CAIIB-**ADVANCED BANK MANAGEMENT-Paper_I**

A company has total assets at 1,50,000 and its total liabilities are 50,000. Based on the accounting
equation, we can assume the total equity is 1,00,000. Find the Debt Ratio.
a. 0.33
b. 0.5
c. 0.67
d. 0.75
Ans - a
Solution :
DR = TL / TA
= 50000 / 150000
= 0.33
....
Seela's Tech Company is a tech start up company that manufactures a new tablet computer. Seela is
currently looking for new investors and has a meeting with an angel investor. The investor wants to
know how well Seela uses her assets to produce sales, so he asks for her financial statements. Here is
what the financial statements reported:
Beginning Assets: 50,000
Ending Assets: 1,00,000
Net Sales: 25,000
The total asset turnover ratio is ......
a. 0.33
b. 0.5
c. 0.67
d. 0.75
Ans - a
Solution :
Asset Turnover Ratio or Total Asset Turnover Ratio = Net Sales / Average Total Assets
= 25000 / ((50000+100000)/2)
= 25000 / (150000/2)
= 25000 / 75000
= 0.33
As you can see, seela's ratio is only 0.33. This me**Ans** that for every Rupee in assets, seela only generates
33 Paisa. In other words, Seela's start up is not very efficient with its use of assets.
....
An urn contains 10 black balls and 5 white balls. 2 balls are drawn from the urn one after other without
replacement. What is the probability that both drawn are black ?
a. 2/7
b. 3/7
3 4/7
d. 6/7
Ans - b
....
Which of the following is not the layer in data warehouse architecture?
a. External database layer
b. Metadata layer
c. Data staging layer
d. None of these
Ans - d
....
Which of the following is the approach that a data mining tool uses?
a. Association
b. Classification

c. Clustering
d. All of the above
Ans - d
....
If A invests Rupees 100 at 7% interest rate for 3 years, what will be the value at the end of 3 years?
a. 125.20
b. 122.50
c. 152.50
d. 120.50
Ans - b
....
In MICR Code how many digits are available?
a. 13
b. 11
c. 10
d. 9
Ans - d
....
A loan for which only interest is paid during its repayment period while the principal is repaid at the end
is called ......
a. Term loan
b. Interest demand loan
c. Lumpsum payment lo**Ans**
d. Balloon repayment loan
Ans - d
....
A 5-year Govt. bond with a coupon rate of 8% has a face value of 1000. What is the annual interest
payment?
A. 80
B. 40
C. 100
D. None of the above
Ans - a
....
Which of the following is Capitalistic Economy?
a. England
b. China
c. India
d. None of these
Ans - a
....
Who gave welfare theory of economics?
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - a
....
Economic Sector reforms were started in India in ......
a. 1983
b. 1985
c. 1991
d. 1981
Ans - c
....
You are receiving Rs. 10000 every year for the next 5 years (at the end of the period) and you invest
each payment @ 5%. How much you would have at the end of the 5-year period?
a. 55526

b. 55652
c. 55265
d. 55256
Ans - d
Explanation :
Here,
P = 10000
R = 5% p.a.
T = 5 yrs
If invested at the end,
FV = P / R * [(1+R)^T - 1]
FV = 10000 × (1.05^5 − 1) ÷ 0.05
= 55256

....

In ...... phase of business cycle, unemployment will be widespread.
a. Recession
b. Depression
c. Recovery
d. Boom
Ans - a

....

Factors of production are categorized into ...... categories.
a. 2
b. 3
c. 4
d. 5
Ans - c

....

Demand Schedule is the ......
a. Relationship between demand and quantity bought
b. Relationship between price and quantity bought
c. Relationship between price and demand
d. None of these
Ans - b

....

A market equilibrium comes at the price at which quantity demanded equals to quantity ......
a. Produced
b. Supplied
c. in Inventory
d. in Stock
Ans - b

....

The central limit theorem assures us that the sampling distribution of the mean
a. Is always normal
b. Is always normal for large sample sizes
c. Approaches normality as sample size increases
d. Appears normal only when N is greater than 1,000
Ans – b

A quarterly repayments of a loan carry an interest rate of 8 % per annum. What is the effective annual
interest rate?
a. 8.4 %
b. 8.2 %
c. 8.3 %
d. 8.5 %
Ans - b
Solution :
EAR i = (1 + r/m)^m - 1]
= (1+8/4)^4-1)
= 8.2

....

Seasonal variation is...
a. Repetitive
b. Predictable
c. Both a and b
d. None of the above
Ans - c

....

The probability that we associate with an interval estimate is called ...
a. Estimate level
b. Confidence Level
c. Probability Level
d. None of the above
Ans - b

....

Given,
Corporation tax - Rs. 1000 Crores
Income tax - Rs. 800 Crores
Other taxes and duties - RS. 600 Crores
Customs - RS. 800 Crores
Union exercise tax - Rs. 600 Crores
Service tax - Rs. 500 Crores

Tax of union territories- Rs. 300 Crores
Interst receipt - Rs. 500 Crores
Devident & profit - Rs. 700 Crores
External grant - Rs. 300 Crores
Other non tax revenue - Rs. 1000 Crores
State Share - Rs. 600 Crores
Receipt of union territories - Rs. 800 Crores
Trf to NCCD (National calamity Contingency fund) - Rs. 300 Crores
calculate Net Tax revenue ...
a. Rs 2900 Crores
b. Rs 3700 Crores
c. Rs 4000 Crores
d. Rs 4600 Crores
Ans - b
Solution :
Net Tax Revenue = Gross tax revenue - NCCD tr**Ans** ferred to the National Calamity Contingency fund -
state share
Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + costoms + union excise duties +
service Tax + taxes on union territories
= 1000+800+600+800+600+500+300
= 4600 Crores
Net Tax Revenue = Gross tax revenue - NCCD tr**Ans** ferred to the National Calamity Contingency fund -
state share
= 4600-300-600
= 3700 Crores

....

When chiken prices rise 30%, the quantity of KFC fried chicken supplied rises by 15%. Calculate the price
elasticity of supply.
a. 0.50
b. 0.65
c. 0.75
d. 0.85
Ans - a
Solution :

Price Elasticity of Supply = (% change in quantity supplied) / (% change in price)

= 15/30 = 0.5

....

In Random Sampling, we pick up one, we note it down, put it back with the remaining and pick the next

one. This is called...

a. Sampling with replacement

b. Simple random sampling

c. Sampling without replacement

d. None of the above

Ans - a

....

The cabin of a bank branch manager gives an untidy look and messy appearance. His table is full of

papers. He is exhibiting ...... (i) type A behavior, (ii) type B behavior

a. Only (i)

b. Only (ii)

c. Either (i) or (ii)

d. Neither (i) nor (ii)

Ans - a

....

Population of a town is 100000. The rate of change is 4% p.a. what it will be after 5 years?

a. 112665

b. 116265

c. 126615

d. 121665

Ans - d

Explanation :

Here,

P = 100000

R = 4%

T = 5 yrs

FV = P*(1+R)^T

FV = 10000*(1+0.04)^5

= 121665

....

As you set tighter confidence interval, you would get to a ... level

a. higher

b. lower

c. either higher or lower

d. none of the above

Ans - b

....

Pick odd man out

a. Securities issued against Small Savings

b. Recoveries of Lo**Ans** & Advances

c. State Provident Funds

d. Other Receipts

Ans - b

....

Personal Consumption expenditure on households divided into;

a. Durable goods

b. Non-durable goods

c. Services

d. All of the above

Ans - d

....

Market Price is the …… for which goods or service is offered at the market place.

a. Nominal Price

b. Economic Price

c. Marginal Price

d. Deficit Price

Ans - b

....

Govind's Furniture Company sells industrial furniture for office buildings. During the current year, it

reported cost of goods sold on its income statement of 10,00,000. Govind's beginning inventory was

30,00,000 and its ending inventory was 40,00,000. Govind's turnover is ...... times.

a. 0.25

b. 0.29

c. 0.33

d. 0.37

Ans - b

Solution :

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory

= 1000000 / ((3000000+4000000)/2)

= 1000000 / (7000000/2)

= 1000000 / 3500000

= 0.29 Times

This me**Ans** that Govind only sold roughly a third of its inventory during the year. It also implies that it

would take Govind approximately 3 years to sell his entire inventory or complete one turn. In other

words, Govind does not have very good inventory control.

....

Raju's Furniture Company sells industrial furniture for office buildings. During the current year, Raju

reported cost of goods sold on its income statement of 25,00,000. Raju's beginning inventory was

40,00,000 and its ending inventory was 60,00,000. Calculate Raju's Furniture Company's Inventory

Turnover Ratio.

a. 0.25

b. 0.33

c. 0.5

d. 0.67

Ans - c

Solution :

Inventory Turnover Ratio = Cost of goods sold / Average inventory for that period

= 2500000 / ((4000000 + 6000000)/2)

= 2500000 / 5000000

= 0.5

....

Go through the following data and **Ans** wer the question.

1. Consumptions - Rs. 100000 Cr

2. Gross investment - Rs. 75000 Cr

3. Govt spending - Rs. 25000 Cr

4. Export - Rs. 100000 Cr

5. Import - Rs. 75000 Cr

6. Indirect Taxes - Rs. 15000 Cr

7. Subsidies(on production and import) - RS. 10000 Cr

8. Compensation of employee - Rs. 500 Cr

9. Property Income - Rs. 500 Cr

7,8,9 - Net receivable from aboard

10.Total capital gains from overseas investment - Rs. 20000 Cr

11.Income earned by foreign national domestically - Rs. 10000 Cr

Calculate GDP at cost factor

a. Rs. 220000 Cr

b. Rs. 225000 Cr

c. Rs. 230000 Cr

d. Rs. 235000 Cr

Ans - a

Solution :

GDP = Consumption + Gross investment + Government spending + (Exports - Imports)

GDP = C+I+G+(X-M)

= 100000+75000+25000+(100000-75000)

= 225000

GDP at factor rate

= GDP-(Indirect taxes-subsidies)

= 225000-(15000-10000)

= 220000

....

Demand for a product at Rs. 25 per unit is 1000. If the price elasticity of demand is 1.5, how much the

demand will be at Rs. 40 per unit?

a. 240

b. 200

c. 160

d. 120

Ans - c

Solution :

Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price

% Change in Quantity Demanded = 1000-x/1000*100 = (1000-x)/10

% Change in Price = 15/25*100 = 60

Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price

1.5 = ((1000-x)/10)/60

90 = (1000-x)/10

900 = 1000-x

x = 1000-900

x = 100

....

Summary of a Balance sheet of XYZ Company

Current Liabilities (in Crores)

Cash Credit - 3200

Trade Creditors - 9500

Other Current Liabilities - 2000

Total Current Liabilities - 14700

Current Assets (in Crores)

Cash - 5000

Inventory - 14000

Debtors - 4200

Other Current Assets - 2000

Total Current Assets - 25200

Find out

1. Current Ratio

a. 1.61

b. 1.71

c. 1.81

d. 1.91

Ans - b

Current Ratio = CA/CL = 25200/14700 = 1.71

2. Acid-Test Ratio

a. 0.71

b. 0.76

c. 0.81

d. 0.86

Ans - b

Acid-Test Ratio = Quick Assets/CL = (CA-Inv)/CL = (25200-14000)/14700 = 11200/14700 = 0.76

3. Net Working Capital

a. 10000

b. 10500

c. 11000

d. 11500

Ans - b

Net Working Capital = CA - CL = 25200 - 14700 = 10500

4. Working Capital Gap

a. 12700

b. 13200

c. 13700

d. 14200

Ans - c

Working Capital Gap = CA - (CL - BB) = 25200 - (14700 - 3200(CC)) = 25200 - 11500 = 13700

5. MPBF as per Tandon Committee - Method-I

a. 10275

b. 10775

c. 13700

d. 17300

Ans - a

MPBF as per Tandon Committee - Method-I = WCG - 25% of WCG = 13700 - 25% of 13700 = 13700 - 3425 = 10275

6. MPBF as per Tandon Committee - Method-II

a. 6200

b. 6700

c. 7200

d. 7400

Ans - d

MPBF as per Tandon Committee - Method-II = WCG - 25% of CA = 13700 - 25% of 25200 = 13700 - 6300 = 7400

7. Current Ratio as per Tandon Committee - Method-I

a. 1.01

b. 1.06

c. 1.11

d. 1.16

Ans - d

Current Ratio as per Tandon Committee - Method-I = CA / (MPBF + Trade Creditors + Other CL) = 25200 / (10275+9500+2000) = 25200 / 21725 = 1.16

8. Current Ratio as per Tandon Committee - Method-II

a. 1.07

b. 1.09

c. 1.23

d. 1.33

Ans - d

Current Ratio as per Tandon Committee - Method-II = CA / (MPBF + Trade Creditors + Other CL) = 25200 / (7400+9500+2000) = 25200 / 18900 = 1.33

9. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-I

a. 7025

b. 7075

c. 7125

d. 7175

Ans - b

Borrowing by the way of Cash Credit = 3200

MPBF as per Tandon Committee - Method-I = 10275

So, Borrowing by the way of Cash Credit is short by (10275 - 3200) = 7075 Crores

10. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-II

a. 4200
b. 4600
c. 5000
d. 5400

Ans - a

Borrowing by the way of Cash Credit = 3200
MPBF as per Tandon Committee - Method-II = 7400
So, Borrowing by the way of Cash Credit is short by (7400 - 3200) = 4200 Crores

....

Working capital turn over ratio is 4 and current ratio is 3:1. If current liabilities are Rs. 15 lac and net
profit to sales percent 7%, what is the amount of net profit?

a. Rs. 10.2 lac
b. Rs. 11.4 lac
c. Rs. 12.6 lac
d. Rs. 13.8 lac

Ans - c

Solution :
Since CR=3:1 and current liabilities are Rs. 15 lac
Current assets will be Rs. 45 lac
Now since wc turn over ratio is 4 that me**Ans** the total turn over will be 45 × 4 = 180 lac
Then profit should be 180 × 7% = 12.6 lac

....

Calculate Inflation, if Price index in current year is 15 and price index in base year is 12.

a. 20
b. 25
c. 30
d. 35

Ans - b

Solution s :
Inflation = (price index in current year-price index in base year)/(price index in base year)*100
= (15-12)/12*100
= 3/12*100
= 25

....

Given,
Currency with public - Rs. 250000 Crores
Demand deposit with banking system - Rs. 400000 Crores
Time deposits with banking system - Rs. 500000 Crores
Other deposit with RBI - Rs. 600000 Crores
Savings deposit of post office savings banks - Rs. 200000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 100000 Crores
Calculate broad money M3.

a. Rs. 1250000 Crores
b. Rs. 1500000 Crores
c. Rs. 1750000 Crores
d. Rs. 2000000 Crores

Ans - c

Solution :
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
M1 = 250000+400000+600000
M1 = 1250000
M3 = M1+Time deposit with banking system
So,
M3 = 1250000+500000
M3 = 1750000 Crores

....

