previously-issued securities in India. On the other hand, the primary market is meant for trading and issuance of stocks and other securities. Equity and debt market come under the purview of the secondary market. That is why, BSE, NSE, MCX all come under the secondary market only.

Hence, option E is correct.

8. A bond is defined as a long term debt instrument issued by the government or the companies or banks with a fixed rate of interest and a fixed maturity date as well. It is practically a loan agreement between the issuer and the purchaser against which the issuer will pay a certain amount to the purchaser of the bond at the time of maturity. It is mainly used to raise capital from the market.

Hence, option E is correct.

9. Masala Bonds are rupee-denominated borrowings by the Indian entities in the overseas market. Such bonds are regulated by the Reserve Bank of India. The name ‘Masala Bond’ was first given by the International Finance Corporation to represent the Indian culture and cuisine. IFC was the first to issue such bonds in order to raise capital to fund infrastructure projects in India.

Hence, option D is correct.

10. A green-bond is a tax-exempt bond agreement used to raise money from the market to fund the green projects for the development of the brownfield sites. Brownfield sites are such that they are underutilized and can be developed. Such bonds are issued by World Bank, various municipalities, government agencies etc. In India, these bonds are regulated by SEBI.

Hence, option D is correct.


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The Question Bank
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