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Financial System Question for Bank Exams (IBPS Clerk & SBI Clerk)

Financial System Quiz 3

Choose the right answer from the given options.

1. The exchange of commodities between two countries is referred as

- A. Balance of trade B. Bilateral trade C. Volume of trade D. Multilateral trade

2. Which is the biggest tax paying sector in India?

- A. Agriculture sector B. Industrial sector C. Transport sector
D. Banking sector

3. Which of the following is a receipt listed in India and traded in rupees declaring ownership of shares of a foreign company?

- A. Indian Depository Receipt (IRD)
B. European Depository Receipt (EDR)
C. American Depository Receipt (ADR)
D. Global Depository Receipt (GDR)
E. Luxemburg Depository Receipt (LDR)

4. According to provisions of the Income Tax Act, 1961 a resident individual is categorized as a 'very senior citizen' when he is

- A. 80 years of age or older B. 75 years of age or older C. 90 years of age or older
D. 85 years of age or older E. 65 years of age or older

5. A type of fraud wherein criminals trick an innocent person to share his or her a/c details to carry out financial transactions is known as:

- A. Identity theft
- B. Hacking
- C. Money laundering
- D. Espionage
- E. Phishing

6. The part of company's earnings or profits which are paid out to shareholders is known as

- A. Capital Gains
- B. Taxes
- C. Interests and borrowings
- D. Dividends
- E. Penal Interest

7. The concept of 'Micro Credit' essentially concentrates on

- A. Consumption smoothening as and when needed
- B. Providing safe place to hold savings
- C. Accepting Deposits
- D. Provision of credit to the poor
- E. Facility to transfer money

8. An Equity share is also commonly referred to as

- A. Ordinary Share
- B. Debenture
- C. Convertible Share
- D. Security Receipt
- E. Preferred Stock

9. The process by which a life insurance policyholder can transfer all rights, title and interest under a policy contract to a third person known as

- A. Assignment of the policy
- B. Hypothecation of the policy
- C. Reinvestment of the policy
- D. Negotiation of the policy
- E. Nomination of the policy

10. A Worldwide financial messaging network which exchanges messages between banks and financial institutions is known as

A. CHAPS B. SWIFT C. NEFT D. SFMS E. CHIPS



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Correct Answers:

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

Explanations:

1.

The exchange of goods between two countries is termed as Bilateral trade. Bilateral trade agreements give preference to certain countries in commercial relationships, facilitating trade and investment between the home country and the foreign country by reducing or eliminating tariffs, import quotas, export restraints and other trade barriers.

Hence, the option B is correct.

2.

Industrial Sector has been highest tax payer in India.

For Example: India has been developing country over the years because of highest tax payer in India like Film Industry, Information Technology Enabled Service Industry etc.

Hence, the option B is correct,

3.

An Indian Depository Receipt (IDR) is a financial instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

Domestic Depository is a custodian of securities registered with the Securities and Exchange Board of India.

For example:

A foreign company can access Indian securities market for raising funds through issue of Indian Depository Receipts (IDRs).

Hence, the option A is correct.

4

Under the Income-tax Act, 1961, a 'Senior Citizen' has been defined as an individual who attains the age of 60 years at any time during a financial year, while an individual who is 80 years or more is categorised as 'Very Senior Citizen'.

Hence, the option A is correct.

5.

Phishing is the illegal attempt to obtain sensitive information such as usernames, passwords, and credit card details, often for malicious reasons, by masquerading as a trustworthy entity in an electronic communication.



6.

A dividend is a payment made by a company to its shareholders, usually as a distribution of profits.

For example:

When a company earns a profit or surplus, it can re-invest it in the business, and pay a fraction of this reinvestment as a dividend to shareholders.

Hence, the option D is correct.

7.

Microcredit is part of microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension.

Hence, the option D is correct.

8.

An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the company.

Hence, the option A is correct.

9.

The transfer to another party of the right to receive the death benefit of a life insurance policy is known as the Assignment of the policy. While one cannot buy life insurance providing coverage in the event of another person's death, one can buy the right to receive the death benefit from a policyholder.

Hence, the option A is correct.

10.

Structured Financial Messaging System (SFMS) is a secure messaging system developed to serve as a platform for intra-bank and inter-bank applications. It is an Indian system similar to SWIFT (Society for World-wide Interbank Financial Telecommunications) which is the international messaging system used for financial messaging worldwide.

The SFMS was launched on December 14, 2001 at Institute for Development and Research in Banking Technology (IDRBT).

Hence, the option B is correct.



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