Go through the following data and **Ans** wer the question.
1. Consumptions - Rs. 100000 Cr
2. Gross investment - Rs. 75000 Cr
3. Govt spending - Rs. 25000 Cr
4. Export - Rs. 100000 Cr
5. Import - Rs. 75000 Cr
6. Indirect Taxes - Rs. 15000 Cr
7. Subsidies(on production and import) - RS. 10000 Cr
8. Compensation of employee - Rs. 500 Cr
9. Property Income - Rs. 500 Cr
7,8,9 - Net receivable from aboard
10.Total capital gains from overseas investment - Rs. 20000 Cr
11.Income earned by foreign national domestically - Rs. 10000 Cr
Calculate GNP

a. Rs. 220000 Cr
b. Rs. 225000 Cr
c. Rs. 230000 Cr
d. Rs. 235000 Cr

Ans - d

Solution :
GDP = Consumption + Gross investment + Government spending + (Exports - Imports)
GDP = C+I+G+(X-M)
= 100000+75000+25000+(100000-75000)
= 225000
GNP=GDP+NR(total capital gains from Overseas investment-income earned by foreign national
domestically)
= 225000 + (20000-10000)
= 235000

....

XYZ Pvt Ltd has the following assets and liabilities as on 31st March 2016 (in Lakhs) :
Non Current Assets
Goodwill 75
Fixed Assets 75
Current Assets
Cash in hand 25
Cash in bank 50
Short term investments 45
Inventory 25
Receivable 100
Current Liabilities
Trade payables 100
Income tax payables 60
Non Current Liabilities
Bank Loan 50
Deferred tax payable 25
Find the Quick Ratio

a. 1.38
b. 1.42
c. 1.46
d. 1.52

Ans - a

Solution :
Quick Ratio = (Cash in hand + Cash at Bank + Receivables + Marketable Securities) / Current Liabilities
= (25+50+45+100) / 160
= 220 / 160
= 1.38

....

XYZ shoes sells shoes. It is applying for lo**Ans** to help fund to increase the inventory. The bank asks for its

balance sheet so they can analysis the current debt levels. According to XYZ shoes's balance sheet it

reported 10,00,000 of current liabilities and only 2,50,000 of current assets. Will the loan get approved?

a. 0.25

b. 0.5

c. 0.75

d. 1

Ans - a

Solution :

Current Ratio = Current Assets / Current Liabilities

= 250000 / 1000000

= 0.25

XYZ shoes only has enough current assets to pay off 25 percent of his current liabilities. This shows that

XYZ shoes is highly leveraged and highly risky. Banks would prefer a current ratio of at least 1 or 2, so

that all the current liabilities would be covered by the current assets. Since XYZ shoes's ratio is so low, it

is unlikely that it will get approved for his loan.

....

ABC Agency has several lo**Ans** from banks for equipment they purchased in the last five years. All of

these lo**Ans** are coming due which is decreasing their working capital. At the end of the year, they had

1,00,000 of current assets and 1,25,000 of current liabilities. Find out its Working Capital Ratio.

a. 0.6

b. 0.8

c. 1

d. 1.2

Ans - b

Solution :

The working capital ratio is calculated by dividing current assets by current liabilities.

WC Ratio = CA/CL

= 100000 / 125000

= 0.80

....

Suppose you purchased a bond Rs.1000 for Rs.920. The interest is 10 percent, and it will mature in 10

years. Calculate Yield to maturity

a. 10.75 %

b. 11.00 %

c. 11.25 %

d. 11.50 %

Ans – c

Solution :

C=Coupon payment

F=Face value

P=Price

n=Years to maturity

Yield To Maturity=C+(F-P/n)/(F+P/2)

=100+(1000-920/10)/(1000+920/2)

=100+(80/10)/(1920/2)

=100+8/960

=108/960

=0.1125

=11.25%

....

A company has 1,00,000 of bank lines of credit and a 5,00,000 mortgage on its property. The

shareholders of the company have invested 12,00,000. Calculate the debt to equity ratio.

a. 0.25

b. 0.5

c. 0.75

d. 1

Ans - b

Solution :

DER = TL / Total Equity

= (100000+500000) / 1200000

= 600000 / 1200000

= 0.5

....

A company has total assets at 1,50,000 and its total liabilities are 50,000. Based on the accounting

equation, we can assume the total equity is 1,00,000. Find the Equity Ratio.

a. 0.33

b. 0.5

c. 0.67

d. 0.75

Ans – c

Solution :

ER = Total Equity / TA

= 100000 / 150000

= 0.67

Choose incorrect startement(s) out of the following:

a. Business cycles are highly unpredictable

b. Economic activity is at itslowest level during the recession phase

c. During boom period production capacities are fully utilized

d. None of the above

Ans - b

....

Mechanistic (or Behaviorist) theories, Cognitive theories and Organismic (humanistic. theories are three

theories of learning. Which one of these theories equates man with his brain?

a. Behaviorist or mechanistic theories

b. Cognitive theories

c. Organismic or humanistic theories

d. All of the above

Ans - b

....

In balance sheet amount of total assets is Rs 10 lac , current liabilities Rs 5 lac and capital and reserves

Rs 2 lac. What is the debt-equity ratio?

a. 1:1

b. 1.5:1

c. 1.75:1

d. 2:1

Ans - b

Let me Explain

As per Balance sheet rule Total assets = Total liabilities

Since total assets here is Rs 10 lac hence total liabilities must be 10 lac.

Now Long term debt = 10-(5+2)=3 lac and capital + reserve(TNW i.e tangible net worth) = 2 lac

Since DER = TL/TNW or debt/ equity or TL/ equity hence 3/2 = 1.5 lac

....

Working capital turn over ratio is 6 and current ratio is 2:1. If current liabilities are Rs 10 lac and net

profit to sales percent 5% . What is the amount of net profit?

a. Rs 10 lac

b. Rs 8 lac

c. Rs 7 lac

d. Rs 6 lac

Ans - d

Let me Explain

Since CR=2:1 and liabilities are 10 lac

Hence current asset will be 20 lac

Now since wc turn over is 6 that me**Ans** the total turn over will be 20×6= 120 lac

Then profit should be 120×5%=6 lac

....
DER is 3:1, the amount of total assets Rs 20 lac , current ratio is 1.5:1 and owned funds Rs 3 lac. What is

amount of current assets?

a. 3 lac

b. 5 lac

c. 12 lac

d. 15 lac

Ans - c

Let me Explain

Owned fund= equity= 3 lac

Since DER = 3:1

i.e Debt: equity = 3:1

Hence Debt = 9 lac

(if we consider debt and equity as long term liabilities then term liability works out to 12(9+3 lac)

Here total assets is 20 lac

Now as per balance sheet equation total Assets= total liabilities

Hence here total liabilities will be 20 lac also

Now term liabilities of Rs 12 lac and remaining 8 lac as current liabilities (12+8=20)

Hence CL=8 lac

Since here CR=1.5:1 then

1.5:1=CA:8

i.e CA= 1.5×8=12 lac

....
For the purpose of macro-economic analysis, domastic territory of a country does not include:

a. Fishing vessels operated by residents of India

b. American embassy in New Delhi

c. Indian embassy in Italy

d. Aero-planes owned and operated by Air India between Inia and Japan

Ans - b

....
Which of the follwing cannot be included in capital as factor ofproduction?

a. Factory building

b. river

c. machinery

d. car used for factory work

Ans - b

....
...... theories equate man with his brain, based on the proposition that one thing that distinguishes

human beings from other living things is that they possess brains that are capable of critical thinking and

problem solving.

a. Cognitive Theories

b. Behaviourist Theories

c. Organismic Theories

d. Humanistic Theories

Ans - a

....
A bond has been issued with a face value of Rs. 20000 at 12% Coupon for 3 years. The required rate of

return is 10%. What is the value of the bond?

a. 20595

b. 29095

c. 25095

d. 20995

Ans - d

Explanation :

Here,

FV = 20000

Coupon Rate (CR) = 0.12

t = 3 yr

R (YTM) = 0.10

Coupon = FV × CR = 2400

Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)

So, Value of bond = 20995

(Since Coupon rate > YTM, so FV < Bond's Value)

....
A person with .... locus of control is geared to look for resources around him, anticipate events and

doesn't wait for things to happen.

a. External

b. Internal

c. Patent

d. Providential

Ans - b

....
Calculate Inflation, if Price index in current year is 13 and price index in base year is 10.

a. 20

b. 25

c. 30

d. 35

Ans - c

Solution s :

Inflation = (price index in current year-price index in base year)/(price index in base year)*100

= (13-10)/10*100

= 3/10*100

= 30

....
...... is the rate at which banks park their short term excess liquidity with the RBI.

a. Reverse Repo rate

b. Repo Rate

c. OMO

d. Bank rate

Ans - a

....
Mr.Raj work in an international bank as an Accountant. Match his congruent occupation with his

personality type as per john Holland personality job fit theory.

a. Social

b. Investigative

c. Realistic

d. Conventional

Ans - d

....
The DER is 3:1 , the amount of total assets Rs 20 lac , current ratio is 1.5:1 and owned funds Rs 3 lac.

What is the amount of current asset ?

a. 3 lac

b. 5 lac

c. 12 lac

d. 15 lac
Ans - c

....
Find the present value of quarterly payment of Rs. 250 for 5 years @ 12% compounded quarterly.
a. 3179
b. 3019
c. 3109
d. 3719
Ans - d
Explanation :
Here,
P = Rs. 250
T = 5 years = 5 × 4 = 20 quarters
R = 12% = 12% ÷ 4 = 0.03% quarterly
$PV = P / R * [(1+R)^T - 1]/(1+R)^T$
$PV = 250 × (1.03^{20} – 1) ÷ (0.03 × 1.03^{20})$
= 3719

....
What is the discount factor for Re. 1 to be received at the end of 2 yr with prevalent rate of 8% ?
a. 0.890
b. 0.873
c. 0.857
d. 0.842
Ans - c
Solution :
$= 1/(1+r)n$
$= 1/(1.08)^2$
= 0.857

....
Right hemisphere control left side of body and perform so many activity given below except one.
a. Holistic
b. Emotional
c. Recognition of complex figures
d. Controlled
Ans - d

....
The process of capturing the tacit knowledge of people in a systematic manner for future use is not
called as ...... (i) Data entry, (ii) Information technology, (iii) Knowledge management
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....
Which of the following factor/s affect elasticity of demand? (i) Share in the total expenditure, (ii)
Multiple uses of the commodity, (iii) Availability of close substitutes
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
Mr. Ganguli is a brilliant manager in ABC Bank. He is one of the few persons picked up by the top
management from an IIM after MBA. Always on two phones at a time, he boasts about having no

patience with the laggards. Often, he can be heard aggressively yelling at people on small issues. What
type of person is Mr. Ganguli?
a. Type A personality
b. Type B personality
c. Type C person
d. Type D person
Ans - b

....
What is most essential for achieving Work-Life balance?:
a. Time management
b. Efficiency
c. Assertiveness
d. Emotional maturity
Ans - d

....
The system's costs are projected at which stage of the SDLC?
a. Planning and Analysis
b. Design
c. Implementation
d. Operation and Maintenance
Ans - b

....
According to personality job fit theory of John Holland, there are 6 types of personality. Which of the
following are among such personality? (i) realistic, (ii) conventional, (iii) artistic
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
There is a pattern of change within a year and the pattern is regular in ......
a. secular trend
b. cyclical fluctuation
c. seasonal variation
d. irregular variation
Ans - c

....
The value of the variable is unpredictable and changing in a random manner in ......
a. secular trend
b. cyclical fluctuation
c. seasonal variation
d. irregular variation
Ans - d

....
Pick the correct sentence(s):
a. Cyclical variation tends to oscillate above and below the secular trend line for periods longer than a
year.
b. Seasonal variation makes a complete regular cycle within each year and does not affect one year any
more than another.
c. both a and b
d. none of these
Ans - c

....
Revenue reserve represents accumulated retained earnings from the profits of normal business
operations. These are held in various form that is given below. Pick up odd one.

a. General reserve
b. Investment allowance reserve
c. Advance payment received
d. Capital redemption reserve
Ans - c
....
The people component is becoming the key factor to success of strategy ......
a. For survival
b. For growth
c. For achieving excellence.
d. For social status
Ans - d
....
Frequency of review should vary depending on the magnitude of risk for the average risk account.
a. 01 month
b. 03 months
c. 06 Months
d. 12 Months
Ans - c
....
A bond has been issued with a face value of Rs. 1000 at 10% Coupon for 3 years. The required rate of
return is 8%. What is the value of the bond if the Coupon amount is payable on half-yearly basis?
a. 1520
b. 1052
c. 1205
d. 1025
Ans - b
Explanation :
Here,
FV = 1000
CR = 10% half-yearly = 5% p.a.
Coupon = FV × CR = 50
R = 8% yearly = 4% p.a.
t = 3 years
Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)
= 1052
(Since Coupon rate > YTM, so FV < Bond's Value)
....
The target given for advances to weaker sections in percentage of ANBC
a. 10% for domestic banks
b. 12% for foreign banks
c. No target for domestic banks
d. 10% for foreign banks
Ans - a
....
In case of company, the charge should be registered with ROC within ...... days from the date of
execution of documents
a. 15 days
b. 30 days
c. 45 days
d. 2 months
Ans - b
....
Base Rate is determined in each bank by ......
a. ALCO
b. BPLR
c. ALM

d. DSCR
Ans - a
Asset Liability Management Committee (ALCO)
....
Mark the incorrect statement
a. No target is given to domestic banks for small enterprise advances
b. No target is given for agriculture advances in for foreign banks
c. Export credit does not form a part of priority sector for domestic banks
d. Export credit does not form a part of priority sector for foreign banks
Ans - d
....
...... is/are not prominent features of Type B personalities. (i) Doing several things at one time, (ii)
Feeling guilty when relaxing, (iii) Being aggressive
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....
Which theories don't equate man with his brain ? (i) Organismic Theories, (ii) Mechanistic or
Behaviourist Theories, (iii) Humanistic Theories
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....
To give an overview of the organization 2.To inform Organization Vision / Mission and Objectives
statement, its structure and hierarchy 3. To give an overview of the HR policies and processes and
introduction to the Facilities team, IT team and other relevant teams per the location of joining. Which
are not the objectives for the above? (i) Selection, (ii) Induction, (iii) Recruitment
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b
....
Macro Economics is Based on ......
a. Gross domestic Product
b. Net Domestic Product
c. National Income Concept only
d. External Source.
Ans - b
....
In Economics the Law of Demand me**Ans** ......
a. When Demand Rises Price Falls
b. When Price rises, Demand Falls
c. No relationship of demand with prices
d. None of These
Ans - c
....
Firm B has provided following information about its working capital need based on demand on annual
sales of Rs. 30 lac.

Raw material value=2.40 lac, stock in process=1.60 lac, finished goods= Rs. 3.40 lac, outstanding

debtors= Rs. 4 lac, cash =0.30, trade creditors= Rs. 2.60 lac and other current liabilities and other current

liabilities = Rs. 0.80 lac

on the basis of this information **Ans** wer, the following question.

1. what is the amount of working capital?

a. 2.93 lac

b. 5.37 lac

c. 8.30 lac

d. 11.70 lac

Ans - d

Solution s:

Gross working Capital = Current Assets me**Ans** 2.4+1.6+3.4+4+0.3

=11.70 lac

....

2. what is amount of working capital GAP?

a. 2.93 lac

34

b. 5.37 lac

c. 8.30 lac

d. 11.70 lac

Ans :

Solution

WC Gap = working capital -(trade creditors-current liabilities)

=11.7-(2.6-0.8)

= 8.30 lac

....

3. What is the minimum net working capital(or margin), the firm is required to provide as per 2nd

method of lending of Tandon Committee?

a. 2.93 lac

b. 5.37 lac

c. 8.30 lac

d. 11.70 lac

Ans - a

Solution :

Current assets (2.4+1.6+3.4+4+0.3)-Current liabilities(nil)*25/100

=11.7 lac (margin 25% of current assets)

=2.925 lacs

=2.93 lac

....

4. What is amount of permissible bank finance i.e. bank limits, the bank shall sanction?

a. 2.93 lac

b. 5.37 lac

c. 8.30 lac

d. 11.70 lac

Ans - a

Solution

MPBF=Working capital Gap-actual networking capital

=2.93-8.30

=5.37

....

Which of the following are types of in-house support for dismissed employees? (i) Skills training by

consultants, (ii) Advice on redundancy payments., (iii) Disseminating information about current

vacancies elsewhere.

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

A firm has the following financial figures from its balance sheet :

Capital→ Rs 12 lac

Reserve → Rs 4 lac

Unsecured loan→ Rs 5 lac

Current assets → Rs 16 lac

Pre operative expenses→ Rs 2 lac

Its net worth = ?

a. 12 lac

b. 14 lac

c. 16 lac

d. 18 lac

Ans - b

....

...... is for learning related to present job.

a. Training

b. Education

c. Development

d. Motivation

Ans - a

....

The belief that an individual can or can't change the things is called ......

a. Career anchor

b. Initiative

c. Locus of control

d. Self Actualization

Ans - c

....

An investment at 10% is compounded monthly, what shall be the effect interst rate for this?

a. 10.18 %

b. 10.25 %

c. 10.47 %

d. 10.51 %

Ans - c

Solution :

= $(1+0.10/12)^{12}-1$

= 10.47

....

A console bond of Rs. 10000 is issued at 6%. Coupon current interst rates and 9%. Find out the current

value of the console bond.

a. Rs.7660

b. Rs.6760

c. Rs.6667

d. Rs.6676

And - c

Solution :

= 10000*0.06/0.09

= 6000/0.09

= 6670

....

A 15 year, 8 % Rs 1000 face value bond is currently trading at Rs 958. The YTM of this bond must be......

a. less than 8%

b. equal to 8%

c. greater than 8%

d. unknown

Ans - c

....
Of the following bonds, which one has the highest degree of interest rate risk?
a. 20 years 8% bond
b. 5 years 8% bond
c. 10 years 8% bond
d. not enough information
Ans - a

....
A sum of Rs. 25, 000 is borrowed over 8 years. What will be the monthly repayments @ 18%
compounded monthly?
a. 439
b. 493
c. 394
d. 349
Ans - b
Explanation :
Here,
PV = Rs. 25000
T = 8 years = 8 × 12 = 96 months
R = 18% = 18% ÷ 12 = 0.015% monthly
PV = P / R * [(1+R)^T - 1]/(1+R)^T
25000 = P × (1.01596 − 1) ÷ (0.015 × 1.01596)
25000 = P × 50.7017
P = 25000 / 50.7017
= 493

....
XYZ Ltd has just issued a 10 year 7 % coupon bond. The face value of the bond is Rs 1000 and the bond
makes annual coupon payments. If the required return on the bond is 10%, what is the bond's price?
a. Rs 815.66
b. Rs 923.67
c. Rs 1000.00
d. Rs 1256.35
Ans - a

....
Mechanistic Theories of Knowles are also called as ......
a. Cognitive Theories
b. Behaviourist Theories
c. Organismic Theories
d. Humanistic Theories
Ans - b

....
It is a method of reducing stress and tension and stimulate creative thinking......
a. Stress reducing exercise
b. split brain psychology
c. ESB
d. Physical exercise and yoga
Ans - c

....
...... is for learning to prepare the individual for a different but identified job.
a. Training
b. Education
c. Development
d. Motivation
Ans - b

....
ABC Ltd just issued a 10 year 7% coupon bond. The face value of the bond is Rs 1000 and the bond

makes semiannual coupon payments. If the required return on the bond is 10% , what is the price of
bond?
a. Rs 815.66
b. Rs 1000.00
c. Rs 813.07
d. Rs 1035.27
Ans - c

....
Humanistic Theories of Knowles are also called as ......
a. Cognitive Theories
b. Behaviourist Theories
c. Organismic Theories
d. Mechanistic Theories
Ans - c

....
BPLR system of lending rates was replaced by base rate system with effect from ...
a. 01 Jun 2010
b. 01 Jul 2011
c. 01 Jun 2011
d. 01 Jul 2010
Ans - d

....
A company has net worth of Rs 10 lac, term liabilities are Rs 10 lac. Fixed Assets worth Rs 16 lac and
current assets are Rs 25 lac. There is no intangible assets or the non current assets. Calculate it's net
working capital.
a. 1 lac
b. 2 lac
c. 3 lac
d. 4 lac
Ans - d
Let me Explain
Here Net worth = capital + reserve = 10 lac
Since capital is a kind of liability hence liability = 10 lac
Liabilities = 10+10 = 20 lac
Assets= 16+25= 41 lac
But as per balance sheet Total assets = Total liabilities
Hence liabilities must be 41 lac also
In 41 lac (41-20= 21) i.e 21 lac will be CL
NWC = CA-CL
= 25 - 21
= 4 lac

....
The top management of ABc. Bank was in a triumphant mood after engaging XYZ Ltd, one of the top IT
Companies as a consultant for a massive technology upgradation in the Bank. Their enthusiasm was
short lived, as the project did not progress well and the consultants were not able to deliver the desired
results even after several months. In fact the Consultants were of the view that it may never be possible
to implement the project with 100% success as they seemed to be facing resistance from the employees
at multi-levels. The employees at all levels seemed reluctant to cooperate. Their fear of Role erosion
seemed palpable.
What does "Role erosion" mean in this context?
a. The fear of the employee that he will be sent out
b. Fear that the responsibility and the power will reduce
c. Fear that he will no more be an indispensable
d. a & b

Ans - d

....

The critical issue in this case is:

a. Attitudes of individuals

b. Training of people

c. Group behavior due to a sense of the unknown

d. All the above

Ans - c

....

How could this situation have beenmanaged better?

a. By issuing project details and time frame mentioning punishments in case of delay

b. By roping in the HR professionals to act as coordinator

c. By recognizing that any change brings its own reactions and co-opting the managers even before

Consultants moved in

d. b & c

Ans - d

....

The Bank should dealwith the employee resistance by:

a. Co-opting the employees

b. Communicating strategically about the potential benefits

c. Conducting simultaneous training to familiarize the staff with the new software

d. All of the above

Ans - d

....

Given,

Currency with public - Rs. 250000 Crores

Demand deposit with banking system - Rs. 400000 Crores

Time deposits with banking system - Rs. 500000 Crores

Other deposit with RBI - Rs. 600000 Crores

Savings deposit of post office savings banks - Rs. 200000 Crores

All deposit with post office savings bank excluding NSCs - Rs. 100000 Crores

Calculate M2.

a. Rs. 1250000 Crores

b. Rs. 1350000 Crores

c. Rs. 1450000 Crores

d. Rs. 1550000 Crores

Ans - c

Solution :

M1 = currency with public + demand deposit with the banking system + other deposits with RBI

M1 = 250000+400000+600000

M1 = 1250000

M2 = M1+Savings deposit of post office savings banks

So,

M2 = 1250000+200000

M2 = 1450000 Crores

....

Given,

Corporation tax - Rs. 1800 Crores

Income tax - Rs. 1200 Crores

Union exercise tax - Rs. 1100 Crores

Other non tax revenue - Rs. 1500 Crores

Other taxes and duties - RS. 1000 Crores

Customs - RS. 1300 Crores

External grant - Rs. 400 Crores

Service tax - Rs. 750 Crores

Tax of union territories- Rs. 400 Crores

Interst receipt - Rs. 750 Crores

Devident & profit - Rs. 900 Crores

State Share - Rs. 900 Crores

Receipt of union territories - Rs. 1200 Crores

Trf to NCCD (National calamity Contingency fund) - Rs. 450 Crores

Calculate Gross Tax Revenue ...

a. Rs 6800 Crores

b. Rs 7150 Crores

c. Rs 7550 Crores

d. Rs 8300 Crores

Ans - c

Solution :

Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + costoms + union excise duties +

service Tax + taxes on union territories

= 1800+1200+1000+1300+1100+750+400

= 7550 Crores

....

When chicken prices rise 40%, the quantity of KFC fried chicken supplied rises by 30%. Calculate the

price elasticity of supply.

a. 0.50

b. 0.65

c. 0.75

d. 0.85

Ans - c

Solution :

B is the right **Ans** .

Price Elasticity of Supply = (% change in quantity supplied) / (% change in price)

= 30/40 = 0.75

....

Given,

Corporation tax - Rs. 1800 Crores

Income tax - Rs. 1200 Crores

Union exercise tax - Rs. 1100 Crores

Other non tax revenue - Rs. 1500 Crores

Other taxes and duties - RS. 1000 Crores

Customs - RS. 1300 Crores

External grant - Rs. 400 Crores

Service tax - Rs. 750 Crores

Tax of union territories- Rs. 400 Crores

Interst receipt - Rs. 750 Crores

Devident & profit - Rs. 900 Crores

State Share - Rs. 900 Crores

Receipt of union territories - Rs. 1200 Crores

Trf to NCCD (National calamity Contingency fund) - Rs. 450 Crores

calculate Net Tax revenue.

a. Rs 5800 Crores

b. Rs 6200 Crores

c. Rs 6650 Crores

d. Rs 7100 Crores

Ans - b

Solution :

Net Tax Revenue = Gross tax revenue - NCCD tr**Ans** ferred to the National Calamity Contingency fund -

state share

Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + costoms + union excise duties +

service Tax + taxes on union territories

= 1800+1200+1000+1300+1100+750+400

= 7550 Crores

Net Tax Revenue = Gross tax revenue - NCCD tr**Ans** ferred to the National Calamity Contingency fund -

state share

= 7550-450-900

= 6200 Crores

....

Which of the following is not a method of selecting samples from a population?

a. Judgement sampling

b. Random sampling

c. Probability sampling

d. None of these

Ans - d

....

In simple random sampling, we can describe mathematically how objective our estimates are. Why is

this?

a. We always know the chance that any population element will be included in the sample

b. Every sample always has an equal chance of being selected

c. All the samples are exactly the same size and can be counted

d. both a and b

Ans - d

....

Choose the pair of symbols that doesn't complete this sentence: ...... is a parameter, whereas ...... is a

statistic.

a. N, g

b. y, s

c. N, n

d. All of these

Ans - a

....

If inflation rate is higher in an economy, the discount rate should generally,

a. Be lower

b. Be higher

c. Be Stable

d. Be fluctuating

Ans - b

....

Which is/are not the objective of review by the superior of the reporting authority in performance

appraisal? (i) to minimise / reduce the bias or subjectivity, (ii) to eliminate the subjectivity, (iii) to

eliminate the bias

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

A 5-year Govt. bond with a coupon rate of 8% has a face value of 1000. What is the annual interest

payment?

A. 80

B. 40

C. 100

D. None of the above

Ans - a

....

A cash flow that is expected to grow at a constant rate forever, is called ......

a. Annuity

b. Perpetuity

c. Growing annuity

d. Growing perpetuity

Ans - d

....

Money has a time value is shown by which of the following concept.

a. Market value

b. Face value

c. Present Value

d. b & c

Ans - c

....

I start saving Rs. 1 lakh for the next 4 years. If the interest rate is 10 percent pa, how much will I get at

the end of 4 years?

a. Rs. 4,46,100

b. Rs. 4,61,400

c. Rs. 4,64,100

d. Rs. 4,14,600

Ans - c

....

The process by which inferences about a population are made from information about a sample is

known as ......

a. stratified sampling

b. statistical inference

c. sample proportion

d. sampling fraction

Ans - b

....

A border patrol checkpoint that stops every passenger van is using ......

a. Simple random sampling

b. Systematic sampling

c. Stratified sampling

d. Complete enumeration

Ans - d

....

A constant flow paid or received at regular time intervals is known as ......

a. Annuity

b. Perpetuity

c. Growing annuity

d. Growing perpetuity

Ans - a

....

Which of the following sampling methods select samples by methods that allow each possible sample to

have an equal chance of being picked up and each item in the entire population to have an equal chance

of being included in the sample.

a. Simple Random Sampling

b. Systematic Sampling

c. Stratified Sampling

d. Cluster Sampling

Ans - a

....

Which of the following methods can be used to measure seasonal variation and also for predicting

future variation?

a. Ratio to Moving Average Method

b. Residual Method

c. Regression Method

d. Correlation Method

Ans - a

....
In a scatter diagram, a value of r = 1 indicates all points are lying on a line of ...... slope, i.e., sloping ......
from ...... to ......
a. positive, up, right, left
b. positive, up, left, right
c. negative, down, right, left
d. negative, down, left, right
Ans - b

....
A constant flow paid or received at regular time intervals for ever is known as ......
a. Annuity
b. Perpetuity
c. Growing annuity
d. Growing perpetuity
Ans - b

....

In ...... sampling, the population is divided into relatively homogenous groups. Then we select either one
of the following two approaches:
i) select at random from each group a specified number of elements corresponding to the proportion of
that group in the population as a whole, or
ii) draw an equal number of elements from each group and give weight to the results according to the
group's proportion of total population.
a. Simple Random Sampling
b. Systematic Sampling
c. Stratified Sampling
d. Cluster Sampling
Ans - c

....
Liabilitiess :
Capital =180
Reserve =20
Term loan = 300
Bank C/C=200
Trade creditors=50
Provision=50
Total liabilities = 800
Assets :
Net fixed Assets =400
Inventories=150
Cash =50
Receivables= 150
Good will=50
Total assets =800
a. Net worth= ?
b. Tangible net worth = ?
c. Net working capital = ?
d. Quick ratio = ?
e. Current ratio =?
f. Outside liability =?
Ans - 200, 150, 50, 0.66:1, 1.17:1, 600

....
Which is not a sub system of HRM?
a. Administration
b. Credit
c. Maintenance
d. Development
Ans - b

....
Capital is Rs. 300 lac, Reserves Rs. 50 lac, Term loan Rs. 400 lac, Bank cash credit Rs. 300 lac, Trade
creditors Rs. 50 lac, provisions Rs. 50 lac, Net fixed assets Rs. 400 lac, inventories Rs. 200 lac, cash Rs. 50
lac, Receivables Rs. 200 lac, goodwill Rs. 50 lac. What is current ratio?
a. 1:1.17
b. 1:1.12
c. 1.12:1
d. 1.17:1
Ans - c
Let me Explain
CA= 50+200+200= 450
CL= 300+50+50=400
CR= CA:CL= 450:400
i.e 1.12:1

....
A person invested Rs. 100000 in a bank FDR @ 6% p.a. for 1 year. If interest is compounded on quarterly
basis, the amount payable shall be ......
a. 101363
b. 130613
c. 106136
d. 136106
Ans – d
Explanation :
Here,
P = 100000
R = 6% quarterly = 0.015% p.a.
T = 1 yr = 4 quarters
$FV = P * (1 + R)^T$
So,
$FV = 100000 * (1+0.015)^4$
= 106136

....
In which career patterns or concept a individual take a new job and reaches higher position than go to
some another type of job.
a. Linear career
b. Steady state career
c. Tr**Ans**itory patterns
d. Spiral career
Ans - d

....
Given,
Currency with public - Rs. 90000 Crores
Demand deposit with banking system - Rs. 180000 Crores
Time deposits with banking system - Rs. 220000 Crores
Other deposit with RBI - Rs. 260000 Crores
Savings deposit of post office savings banks - Rs. 60000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores
Calculate Narrow money M1.
a. Rs. 490000 Crores
b. Rs. 530000 Crores
c. Rs. 570000 Crores
d. Rs. 750000 Crores
Ans - b
Solution
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
M1 = 90000+180000+260000

M1 = 530000

....

A down ward Sloping Demand Curve relates quantity demanded to
a. Supply
b. Income
c. Price
d. Expense
Ans - c

....

John Holland present 06 theories of personality job fit or matching job with their personalities. Which is
not one among them?
a. Realistic
b. Specialist
c. Social
d. Conventional
Ans - b

....

Mr. Raj is self-confident in his work ambitious towards his goal and energetic domineering, his
personality show which type of personality?
a. Social
b. Realistic
c. Artistic
d. Enterprising
Ans - d

....

...... theories hold that learning occurs only when learners have the 'freedom to learn' what is
particularly relevant to their personal life situation.
a. Cognitive Theories
b. Behaviourist Theories
c. Organismic Theories
d. Mechanistic Theories
Ans - c

....

What are the forces behind the demand curve?
a. Expectation about future economic conditions
b. Average Income
c. Cost of production
d. Both a. and b.
Ans - d

....

There are typically ...... types of ego states in tr**Ans** actional analysis according to Eric Berne.
a. 2
b. 3
c. 4
d. 5
Ans - b

....

Which of the following is a liquidity ratio?
a. Quick ratio
b. T O L / T N W
c. D S C R
d. Other current liabilities
Ans - a

....

Which of the following is not correct regarding Current Ratio?
a. For same level of current assets, increase in N W C results in increased current ratio.
b. The current ratio can be less than one
c. The current ratio can be negative

d. Current ratio is an indicator of liquidity
Ans - c

....

For carrying out his studies, a student borrows Rs. 3 lac from a bank at concessional rate of 5% p.a. for 4
years of his professional course. What is the total amount payable by him at the end of the 4th year?
a. 1298038
b. 1280838
c. 1293038
d. 1283038
Ans - c
Explanation :
Here,
P = 3 lac
R = 5% p.a.
T = 4 yrs
FV = P / R * [(1+R)^T - 1]
FV = 300000*(1.054 − 1) ÷ 0.05
= 1293038

....

The commercial paper can be issued by
a. Corporate
b. Corporate and partnership firms
c. Any business entity
d. None of the above
Ans - a

....

Which of the following is not correct regarding Forfeiting? :
a. It a form of working capital finance
b. It is used in export finance
c. It is with recourse to the drawer of the bill
d. Under this financier discounts the bills drawn on buyer.
Ans - c

....

Which of the following is correct regarding Letters of Credit?
a. These are opened by a bank for export sales by the client
b. These are opened by a bank for local sales by the client
c. Letters of Credit do not carry much risk for the opening bank
d. Letters of Credit are opened by a bank for purchase of goods by the client
Ans - d

....

The child ego state can be further classified into ...... categories.
a. 2
b. 3
c. 4
d. 5
Ans - b

....

Which one is an economic activity? (i) Investment, (ii) Production, (iii) Consumption
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

DER is 2:1, the amount of total assets Rs 30 lac, current ratio is 1:1 and owned funds Rs 5 lac. Find our
the amount of current assets?
a. 10 lac
b. 12 lac

c. 15 lac

d. 18 lac

Ans - c

Let me Explain

Owned fund = equity = 5 lac

Since DER = 2:1

i.e Debt : equity = 2:1

Hence Debt = 10 lac

(if we consider debt and equity as long term liabilities then term liability works out to 15 lac (10+5)

Here total assets is 30 lac

Now as per balance sheet equation, total Assets = total liabilities

Hence here total liabilities will also be 30 lac

Now term liabilities of Rs 15 lac and remaining 15 lac as current liabilities (15+15=40)

Hence CL=15 lac

Since here CR=1:1 then

1:1=CA:15

i.e CA = 15 lac

....

Net worth = Rs 20 lac, Term liabilities = Rs 30 lac. Fixed Assets = Rs 48 lac and current assets = Rs 75 lac.

If there is no intangible assets or the non current assets, calculate it's net working capital.

a. 1 lac

b. 2 lac

c. 3 lac

d. 4 lac

Ans - b

Let me Explain

Here Net worth = capital + reserve = 20 lac

Since capital is a kind of liability hence liability = 20 lac

Liabilities = 30+20 = 50 lac

Assets = 48+75 = 123 lac

But as per balance sheet, Total assets = Total liabilities

Hence liabilities must also be 123 lac

So, out of 123 lac (123-50 = 73) i.e 73 lac will be CL

Hence NWC = CA-CL

= 75 - 73

= 2 lac

....

Mr. Peter prefers activities that involve thinking, organising and understanding others. His personality

type is ......

a. Realistic

b. Social

c. Enterprising

d. Investigative

Ans - d

....

...... is becoming the key factor to success for survival, growth or achieving excellence.

a. Availability of credit

b. Human resource

c. Technology used

d. All the above

Ans - b

....

Which of the Following is not a risk mentioned in the Basel II Accord

a. Operational risk

b. Market risk

c. Default risk

d. Credit risk

Ans - c

....

A 12%, 4-year bond of Rs. 100 was purchased by x for Rs. 100. If the market interest rate increased by

1%, what will the market price?

a. 93.07

b. 90.37

c. 97.03

d. 79.30

Ans - c

Explanation :

P = 100

CR = 12%

YTM = 12 + 1 = 13%

So, Price = 97.03

....

Pick the correct statement.

a. The quantity of money demanded increases with the fall in the rate of interest.

b. The quantity of money demanded increases with the decrease in the level of nominal income.

c. Increase in money supply leads to the rise in the rate of interest.

d. Demand of money is directly related to the rate of interest.

Ans – a

Which policy is used by the government, central bank or monetary authority to control the supply,

availability and cost of money or ROI to obtain growth and stability of the economy?

a. monetary policy

b. fiscal policy

c. both a and b

d. None of these

Ans - a

....

Which policy refers to government borrowings, spending and taxation?

a. monetary policy

b. fiscal policy

c. both a and b

d. None of these

Ans - b

....

Which of the following is also known as discount rate?

a. CRR

b. RRR

c. bank rate

d. SLR

Ans - c

....

The branch of economics that studies how households and firms make decisions to allocate limited

resources is known as ......

a. Macroeconomics

b. Microeconomics

c. Both of these

d. None of these

Ans - b

....

When the price of a commodity falls from Rs. 75 per unit to Rs. 60 per unit, the quantity supplied falls by

40%. Calculate the price elasticity of supply.

a. 1

b. 1.5
c. 2
d. 2.5
Ans - c
Solution :
Price Elasticity of Supply = (% change in quantity supplied) / (% change in price)
= 40/(75-60)*100/75
= 40/15*100/75
= 40/20
= 2
....
Given,
Recoveries of loan and advance - Rs. 5000 Crores
Misc capital receipt - Rs. 1500 Crores
Market lo**Ans** - Rs. 1200 Crores
Short term borrowings - Rs. 1800 Crores
External assistance (Net) - Rs. 450 Crores
State provident fund - Rs. 600 Crores
Other receipts (Net) - Rs. 1500 Crores
Securities issued against small savings - Rs. 750 Crores
Recoveries of short term lo**Ans** and advances from states and lo**Ans** to govt servants - Rs. 1200 Crores
Total Non Tax Revenue - Rs. 6500 Crores
Net Tax Revenue - Rs. 2500 Crores
Draw down cash balance - Rs. 5500 Crores
Calculate Capital Receipt ...
a. Rs. 8600 Crores
b. Rs. 10100 Crores
c. Rs. 11600 Crores
d. Rs. 12800 Crores
Ans – c
Solution :
Capital Receipt = Non Debt Receipt + Debt Receipt
Let us first calculate Non Debt Receipt,
Non Debt Receipt = Recoveries of loan & advances (duduct recoveries of short term lo**Ans** & advance
from state and lo**Ans** to govt sarvants) + MISC Capital receipts
= 5000-1200+1500
= 5300 Crores
Now, let us calculate Debt receipt,
Debt Receipt = Market Lo**Ans** + Short Term Borrowings + External assistance(NET) + Securities issued
against Small savings + State provident fund + other Receipts(Net)
= 1200 + 1800 + 450 + 750 + 600 + 1500
= 6300 Crores
Capital Receipt = Non Debt Receipt + Debt Receipt
= 5300 + 6300
= 11600 Crores
....
At Rs. 75 demand for sugar is 800 Kg. When the price falls to Rs. 60, the demand increases to 1000 Kg.
The price elasticity of demand of sugar is ......
a. 1
b. 1.25
c. 1.5
d. 1.75
Ans - b
Solution :
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
% Change in Quantity Demanded = 200/800*100 = 25
% Change in Price = 15/75*100 = 20

Price Elasticity of Demand = 25/20 = 1.25
....
Micro-economic theory studies how an economy determines ......
(i) The price of goods, (ii) The price of
services, (iii) The price of economic resources
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....
Adam Smith advocates ...... (i) Laissez-faire, (ii) Division of Labour
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - d
....
Which of the following pairs of commodities is an example of substitutes ......
a. Coffee and milk
b. Diamond and cow
c. Pen and ink
d. Mustard oil and coconut oil.
Ans - d
....
Economic growth refers to ......
a. An increase in per capita income at current prices
b. A sustained increase in per capita output
c. An increase in income and output in real terms and not in money
d. An increase in economic welfare
Ans - b
....
As per Abraham Maslow's motivation theory, the people have needs:
a. 2
b. 3
c. 4
d. 5
Ans - d
....
Tr**Ans** action analysis refers to
a. understanding financial tr**Ans** actions
b. understanding interpersonal relationship and interaction
c. understanding tr**Ans** actions relating to business
d. understanding tr**Ans** actions relating to business and ethic
Ans - b
....
What is the feature of a adult ego state, out of the following
a. more of ethical, conscientious behavior and influenced by preaching from parents and elders
b. more of analytical, rational and practical orientation
c. more of instinctive behavior with motive of enjoyment
d. more of every thing
Ans - b
....
In his behavior, a person is displaying more of emotions than the facts. It can be classified as ego state:
a. parents
b. elders
c. adult
d. child

Ans - d

………………………………………

Which of the following is a feature of a crossed tr**Ans** action?

a. from parents to child and again from parents to child

b. it is undesirable

c. the tr**Ans** action is blocked

d. all the above

Ans - d

………………………………………

According to Harris, what is the meaning of the life position, I am OK, you are not OK?

a. Both have value

b. I have value but you do not have value

c. I do not have value but you have value

d. neither person has value

Ans - b

………………………………………

The objective of understanding the ego states profile of a person is:

a. to counsel him

b. to make necessary modification in one's behavior

c. to bring desired change

d. all the above

Ans - b

………………………………………

In Johari Window, the window ARENA represents which of the following?

a. known to self and others

b. closed to self and others

c. known to others and not known to self

d. known to self and not to others

Ans - a

………………………………………

For improving effectiveness in interpersonal relations, which of the following area is most critical?

a. dark

b. arena

c. blind

d. closed

Ans - b

………………………………………

Which of the following is part of human resources management (HRM)?

a. routine functions

b. organizational development

c. employee development

d. all the above

Ans - a

………………………………………

The HR professional's role includes creating necessary culture and values in the organization, diagnosing

the problem at organization level and taking corrective steps. These fall, in which of the following

category?

a. role of developing competence

b. process role

c. supportive role

d. supportive role

Ans - b

………………………………………

Which of the following statement is correct?

a. HR functions in banks are generally performed professionally like other corporates

b. HR functions in banks are generally performed professionally like other corporates

c. HR functions in banks are generally not performed professionally like other corporates

d. HR functions in banks are professionally performed unlike other corporates

Ans - c

………………………………………

Which of the following enhanced the role of HR professional ? (i) growth of unionism, (ii) state

interventions through a no. of legislations, (iii) stress on statutory welfare

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

………………………………………

Which of the following aims at safeguarding interest and controlling exploitation of specific groups (i)

Child Labour Act 1986, (ii) Bonded Labour System Act 1976, (iii) Interstate Migrant Workmen Act 1979.

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

………………………………………

In the present context, the objective of HRd. (which one is correct)

a. to develop capabilities of each employee as an individual

b. to develop team spirit and functioning in every organizational unit

c. collaboration amongst different groups in the organization

d. all the above

Ans - a

………………………………………

The first decade of 21st century saw extensive competition in the banking activity due to ...... (i)

globalization, (ii) deregulation, (iii) privatization

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

………………………………………

Job role or job analysis comprises ...... (i) job description, (ii) job evaluation, (iii) job specification

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

………………………………………

...... is primarily used to compare similarity between jobs within an organization or between

organisations or even in an industry:

a. job description

b. job role or job analysis

c. job specification

d. job evaluation

Ans - d

………………………………………

As per explanation of the need hierarchy, need for an individual to realize his potential and selfactualization

is as strong as satisfying physical needs.
a. Robert Owen
b. Charles Babbage
c. Abraham Maslow
d. Douglas McGregor
Ans - c

....
According to Nadler, the learning for growth of the individual not related to a specific present or future
job is known as:
a. training
b. education
c. development
d. seminar
Ans - c

....
Fiscal policy is related to ......
a. Exports and Imports
b. Public revenue and expenditure
c. Issues and circulation of currencies
d. Monetary Control measures
Ans - b

....
What does the term Gross investment mean while denoting a nation's economy?
a. Gross investment= Net investment + Depreciation
b. Gross investment= Net investment - Depreciation
c. Gross investment= Depreciation - Net investment
d. None of the above
Ans - a

....
Which of these will have highly inelastic supply?
a. perishable goods
b. consumer durables goods
c. Items of elite class consumption
d. All the three
Ans - a

....
In maximization problem, optimal **Solution** occurring at corner point yields the ......
a. mean values of z
b. highest value of z
c. lowest value of z
d. mid values of z
Ans - b

....
In linear programming, oil companies used to implement resources available is classified as ......
a. implementation modeling
b. tr**Ans** portation models
c. oil model
d. resources modeling
Ans - b

....
In linear programming, number of requirements must be satisfied in simplex method are ......
a. two requirements
b. three requirements

67
c. four requirements
d. five requirements
Ans - b

....
In Johari Window tr**Ans** actional analysis "I am not OK. You are not OK' stands for ......
a. both have value
b. I have value and you do not have value
c. you have value but I do not have value
d. neither person has value
Ans - d

....
360° performance appraisal in banks, has more relevance and significance for ......
a. Identification/recognition and development of talents
b. enhancing measures like training/special assignments
c. self appraisal
d. Both (b) and (c)
Ans - a

....
Certain traits are essential for ......
a. Effective leadership
b. Help in effective leadership
c. Goal clarity
d. Help produce result
Ans - b

....
Linear Trend is calculated as Tt=28.5+075t. the trend projection for period is 15 is ......
a. 11.25
b. 28.50
c. 39.75
d. 44.25
Ans - c

68
Solution :
substitute t=15 into the equation T(t) = 28.5 +0.75 t
= 28.5 + (0.75)(15)
= 28.50+11.25
= 39.75

....
When appraisals are made by superiors, peers, subordinates and clients then it is called ......
a. 360 degree feedback
b. 180 degree feedback
c. Self - appraisal
d. None of the above
Ans - a

....
Which method is used for evaluating the performance of executives or supervisory positions?
a. Psychological Appraisals
b. Assessment Centres
c. Behaviourally Anchored Rating Scales
d. 360 degree feedback
Ans - b

....
What does the 360 degree feedback assess?
a. Communication Skills
b. Behavioural Aspect
c. Team - building skills
d. Soft skills
Ans - d
....

The idea that government's fiscal policy can be used to stabilize the level of output and employment can
be attributed to which of the following economists ......
a. Frederich Hayek
b. Ludwig von Mises
c. Frederic Bastiat

69
d. John Maynard Keynes
Ans - d
....
The demand for salt is inelastic, because ......
a. of low price
b. absence of it makes food tasteless
c. no substitutes
d. All the three
Ans - c
....
When did the Great Depression stuck the United States?
a. 2007
b. 1930
c. 1936
d. 2001
Ans - b
....
Who has given scarcity definition of economics ?
a. Adam Smith
b. Marshall
c. Robbins
d. Robertson
Ans - c
....
An increase in the money supply is a(n) ......
a. exp**Ans** ionary fiscal policy
b. exp**Ans** ionary monetary policy
c. contractionary fiscal policy
d. contractionary monetary policy
Ans - b
....

70
Whenever the government spends more than it collects through revenue, the resulting imbalance is
known as ......
a. Public deficit
b. Market deficit
c. Government deficit
d. Budget deficit
Ans - d
....
Price electricity demand of product will be more elastic if it ......
a. has no substitutes
b. has number of substitutes
c. is an item of necessity
d. is life saving product
Ans - b
....
A recession is a series of ......
a. negative growth rates
b. below trend values
c. troughs
d. declining deviations from trend

Ans - b
....
...... is an objective assessment of an individual's performance against well-defined benchmarks.
a. Performance Appraisal
b. HR Planning
c. Information for goal identification
d. None of the above
Ans - a
....
Standard deviation of sampling distribution of any statistic is called ......
a. Sampling Error

71
b. Type-I Error
c. Standard Deviation
d. Standard Error
Ans - d
....
When you behave and respond with probing responses that shows curiosity, intimacy, fun, joyfulness
and fantasy, you are in which ego state?
a. Critical Parent
b. Natural Child
c. Sympathetic Parent
d. Adult Ego
Ans - b
....
If you don't study for an exam because you don't think it will help your exam grade, this refers to which
component of Expectancy theory?
a. Valence
b. Instrumentality
c. Expectancy
d. Effort
Ans - c
....
The ability to put yourself in others shoes and to sense how others are feeling is called ......
a. Empathy
b. Self awareness
c. Self monitoring
d. Consciousness
Ans - a
....
When a monopolistically competitive firm advertises, it is attempting to increase ......
a. The demand and decrease the price elasticity of demand for its product
b. The demand and increase the price elasticity of demand for its product
c. Long-run profits

72
d. Market demand
Ans - a
....
According to Marshall, the basis of consumer surplus is ......
a. Law of diminishing marginal utility
b. Law of equi-marginal utility
c. Law of proportions
d. All of the above

Ans - a

....
The demand for salt is inelastic, because ......
a. of low price
b. absence of it makes food tasteless
c. no substitutes
d. All the three
Ans - c

....
National Income estimates in India is prepared by ......
a. RBI
b. Central Statical Organization
c. Finance Ministry
d. Planning Commission
Ans - b

....
Monetary policy affects ......
a.inflation only
b.output only
c.both inflation and output
d.neither inflation nor output
Ans - c

....

73
A restrictive monetary-fiscal policy is a good way to deal with ......
a. Demand—shift inflation
b. Any short of inflation that occurs when the economy falls below full employment
c. Demand—pull inflation
d. Cost—push inflation
Ans - b

....
National income differs from NNP at market prices by the amount of ......
a. Current tr**Ans** fers from the rest of the world
b. Net indirect taxes
c. National debt interest
d. It does not differ
Ans - b

....
For most consumers apples and oranges are substitute goods. Therefore, we would expect a rise in the
price of apples to lead to ......
a. A rightward shift in the demand curve of oranges
b. A leftward shift in the supply curve of apples
c. A downward change in the demand curve of oranges
d. A fall in the price of oranges
Ans - a

....
The term 'consumer goods' is used by economists to refer to ......
a. Goods produced for consumers in a free market only.
b. Goods other than free goods, whose use directly satisfies consumers wants.
c. Goods produced by consumers in return for a wage.
d. Goods which are used by consumers in order to earn their living
Ans - b

....
Many of the basic problems of economics emerge from ......
a. Unlimited resources

74

b. Incompetent govt
c. The use of limited resources to satisfy human wants
d. Unlimited wants
Ans - c

....
The demand for a good is elastic if ......
a. The demand for that good increases when price falls
b. A decrease in price results in a decrease in total expenditure
c. The quantity demanded increases less than proportionately with the decrease in price level
d. None of the above
Ans - c

....
Indian Economy can be best described as ......
a. Developed economy
b. Undeveloped economy
c. Developing economy
d. Underdeveloped
Ans - c

....
The term" balance of trade" me**Ans** ...... (i) Difference between exports & imports, (ii) Net Exports
including merchandise, (iii) The difference between the cost of the imports and exports of a country
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

....
The liquidity preference arises due to ...... (i) Tr**Ans** action Motive, (ii) Precautionary Motive, (iii)
Speculative Motive
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)

75
d. (i), (ii) and (iii)
Ans - d

....
Devaluation me**Ans** ......
a. Fall in Marginal utility of Money
b. Fall in printing of currency
c. Risk in blackmoney
d. Fall in the value ofmoney in terms of foreign currency
Ans - d

....
Acute inflationary situation ......
a. Makes savings in the form of bank deposits less attractive
b. Makes savings more attractive
c. Arises due to liquidity trap
d. All the above
Ans - a

....
The open market operations refer to the sale and purchase by the RBI of ...... (i) Foreign exchange, (ii)
Gold, (iii) Government securities
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
A rightwards shifts in supply schedule indicates ......
a. A decrease in Supply
b. A decrease in quantity supply
c. An increase in quantity supply
d. An increase in supply
Ans – d

76
Which budget is measured in financial terms only?
a. Dominance budget
b. Programme performance budget
c. Zero-base budget
d. Central budget
Ans - b
....
Recession is associated with fall in ......
a. Demand
b. Supply
c. Disinvestment
d. Investment
Ans - a
....
Cash = Rs. 6,00,000
Debtors = Rs. 9,00,000
Inventories = Rs. 20,00,000
Current liabilities = Rs. 30,00,000
Total current assets = Rs. 40,00,000
The quick ratio = ?
a. 1:1
b. 1.5:1
c. 1:1.5
d. 2:1
Ans - c
Solution :
Quick ratio = Quick asset / CL
Here Quick asset = CA-Inventory
So, Quick asset = 4000000 - 2000000 = 2000000
CL = 3000000
Hence Quick Ratio = 2000000/3000000
= 1:1.5
....

77
What are the forces behind the demand curve? (i) Expectation about future economic conditions, (ii)
Average Income
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - d
....
Present Value is defined as:
a. Future cash flows discounted to the present at an appropriate discount rate
b. Inverse of future cash flows
c. Present cash flow compounded into the future
d. None of the above
Ans - a
....

If the present value of the cash flow X is Rs.200, and the present value cash of the flow Y is Rs.150, than
the present value of the combined cash flow is:
a. 200
b. 150
c. 50
d. 350
Ans - d
....
If the present value ofRs.444 to be paid at the end of one year is Rs. 400, what is the one year discount
factor?
a. 0.909
b. 1.11
c. 0.11
d. None of the above
Ans - a
=c1/(r-g)= 400/44=.909
....

78
If you invest Rs.100,000 today at 12% interest rate for one year, what is the amount you will have at the
end of the year?
a. Rs.90,909
b. Rs.112,000
c. Rs.100,000
d. None of the above
Ans - b
....
If there is a indirect relationship between rainfall & yield of crops, then...
a. yield is higher if rainfall is less
b. yield is lower if rainfall is less
c. yield is higher if rainfall is higher
d. none of the above
Ans - a
....
At Rs. 20 demand for sugar is 300 Kg. When the price falls to Rs. 18, the demand increases to 390 Kg.
The price elasticity of demand of sugar is ......
a. 2
b. 2.5
c. 3
d. 3.5
Ans - c
Solution :
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
% Change in Quantity Demanded = 90/300*100 = 30
% Change in Price = 2/20*100 = 10
Price Elasticity of Demand = 30/10 = 3
....
Expand W M A
a. Wealth and Me**Ans** Advances
b. Wealth and Monetary Advances
c. Ways and Monetary Advances

79
d. Ways and Me**Ans** Advances.
Ans - d
....
In Economics, "Value of best alternative foregone" is called ......

a. Sacrifice Cost
b. Propensity
c. Opportunity Cost
d. None of the above
Ans - c

....

Bank rate is also referred to as
a. Discount rate
b. Subsidy rate
c. Marginal rate
d. None of the above
Ans - a

....

What is sampling for groups with considerable variation within but similar to each other called ?
a. cluster
b. stratified
c. systematic
d. random
Ans - a

....

Expand C R R
a. Credit Reference Rate
b. Credit Reserve Ratio
c. Cash Reserve Ratio
d. Cash Reserve Rate
Ans - c

....

80
Mr. Ram is working in ABC Corp., since last 30 years. Now he is at an age of 59 due to his old age he is
unable to complete his social and biological roles and feeling unwanted and uselessness, the condition
of Mr. Ram is said to be...
a. Guilt
b. Inferiority
c. Isolation
d. Dispair
Ans - d

....

An employee terminated due to Alcoholism, Dishonesty or inefficiency is called as
a. Discharge
b. dismissal
c. Suspend
d. layoff
Ans - a

....

Standard Performance – Actual Performance = Training & Development ......
a. Objective
b. Drawback
c. Motive
d. Need
Ans - d

....

Demographic advantage is popularly called as demographic ......
a. Preference
b. Dividend
c. Premium
d. Coupon
Ans - b

....

81
The economy, in which the government does not interfere at all in economic decisions, is called a ......
economy.
a. Market economy
b. Capitalistic economy
c. Laissez-faire economy
d. Command economy
Ans - c

....

Forces behind the demand curve ......
a. Expectation about future economic conditions
b. Average Income
c. Cost of production
d. Both a and b
Ans - d

....

Government of India introduced ...... policy for raising interest rate to combat inflation.
a. Exp**Ans** ionary policy
b. Monetary policy
c. fiscal policy
d. contractionary policy
Ans - d

....

Central bank uses ...... to control the money supply in the market.
a. SLR
b. CRR
c. base rate
d. bank rate
Ans - d

....

A downward Sloping Demand Curve relates quantity demanded to ......
a. Supply

82
b. Income
c. Price
d. Demand
Ans - c

....

You are receiving Rs. 10000 every year for the next 5 years (at the beginning of the period) and you
invest each payment @ 5%. How much you would have at the end of the 5-year period?
a. 58109
b. 58019
c. 58091
d. 58190
Ans - b
Explanation :
Here,
P = 10000
R = 5% p.a.
T = 5 yrs
If invested at the beginning,
FV = P / R * [(1+R)^T - 1] * (1+R)
FV = 55256 × 1.05
= 58019

....

The present banking system is called a ......
a. On line banking system
b. Fractional reserve banking system
c. Accrual system of accounting
d. Book keeping accounting system
Ans - b
....
Real tile gross settlement system is
a. Net settlement system
b. Designated–time settlement system

83
c. Designated-time net settlement system
d. None of these
Ans - d
....
What is the message flow structure in our RTGS System?
a. V
b. Y
c. L
d. T
Ans - b
....
The repetitive movement around a trend line in a 4- month period is best described by
a. seasonal variation
b. secular trend
c. cyclical fluctuation
d. irregular variation
Ans - a
....
Removing the highest & lowest actual-to-moving average values when computing seasonal index for
annual data reduces
a. extreme cyclical variations
b. secular trend
c. seasonal variations
d. all of these
Ans - a
....
...... is the rate of interest which a central bank charges on the lo**Ans** and advance that it extends to
commercial banks and other financial intermediaries.
a. Base Rate
b. Bank Rate
c. CRR
d. Repo Rate

84
Ans - b
....
Under Turnover method of assessment, the limit is sanctioned at per cent of the projected turnover.
a. 25
b. 20
c. 30
d. 35
Ans - b
....
Cash budget method of assessment is more suitable for those business enterprises which have .....
a. uniform level of operations
b. High level of operations

c. Low level of operations
d. Seasonal operations
Ans - d
....
A D G P is issued by the bank for ......, to its client.
a. Sale of goods
b. Purchase of goods
c. Sale of capital goods
d. Purchase of capital goods
Ans - d
....
Which of the following statements is not true for an infrastructure project?
a. It has long gestation period
b. It reduces the risk for the lender as his funds get assured deployment for a long time.
c. The debt equity ratio is normally high for an infrastructure project
d. The implementation period is usually long
Ans - b
....

85
Which of the following is not a source of funds for meeting the cost of fixed assets by an enterprise?
a. Credit by supplier of assets
b. Internal accruals
c. Debentures
d. D P G
Ans - d
....
Which of the following is ratio, indicative of the repaying capacity of a borrower?
a. Quick ratio
b. T O L/T N W
c. D S C R
d. D E R
Ans - c
....
The result of discarding extreme values before averaging is called ......
a. residual mean
b. modified mean
c. extreme mean
d. none of the above
Ans - b
....
An annuity consists of monthly repayments of Rs. 600 made over 20 years and if rate is 14% monthly.
What is the future value of the annuity?
a. 781046
b. 718146
c. 781146
d. 716814
Ans - c
Explanation :
Apply FV formula to get the **Ans** wer
Here

86
R = 14% / 12 = 0.01166
T = 20 × 12 = 240
FV = 781146

....
Which of the following is not the essential characteristic of the strategic types of information?
a. Simulated "what if" information of a short-term nature
b. Competitive actions
c. Demographic studies
d. Customer actions
Ans - a

....
Which of the following is not the essential characteristic of Decision Support System?
a. Output directed to organization personnel at all levels
b. Comprehensive database
c. Adaptive system over time
d. None of these
Ans – d

....
In a study it was noticed that average height of sons of tall fathers is less than that of the fathers and
vice versa . This is due to ......
a. extension
b. progression
c. regression
d. hypertension
Ans - c

....
Indices for fuel group are announced......
a. Daily
b. Weekly
c. Monthly
d. Yearly
Ans – b

87
In project management, which of the following does not show precedence relationship among the tasks
and milestones of the project?
a. Gantt Chart
b. PERT
c. CASE Tools
d. None of these
Ans - a

....
Which one is not an economic activity?
a. Investment
b. Production
c. Consumption
d. None of these
Ans - d

....
Narrow money is indicated by ......
a. M1
b. M2
c. M3
d. M4
Ans - a

....
Time deposits are ......
a. Paid on demand
b. Not paid on demand
c. Relatively less liquid than cash and demand deposits
d. Both a and b

Ans - d

....
Theory of interest is based on ...... Select the incorrect option.
a. Investment demand function

88
b. The interest rate functions
c. The liquidity preference function
d. The quantity of money
Ans - b

....
According to ......, the subject matter of economics is the study of how wealth is produced and
consumed.
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - c

....
If in market, money supply increases and interest rate is down, the LM curve will be ......
a. Shift up and to left
b. Shift down and to right
c. Shift up and to right
d. Shift down and to left
Ans - b

....
Lowering the elasticity of liquidity preference with respect to the changes in interest rate, the LM curve
will be ......
a. No effect
b. Flat
c. Less steep
d. steeper
Ans - d

....
Service sector is also referred to as ......
a. Primary sector
b. Secondary sector
c. Tertiary sector

89
d. None of these
Ans - c

....
The economy in which individuals and private firms make the major decisions about production and
consumption is called a ......
a. Market economy
b. Capitalistic economy
c. Socialistic economy
d. Either of a and b
Ans - d

....
Who gave Scarcity Theory of Economics?
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - b
....

Which phase of business cycle is referred to as "crisis"?
a. Recession
b. Depression
c. Recovery
d. Boom
Ans - a

....
...... is a branch of economics that is concerned with the overall performance of the economy.
a. Macroeconomics
b. Microeconomics
c. Both of these
d. None of these
Ans – a

90
Service Sector is also called as ...... (i) Primary Sector, (ii) Secondary Sector
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Neither (i) nor (ii)
Ans - d

....
Which of the following statements is true about 'Inflation'?
a. A rise in the general level of prices
b. Leads to fall in purchasing power
c. Both a and b
d. None of the above
Ans - c

....
An increase in government expenditure or tr**Ans** fer payments will shift the IS curve ......
a. To right
b. To left
c. No change
d. Downwards
Ans - a

....
Real GDP is also known as ......
a. GDP at current price
b. GDP at constant price
c. GDP at variable price
d. None of these
Ans - b

....
In which stage ideal worker are come forward to work on low wages.
a. Recession
b. Depression

91
c. Recovery
d. Boom
Ans - c

....
86th constitutional amendment has made free and compulsory education to all children ......
a. up to age 14 girls child
b. up to 10th class to girl
c. 6 to 14 yr to all children
d. 6 to 14 yr to all female children
Ans - c

....
In ...... phase of business cycle, underemployment will be widespread.
a. Recession
b. Depression
c. Recovery
d. Boom
Ans - b

....
The Equilibrium Price is also known as ......
a. Market price
b. Optimum price
c. Real price
c. Market-clearing price
Ans - d

....
After the introduction of financial sector reforms in capital market, rolling settlement replaced ......
a. 14-day settlement cycle
b. Badla system
c. open outcry system
d. depository system
Ans – a

92
Population of a town is 100000. The rate of change is 4% p.a. what is was 5 years ago?
a. 81923
b. 82193
c. 89321
d. 89123
Ans - b
Explanation :
Here,
P = 100000
R = 4%
T = 5 yrs
FV = P*(1+R)^-T
So,
FV = 100000*(1+0.04)^-5
= 82193

....
According to ......, the economics is a study of mankind in the ordinary business of life.
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - a

....
An annuity consists of monthly repayments of Rs. 600 made over 20 years and if rate is 14% monthly.
What is the present value of the annuity?
a. 48872
b. 42878
c. 48728
d. 48278
Ans - d

93
Explanation :
Apply FV formula to get the **Ans** wer
Here

R = 14% / 12 = 0.01166
T = 20 × 12 = 240
PV = FV ÷ (1+r)t = 48278
....

In project management, which of the following show precedence relationship among the tasks and
milestones of the project? (i) Gantt Chart, (ii) PERT, (iii) CASE Tools
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c

....
Wchich don't emphasize on the pattern of (mutual) expectations? (i) Job, (ii) Task, (iii) Role
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....
Following the contemporary trend, what is not the focus of redundancy exercises? (i) To dismiss
employees who will cost the organization less in terms of redundancy pay, (ii) To limit costs of
redundancy support schemes, (iii) To focus on 'surviving staff'
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....

94
What is a major problem with outplacement services?
a. The lack of organizational understanding of the consultants.
b. The tendency for employees to ignore such services.
c. The costs involved.
d. Their tendency to be targeted mainly at managerial staff.
Ans - d

....
...... is a standard measure of income / expenditure inequality.
a. HDI
b. Gini coefficient
c. GDP
d. GNP
Ans - b

....
What government of India does in open market operations to suck money from the market?
a. absorbs bonds
b. sells bonds
c. increases CRR
d. increases interest Rate
Ans - b

....
In economics, fiscal policy has got two main instruments, these are ......
a. government reserve and capital
b. CRR and SLR
c. Base rate and Bank rate
d. government spending and taxation (revenue collection)
Ans - d

....
A person borrowed Rs. 10000 from the bank @ 12% p.a. for 1 year, payable on EMI basis. What is the
amount of EMI?
a. 889

95
b. 898
c. 989
d. 998
Ans - a
Explanation :
Here,
P = 10000
R = 12% yearly = 0.01% monthly
T = 1 Y = 12 months
EMI = P * R * [(1+R)^T/(1+R)^T-1]
So,
EMI = 10000*0.01*(1+0.01)^12 ÷ {(1+0.01)^12 − 1}
= 889

....
Go through the following data and **Ans** wer the questions (all in Indian Rupees in Crores)
1. Consumptions - Rs. 50000
2. Gross investment - Rs. 40000
3. Govt spending - Rs. 10000
4. Export - Rs. 90000
5. Import - Rs. 60000
6. Taxes - Rs. 5000
7. Subsidies(on production and import) - RS. 1000
8. Compensation of employee - Rs. 500
9. Property Income - Rs. 500
7,8,9 - Net receivable from aboard
10.Total capital gains from overseas investment - Rs. 15000
11.Income earned by foreign national domestically - Rs. 5000
Calculate GNP
a. Rs. 110000
b. Rs. 120000
c. Rs. 130000
d. Rs. 140000
Ans – d

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Solution :
GDP = Consumption + Gross investment + Government spending + (Exports - Imports)
GDP = C+I+G+(X-M)
= 50000+40000+10000+(90000-60000)
= 130000
GNP=GDP+NR(total capital gains from Overseas investment-income earned by foreign national
domestically)
= 130000 + (15000-5000)
= 140000

....
Given,
Currency with public - Rs. 120000 Crores
Demand deposit with banking system - Rs. 200000 Crores
Time deposits with banking system - Rs. 250000 Crores
Other deposit with RBI - Rs. 300000 Crores
Savings deposit of post office savings banks - Rs. 100000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores

Calculate broad money M3.
a. Rs. 570000 Crores
b. Rs. 620000 Crores
c. Rs. 670000 Crores
d. Rs. 870000 Crores
Ans - d
Solution :
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
M1 = 120000+200000+300000
M1 = 620000
M3 = M1+Time deposit with banking system
So,
M3 = 620000+250000
M3 = 870000 Crores
....

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Given,
1. Consumptions - Rs. 50000
2. Gross investment - Rs. 40000
3. Govt spending - Rs. 10000
4. Export - Rs. 90000
5. Import - Rs. 60000
6. Indirect Taxes - Rs. 10000
7. Subsidies(on production and import) - RS. 5000
8. Compensation of employee - Rs. 500
9. Property Income - Rs. 500
7,8,9 - Net receivable from aboard
10.Total capital gains from overseas investment - Rs. 15000
11.Income earned by foreign national domestically - Rs. 5000
Calculate GDP at cost factor
a. Rs. 125000
b. Rs. 130000
c. Rs. 135000
d. Rs. 140000
Ans - c
Solution :
GDP = Consumption + Gross investment + Government spending + (Exports - Imports)
GDP = C+I+G+(X-M)
= 50000+40000+10000+(90000-60000)
= 130000
GDP at factor rate
= GDP-(Indirect taxes-subsidies)
= 130000-(10000-5000)
= 135000
....
Changes in the level and composition of taxation and government spending can have impact on the
following variables in the economy. Pick up the odd one.
a. Aggregate demand and the level of economic activity
b. The pattern of resource allocation
c. The proper utilization of funds

98
d. The distribution of income
Ans - c
....
Communication technology facilitated any where learning and developed e learning package with the
help of ......

a. animation software
b. HRIS
c. Artificial Intelligence technology
d. GUI
Ans - d
....
With regard to HRM, Frederick Taylor gave concept of......
a. Division of Labour
b. Time and Motion Study
c. Both a & b
d. None
Ans - c
....
The system's costs are projected at which stage of the SDLC?
a. Planning and Analysis
b. Design
c. Implementation
d. Operation and Maintenance
Ans - b
....
Given,
Corporation tax - Rs. 500 Crores
Income tax - Rs. 400 Crores
Other taxes and duties - RS. 200 Crores
Customs - RS. 500 Crores
Union exercise tax - Rs. 400 Crores
Service tax - Rs. 700 Crores

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Tax of union territories- Rs. 200 Crores
Interst receipt - Rs. 500 Crores
Devident & profit - Rs. 800 Crores
External grant - Rs. 200 Crores
Other non tax revenue - Rs. 900 Crores
State Share - Rs. 500 Crores
Receipt of union territories - Rs. 700 Crores
Trf to NCCD (National calamity Contingency fund. - Rs. 200 Crores
Calculate Net Tax revenue ...
a. Rs 1900 Crores
b. Rs 2200 Crores
c. Rs 2900 Crores
d. Rs 3800 Crores
Ans - b
Solution :
Net Tax Revenue = Gross tax revenue - NCCD tr**Ans** ferred to the National Calamity Contingency fund -
state share
Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + customs + union excise duties +
service Tax + taxes on union territories
= 500+400+200+500+400+700+200
= 2900 Crores
Net Tax Revenue = Gross tax revenue - NCCD tr**Ans** ferred to the National Calamity Contingency fund -
state share
= 2900-200-500
= 2200 Crores
....
Which of the following statements about inflation is not correct? (i) Inflation leads to erosion in
purchasing power of money, (ii) It is sustained increase in price level over a period, (iii) Inflation always
has only negative effect on the economy

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

....

100
Target coaching, work planning, mutual goal setting and performance objectives are all terms used to
specify concept called ......
a. behavioral rating approach
b. management by objectives
c. combination method
d. critical incident method
Ans - b

....

Fourth step in process of management by objective is to ......
a. guided setting of objective
b. ongoing performance discussion
c. review job and agreement
d. develop performance standards
Ans - b

....

Payments made to employees for amount of time in which employee has worked are classified as ......
a. variable pay
b. salaries
c. base pay
d. wages
Ans - c

....

In employee training, second stage for trainee's on-the-job training is to ......
a. present information
b. prepare learners
c. do follow up
d. practice of trainee
Ans - a

....

When person's performance is neither satisfactory nor correctable is ......
a. satisfactory-promotable interview

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b. satisfactory-not promotable interview
c. unsatisfactory-correctable interview
d. unsatisfactory-uncorrectable interview
Ans - d

....

The three important components in aligning business strategy with HR practice ......
a. Business Strategy, Human Resource Practices, Organisational Capabilities*
b. Marketing Strategy, Human Resource Practices, Organisational Capabilities
c. Business Strategy, Human Resource Practices, Organisational structure
d. Marketing Strategy, Human Resource Practices, Organisational structure
Ans - a

....

The three phases of recruitment process are ......
a. Planning, Implementing, Evaluating

b. Planning, Implementing, Screening
c. Planning, Implementing, Enrichment
d. Planning, Screening, Evaluating
Ans - a

....

A 38-year-old woman quits her high-paying marketing job to focus on her children and become a school
counselor. What stage would Erikson consider this to be?
a. Identify vs. Role Confusion
b. Generativity vs. Stagnation
c. Ego Integrity vs. Despair
d. Industry vs. Inferiority
Ans - b

....

Each stage in a Erikson's model of psychosocial development can be characterized by ......
a. A period of creative tension
b. An achievement scale for growth
c. A different psychological crisis
d. a and c

102
Ans - d

....

The training needs can be identified by an organization on the basis of ...... (i) performance appraisal (ii)
productivity norms fixed by the organization (iii) larger rejects for the job done by the employee
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

While conducting the training programs, which of the following methodology is used? (i) lectures and
experimental lectures, (ii) reading and discussions, (iii) case studies and role plays
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

The evaluation of training is done at 4 levels. At one of these levels, the participants learn knowledge,
skills and attitudes about the subject matter, which is evaluated through some test conducted before
and after the training. This level is called:
a. reaction level
b. learning level
c. behavior level
d. functioning level
Ans - b

....

The trainer in a bank should be ......
a. practicing managers only
b. operational people only
c. specialists recruited as core faculty only
d. a mix of practicing managers, operational people and specialist recruited as core faculty.

103
Ans - d

....
The persistent tendency to feel and behave in a particular way, towards some object, is called ......
a. behavior
b. attitude
c. habit
d. any of the above
Ans - b

....
Which of the following components of attitude, involve the feeling of an employee or their affectpositive,
neutral or negative-about an object?
a. emotional
b. informational
c. behavioral
d. all the above
Ans - a

....
Which of the following function is served by the attitudes? (i) the adjustment function, (ii) the egodefensive
function, (iii) the value-expression function
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
Which of the following can play a great role in attitude change? (i) friends, (ii) peers, (iii) opinion leaders
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

104
....
The fluctuations which complete the whole sequence of change within the span of a year or has some
pattern year after year is known as ......
a. secular trend
b. seasonal variation
c. cyclical fluctuation
d. none of the above
Ans - b

....
Cyclical fluctuations are also known as ......
a. oscillatory variations
b. business cycle fluctuations
c. either a or b
d. none of the above
Ans - c

....
The period of moving average is to be decided on the basis of ......
a. length of the cycle
b. policies of the company
c. both the above
d. none of the above
Ans - a

....
Treasury securities are ...... (i) Debt obligations of the Government, issued by the treasury department,

(ii) They are backed by the full faith and credit of the government,
(iii) They are considered to be free of
default risk
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

105
Method of leaSt squares is ......
a. flexible in nature
b. non-flexible in nature
c. semi-flexible in nature
d. none of the above
Ans - a

....
Which of the following is true about the Yield rate of bonds? (i) It varies inveiseiy with changes in the
bond's market price, (ii) It is the bond rate at bond maturity, (iii) It is computed in the same manner as
Dividend yield on stocks
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....
In shifting the trend origin, the value of 'b' ......
a. changes
b. remains unchanged
c. badly fluctuates
d. None of the above
Ans - b

....
The moving average may constitute a satisfactory trend for a series that is of ...... (i) linear duration, (ii)
whose cycles are regular in duration
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - d

....

106
In calculating a country's GNP atmarket prices one of the following is not included ......
a. Depreciation
b. Net factor income from abroad
c. Net indirect taxes
d. Tr**Ans** fer Payment
Ans - d

....
At full employment level, which of the following would be most likely to lead to inflation?
a. A fall in taxation with no changes in government expenditure
b. An increase in productivity without any increase in wages
c. A fall in investment with no change in prosperity to consumer
d. A rise in the prosperity to save with no change in investment
Ans - a

....

Deflation is ......
a. Deficit budget
b. Reduction in taxation
c. Contraction in volume of money or credit that results in a decline of price level
d. Increase in public expenditure
Ans - c

....
Bank rate me**Ans** ......
a. Interest rate charged by money lenders
b. Interest rate charged by the scheduled banks
c. Rate of profit of the banking institution
d. The official rate of interest charged by the central bank of the country
Ans - d

....
In the Keynes model, which is independent ......
a. Investment

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b. Consumption
c. National income
d. Consumption and investment
Ans - a

....
How many motives for demanding money has been given by Keynes ......
a. 1
b. 2
c. 3
d. 4
Ans - c

....
LiqUidity preference is the term, which is used to refer to ......
a. The Reserve Bank of India's shareholdings in other financial institutions
b. The extent to which investors prefer to keep their assets in money
c. The community's preference for a gold-backed currency
d. An inducement to save.
Ans - b

....
The utility may be defined as ......
a. The power of a commodity to satisfy wants
b. The desire for a commodity
c. The usefulness of a commodity
d. The necessity of a commodity
Ans - a

....
The law of diminishing returns or increasing cost will operate at an earlier level, in agriculture than in
industry because ......
a. More mechanization is applicable to agriculture
b. Agriculture is an industry where land is used extensively
c. Less mechanization is applicable to agriculture.
d. More labour is used in agriculture.

108
Ans - b

....
Opportunity costs are also known as ......
a. Spillover costs
b. Alternative cost

c. Social costs
d. Money costs
Ans - b

....
Demand me**Ans** ...... (i) The desire and willingness of an individual for all goods and services for his
standard of living, (ii) The desire, ability and willingness of an individual to purchase goods and services
at a given time and price
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - b

....
Which of the following pairs of commodities is an example of substitute ......
a. Coffee and milk
b. Mustard oil and coconut oil
c. Diamond and cow
d. Pen and ink
Ans - b

....
For most customers apples and oranges are substitute goods. Therefore, we would expect a rise in the
price of apples to lead to ......
a. A rightward shift in the supply curve of oranges
b. A leftward shift in the supply curve of oranges.
c. A fall in the price of oranges
d. An upward change in the demand curve of oranges.

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Ans - d

....
A change in climate, conditions resulting in hot weather, price remaining the same, would cause a
consumer of cold drinks ......
a. To move to a lower curve
b. To move lower down the demand curve
c. To move to a higher demand curve
d. To move up the same demand curve
Ans - c

....
Inflation me**Ans** ......
a. Increase in price
b. Decrease in value of money
c. Boom
d. All of the above
Ans - b

....
The problem of unemployment in rural areas is mainly due to ......
a. Seasonal and under employment
b. Frictional unemployment
c. Structural unemployment
d. Technical unemployment
Ans - a

....
When an individual's income falls (while everything else remains the same) his demand for an inferior
goods ......
a. Increase
b. Remaining unchanged
c. We cannot say without additional information

d. Decrease
Ans - a

....

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Which one of the following cannot be influenced by budgetary policy?
a. Power of private monopolies
b. Balance of trade
c. General level of prices
d. Regional distribution of employment
Ans - a

....

Which is not correct? (i) An "increase of demand" is not the some thing as an "extension of demand", (ii)
An "increase of demand is the same thing as an "extension of demand", (iii) An increase of demand is
just equal to the extension of demand
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c

....

Bank lo**Ans** up to a limit of Rs. 15 crore to borrowers for purposes like ...... will be eligible for
categorization as priority sector. (i) solar based power generators, (ii) wind mills, (iii) micro-hydel plants
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

Lo**Ans** not exceeding Rs. 50,000/- per borrower provided directly by banks to individuals and their
SHG/JLG will be eligible to be considered for priority sector, provided the individual borrower"s
household annual income in rural areas does not exceed ......
a. Rs. 60,000
b. Rs. 1,00,000
c. Rs. 1,20,000
d. Rs. 1,60,000
Ans - b

....

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Lo**Ans** not exceeding Rs. 50,000/- per borrower provided directly by banks to individuals and their
SHG/JLGwill be eligible to be considered for priority sector, provided the individual borrower"s
household annual income in non-rural areas does not exceed ......
a. Rs. 60,000
b. Rs. 1,00,000
c. Rs. 1,20,000
d. Rs. 1,60,000
Ans - d

....

Lo**Ans** to distressed persons (other than farmers) not exceeding ...... per borrower to prepay their debt
to non-institutional lenders will be eligible to be considered for priority sector.
a. Rs. 60,000
b. Rs. 1,00,000

c. Rs. 1,20,000
d. Rs. 1,60,000
Ans - b

....

Overdrafts extended by banks upto Rs. 5,000/- in Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts
will be eligible for classification under priority sector advances, provided the borrower"s household
annual income does not exceed ...... for rural areas.
a. Rs. 60,000
b. Rs. 1,00,000
c. Rs. 1,20,000
d. Rs. 1,60,000
Ans - a

....

Micro or Small Enterprise may be said to have become Sick, if ...... (i) any of the borrowal account of the
enterprise remains NPA for three months or more, (ii) there is erosion in the net worth due to
accumulated losses to the extent of 25% of its net worth during the previous accounting year, (iii) there
is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the
previous accounting year
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)

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d. (i), (ii) and (iii)
Ans - b

....

Overdrafts extended by banks upto Rs. 5,000/- in Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts
will be eligible for classification under priority sector advances, provided the borrower"s household
annual income does not exceed ...... for non-rural areas.
a. Rs. 60,000
b. Rs. 1,00,000
c. Rs. 1,20,000
d. Rs. 1,60,000
Ans - c

....

Banks are mandated not to accept collateral security in the case of lo**Ans** up to ...... extended to units in
the MSE sector.
a. Rs.5 lakh
b. Rs.10 lakh
c. Rs.15 lakh
d. Rs.20 lakh
Ans - b

....

Ceiling on the loan under Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of
Micro and Small Enterprises is ......
a. Rs.10 lakh
b. Rs.25 lakh
c. Rs.50 lakh
d. Rs.100 lakh
Ans - d

....

The rate of subsidy under Credit Linked Capital Subsidy Scheme (CLSS) for loan upto Rs.1 crore is ......
a. 10 %

b. 15 %

c. 20 %

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d. 25 %

Ans - b

………………………………………

Find the interest rate. Present Value is Rupees 100. Future Value becomes 115.76 in 3 years.

a. 4.5 %

b. 5 %

c. 5.5 %

d. 6 %

Ans - b

Solution

FV=115.76

PV=100

N=3

FV=PV(1+r)^n

115.76=100x(1+R)^3

(1+R)^3=1.1576

r=0.0499

=0.05

=5%

………………………………………

If I take a loan of Rupees 8,000 and repay Rupees 225 per month, for 4 years, what is the effective

annual rate on the loan?

a. 15.3 %

b. 15.8 %

c. 16.3 %

d. 16.8 %

Ans - d

Solution

EMI=225

t=4 eayrs*12=48 month

=225*48

=10800-8000

=2800 which is interest paid for 4 yrs i.e. 48 month

Hence 2800/8000*48

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=0.35*48

=16.8%

………………………………………

The How throne Studies were carried out by Elton Mayo and others at ......

a. Columbia University

b. Cambridge University

c. Western Electrical Company

d. Coco Cola

Ans - c

………………………………………

The Term Personnel officer was first used in India in ......

a. Paper Mills

b. Textile Mills

c. Sugar Mills

d. Chemical and Pharmaceuticals Industries

Ans - d

………………………………………

Pareek and Rao have identified ...... Critical attributes for HR Managers

a. 20

b. 19

c. 21

d. 22

Ans - d

………………………………………

What does "E", "R" and "G" stand for in the ERG theory?

a. Export, Risk and Guarantee

b. Exponential, Reliability and Growth

c. Existence, Relatedness and Growth

d. None of the above

Ans - c

………………………………………

115

Tr**Ans** fer of learning to workplace take place at which level of evaluation of training ?

a. Reaction Level

b. Learning Level

c. The behavior level

d. Function level

Ans - c

………………………………………

Which label can be applied for the purpose of facilitating communication, in learning for growth of the

individual not related to a specific present or future job ?

a. Training

b. Education

c. Development

d. None of the above

Ans - c

………………………………………

Who was an early advocate of "Division of labour"?

a. Fredrick tylor

b. Charles Babbage

c. Elton Mayo

d. Robert Owen

Ans - b

………………………………………

Inventory norms for various industries was prescribed by ?

a. Narshimman committee

b. Raghwan committee

c. Tandon committee

d. Chakraborty committee

Ans - c

………………………………………

116

A person deposited Rs. 10000 in a post-office scheme @ 8% p.a. with quarterly compounding, for 2

years. What is the amount payable?

a. 17117

b. 17171

c. 11717

d. 11177

Ans - c

Explanation :

Here,

P = 10000

R = 8% quarterly = 0.02% p.a.

T = 2 Y = 8 quarters

FV = P * (1 + R)^T

So,
FV = 10000 * (1+0.02)^8
= 11717
....
In which of the situations would σ⁻x = σnotbe the correct formula for Sampling √n
a. infinite population
b. finite population with replacement
c. finite population without replacement
d. none of the above
Ans - c
....
Which theories equate man with his brain ?
a. Organismic Theories
b. Mechanistic or Behaviorist Theories
c. Cognitive Theories
d. Humanistic Theories
Ans - c
....

117
A 3 year bond with par value Rs. 1000 has Coupon rate 12%. If the required rate of return is 10% and
interest is payable semi - annually, find the value of the bond.
a. 1020
b. 1030
c. 1040
d. 1050
Ans - d
Explanation :
Here, interest is calculated semi-annually,
so Coupon = 1000 × 12% ÷ 2 = 60,
YTM = 10%/2 = 0.05,
T = 3 × 2 = 6 years
So, price = 1050
....
Objectives of HRM is mainly related to understand ...
a. the fundamentals of HRM.
b. Customer and Staff behaviour.
c. The comprehensive perspective of HRM & relationship with HRD.
d. The role of HR professionals & development of HR functions.
Ans - b
....
Which is true regarding functions & structure of HRM & HRD ?
a. There is no conflict between the two.
b. There is difference only in the approach and emphasis.
c. HRM is the sub-system of HRD
d. HRM deals routine functions & HRD functions emphasize on change management process.
Ans - c
....
Which theories hold that learning occurs only when learners have the 'freedom to learn' ?
a. Organismic Theories
b. Mechanistic Theories
c. Cognitive Theories:

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d. Behaviourist Theories
Ans - a
....

Attitude can be classified into three basic components. Which is not one among them ?
a. Emotional
b. Formal
c. Informational
d. Behavioural
Ans - B
....
Which of the following statement is not correct? (i) performance appraisal and potential appraisal are
the same system, (ii) performance appraisal is to know the future performance, (iii) potential appraisal is
to understand the potential of the employee to contribute to growth of organization
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a
....
There are 2 methods for performance appraisal. Which of the following are not correct. (i) the
traditional methods emphasize on rating the individual personality traits, (ii) the traditional methods lay
importance on job achievement, (iii) the modern methods lay emphasize on rating the individual
personality traits
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c
....
A market economy is one
a. In which individuals and private firms make the major decisions about production and consumption.
b. In which the government makes all important decisions about production and distribution.

119
c. Both a and b
d. None of these
Ans - a
....
The technique of production where machinery is used more than human force is called...
a. Technology intensive
b. Labour intensive
c. Capital intensive
d. either a or c
Ans - c
....
In demand curve, quantity and prices are.......related.
a. Directly
b. Inversely
c. Indirectly
d. Market
Ans - b
....
Price Index used in India to calculate inflation for policy formulation is
a. Consumer price index
b. GDP deflator
c. Wholesale price index

d. Retail price index

Ans - c. Wholesale price index

....

In India, consumer price index released by......

a. Ministry of commerce

b. Ministry of Finance

c. Ministry of labour and employment

d. Ministry of Agriculture

Ans – c

120

The relationship between the shape of the population distribution and the shape of the sampling

distribution of the mean is called Central Limit Theorem. This theorem ......

a. assures that sampling distribution of the mean approaches normal as the sample size increases.

b. permits us to use sample statistics to make inferences about population parameters without knowing

anything about the shape of the frequency distribution of that population.

c. tells that the distribution of sample mean tends to be a normal distribution.

d. all of these

Ans - d

....

Select the incorrect statement:

a. As the standard error decreases, the value of any sample mean will be closer to the value of the

population mean.

b. Decreasing standard error increases the precision with which the sample mean can be used to

estimate the populations mean.

c. Sampling more items will increase the standard error.

d. all are incorrect

Ans - c

....

What is sampling for groups with considerable variation within but similar to each other called ?

a. cluster

b. stratified

c. systematic

d. random

Ans - a

....

The finite population multiplier is square root of (N-n) / (N-1), where N is the size of the population and

n is the size of the sample. This multiplier need not be used when the sampling fraction (n/N) is ......

a. equal to 1

b. less than 0.5

c. less than 0.05

d. more than 1

Ans - c

....

121

Which of the following statements are correct? (i) the remuneration to managerial position is referred

to as salary - true, (ii) A wages, salary and remuneration mean the same thing – false, (iii) where the

reward is linked to the performance, it helps in improvement of motivation level of employees – true

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

A portion of the elements in a population chosen for direct examination or measurement is a ......

a. sample

b. strata

c. population

d. parameter

Ans - a

....

A sampling distribution of the proportion is a probability distribution of the ......

a. stratified sampling

b. sampling fraction

c. sample proportion

d. standard deviation

Ans - c

....

Which Type of compensation in the following are matched properly? (i) top or middle management –

salary, (ii) Clerical or administrative staff - salary, (iii) unskilled, semi-skilled, skilled or highly skilled staff

– wages

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

122

If prices double, what happens to real value of rupee?

a. remains same

b. doubles

c. halves

d. changes in unlike proportions

Ans - c

....

Which method which helps draw a line between the set of scattered points

a. regression method

b. correlation method

c. least square method

d. least fit method

Ans - c

....

What is a zero coupon bond?

a. there is gain only in price

b. gain in coupon

c. no gain at all

d. none of these

Ans - a

....

The balance sheet of a firm has shown total asset of Rs 20 lacs . The long term uses are Rs 11 lacs and

current ratio 1.5:1. What is the amount of current liabilities ?

a. Rs 11 lacs

b. Rs 9 lacs

c. Rs 7 lacs

d. Rs 6 lacs

Ans - d

Because total assets-long term asset=current assets
Me**Ans** 20-11=9lac
Current ratio 1.5:1
So, Current liabilities is 9/1.5= 6 lac

123
Current ratio of a unit is 3:1 and quick ratio is 1:1. The level of current assets is Rs 15 lac. What is the
amount of quick asset?
a. Rs 3 lac
b. Rs 5 lac
c. Rs 7 lac
d. Rs 9 lac
Ans - b
Since CR = CA: CL
CR= CA:CL = 3:1
i.e. 15:CL= 3:1
i.e CL = 5 lac
Now QR= 1:1
Since QR= Quick asset/ CL (here quick asset is CA- Inventory)
Hence QA= CL ~ 5 lac
....
In balance sheet amount of total assets is Rs 10 lac, current liabilities Rs 5 lac and capital and reserves Rs
2 lac. What is the debt-equity ratio?
a. 1:1
b. 1.5:1
c. 1.75:1
d. 2:1
Ans - b
As per Balance sheet rule Total assets = Total liabilities
Since total assets here is Rs 10 lac hence total liabilities must be 10 lac.
Now Long term debt = 10-(5+2)=3 lac and capital + reserve(TNW i.e tangible net worth) = 2 lac
Since DER = TL/TNW or debt/ equity or TL/ equity hence 3/2 = 1.5 lac
....
Working capital turn over ratio is 6 and current ratio is 2:1. If current liabilities are Rs 10 lac and net
profit to sales percent 5%. What is the amount of net profit?
a. Rs 10 lac
b. Rs 8 lac
c. Rs 7 lac
d. Rs 6 lac
Ans - d

124
Since CR=2:1 and liabilities are 10 lac
Hence current asset will be 20 lac
Now since wc turn over is 6 that me**Ans** the total turn over will be 20×6= 120 lac
Then profit should be 120×5%=6 lac
....
What does the Central tendency theorem state ?
a. as the sample size increases the sampling distribution of the mean will approach normality
irrespective of the shape of the population distribution
b. the mean of the sampling distribution of the mean will equal the population mean even if the
population is not normal
c. uses of sample statistics to make inferences of the the population parameters without knowledge of
the of the frequency distribution

d. all of the above
Ans - d
....
If the estimating equation is Y = a – b X. which of the following is true
a. the y intercept is b
b. slope of line is negative
c. there is inverse relationship
d. b & c
Ans - d
....
Mr. Amit purchased a property for Rs.8 lac. He has been assured to get Rs 10 lac, after one year at 9%
interest rate. What is the net present value of the property based on this assured return?
a. Rs. 117400
b. Rs. 118300
c. Rs. 119200
d. Rs. 120100
Ans - a
Solution :
1000000/1.09=917431-80000= 117400
....

125
Market Demand Curve obeys the
a. Law of downward-sloping demand
b. Law of upward-sloping demand
c. Law of diminishing
d. None of these
Ans - a
....
Current yield on an 8% Rs. 100 bond is 7.5%. The price of the bond is ......
a. 104.67
b. 105.67
c. 106.67
d. 107.67
Ans - c
Explanation :
Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)
(Here, t = 1
So, price
= (Coupon + Face Value) ÷ (1 + R)
= (8 + 100) ÷ 1.075 = 100.465)
But, since Coupon Interest = Current Yield × Current Market Price
So, Price = 8 ÷ 7.5% = 8000 ÷ 75 = 106.67
....
In capital market, the screen based system is replaced by ......
a. book keeping system
b. lodging system
c. Open outcry system
d. Telephonic System
Ans - c
....

126
You will be receiving Rs. 204000 at the end of each year for the next 20 years. If the current discount
rate for such a stream of cash flow is 10%, find the present value of cash flow.
a. 1737760
b. 1736660

c. 1736770

d. 1737660

Ans - c

Explanation :

Here,

P = 204000

R = 10

T = 20

PV = P / R * [(1+R)^T - 1]/(1+R)^T

PV = 1736770

....

Money Supply refers to ......

a. The amount of money in banks

b. The amount of money with the people

c. The amount of money in circulation in an economy

d. None of these

Ans - c

....

The central limit theorem ......

a. Requires some knowledge of the frequency distribution

b. Permits us to use sample statistics to make inferences about population parameters

c. Relates the shape of a sampling distribution of the mean to the man of the sample

d. Requires a sample to contain fewer than 30 observations

Ans - b

....

Find Coefficient of Variance for the values given : {13,35,56,35,77}

a. 0.4156

b. 0.5164

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c. 0.5614

d. 0.6514

Ans - c

Explanation :

Number of terms (N) = 5

Mean:

Xbar = (13+35+56+35+77)/5

= 216/5

= 43.2

Standard Deviation (SD):

Formula to find SD is

σx= √(1/(N - 1)*((x1-xm)2+(x2-xm)2+..+(xn-xm)2))

=√(1/(5-1)((13-43.2)2+(35-43.2)2+(56-43.2)2+(35-43.2)2+(77-43.2)2))

=√(1/4((-30.2)2+(-8.2)2+(12.9)2+(-8.2)2+(33.8)2))

=√(1/4((912.04)+(67.24)+(163.84)+(67.24)+(1142.44)))

=√(588.2)

=24.2528

Coefficient of variation (CV)

CV = Standard Deviation / Mean

= 24.2528/43.2

= 0.5614

Hence the required Coefficient of Variation is 0.5614

....

In random sampling, we can describe mathematically how objective our estimates are. Why is this? (i)

We always know the chance that any population element will be included in the sample, (ii) Every

sample always has an equal chance of being selected, (iii) All the samples are exactly the same size and

can be counted

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - a

....

128

MSE me**Ans**

a. Medium and Small Enterprises

b. Micro and Small Enterprises

c. Medium State Enterprises

d. None of the above.

Ans - b

....

An investment at 12% interest rate compounded monthly is equal to an annual rate of ......

A. 12.68%

B. 12.36%

C. 12%

D. None of the above

Ans - a

....

What is a scatter diagram ?

a. diagram which scatters all elements of the variable.

b. A graphic representation of the relationship of the variables

c. Helps plot observed values

d. b & c

Ans - d

....

What variation does moving average method eliminate ?

a. seasonal

b. cyclical

c. Irregular

d. secular trend

Ans - a

....

What are sampling groups which are very similar within but dissimilar without are called?

a. cluster

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b. stratified

c. systematic

d. random

Ans - b

....

Which is an example of sinking fund?

a. perpetuity

b. annuity

c. gratuity

d. none of the above

Ans - b

....

What is the rule of 72 ?

a. 12 times table

b. rule for calculating future cash flows

c. rule for compounding present cash flows

d. rule for knowing how quickly money doubles

Ans - d

....

Which method helps us draw a line between the set of scattered points?
a. regression method
b. correlation method
c. least square method
d. least fit method
Ans - c

…………………………………

A loan of Rs. 1 lac is paid back in 5 equal annual installments. The roi charged is 20% annually. Find the
amount of each loan?
a. 34338
b. 33348
c. 33438
d. 33834
Ans - c
Explanation :
Here,
FV = Rs. 100000
T = 5 years
R = 20% p.a. = 0.2%
EMI = P * R * [(1+R)^T/(1+R)^T-1)]
= 100000 × 0.2 × 1.25 ÷ (1.25– 1)
= 33438

…………………………………

In systematic sampling, each …… has an equal chance of being selected.
a. sample
b. element
c. both of these
d. none of these
Ans - b

…………………………………

What is repayment of entire loan principal at the end of the loan period called ?
a. balloon payment
b. compounded payment
c. annuity
d. term payment
Ans - a

…………………………………

A quarterly repayments of a loan carry an interest rate of 8 % per annum. What is the effective annual
interest rate?
a. 8.4 %
b. 8.2 %
c. 8.3 %
d. 8.5 %
Ans - b

…………………………………

131
Theory Y assumes that people inherently ……
a. need satisfaction of need to belong more than anything else
b. avoid responsibility and need to be closely controlled
c. want to work and exercise self-direction
d. work to satisfy hygiene factors
Ans - c

…………………………………

According to Dalton, Thompson and Price, in the career path, which of the following is required to
define the direction in which the entire organization or at least a majorsegment of the organization

would develop?
a. apprentice
b. colleague
c. mentors
d. sponsors
Ans - d

…………………………………

According to Driver, in the …… an individual takes a new job, works hard, performs well, moves up in
status and rank and then moves on to another type of work and follows the same pattern of
development and performance.
a. steady state careers
b. tr**Ans** itory pattern
c. spiral career
d. plateau career
Ans - c

…………………………………

Under career pattern, Schein has given comprehensive framework of 3 dimensional movements. The
movement is along the …… hierarchy of the organization
a. vertical
b. circumferential
c. radial
d. cervical
Ans - a

…………………………………

According to Schein, there are …… type of career anchors
a. two
b. three
c. four
d. five
Ans - d

…………………………………

Which of the following career anchor category, as per Schein concept, does not match?
a. some individuals want to create something new – autonomy
b. some individuals are not comfortable with organization life They like to start something and want to
make it a success - autonomy
c. some individuals want to create something new – creativity
d. none of the above
Ans - a

…………………………………

Which period give more tangible trend ……
a. shorter period
b. long period
c. medium period
d. none of the above
Ans - b

…………………………………

Convertible debentures …… (i) Have the features of a Straight Bond (Normal), (ii) Can be exchanged for
stock of the Company on a given future date, (iii) Instruments for raising long term Capital for the
Company
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

…………………………………

At Rs. 30 demand for sugar is 500 Kg. When the price falls to Rs. 24, the demand increases to 600 Kg.

The price elasticity of demand of sugar is ......

a. 2
b. 2.5
c. 3
d. 3.5

Ans - c

Solution :

Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price

% Change in Quantity Demanded = 100/500*100 = 20

% Change in Price = 6/30*100 = 20

Price Elasticity of Demand = 20/20 = 1

....

Which of the following statements are true regarding credit derivatives products? (i) The protection

buyer is the lending bank, (ii) The protection seller can be another bank or any other organization, (iii)

The credit asset is tr**Ans** ferred in case of derivatives

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - a

....

Which of the following are counted while computing value of compensation of employees? (i) Wages

and salaries in cash, (ii) Employees contribution to PF, (iii) Rent free quarters provided to workers

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - b

....

Which of the following can be a reality in life? (i) Less than unit elastic demand, (ii) More than unit

elastic demand, (ii) Perfectly elastic demand

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - a

....

In the assessment center workshops method, in a job related simulated situation, the behavior of the

employees is assessed through their performance of different exercises such as ...... (i) group

discussions, psychometric tests, (ii) business games, committee meetings, (iii) in-basket exercises

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - d

....

When an individual is of the view that the course of events is determined by one's own efforts and

action and not due to external events or luck, this is called as ......

a. external locus of control
b. locus of control
c. internal locus of control

d. beyond control locus

Ans - c

....

Summary of a Balance sheet of XYZ Company

Current Liabilities (in Crores)

Cash Credit - 800

Trade Creditors - 4500

Other Current Liabilities - 1200

Total Current Liabilities – 6500

Current Assets (in Crores)

Cash - 1500

Inventory - 5000

Debtors - 1400

Other Current Assets - 600

Total Current Assets - 8500

Find out

1. Current Ratio

a. 1
b. 1.31
c. 1.5
d. 2

Ans - b

Current Ratio = CA/CL = 8500/6500 = 1.31

2. Acid-Test Ratio

a. 0.33
b. 0.54
c. 0.66
d. 0.75

Ans - b

Acid-Test Ratio = Quick Assets/CL = (CA-Inv)/CL = (8500-5000)/6500 = 3500/6500 = 0.54

3. Net Working Capital

a. 2000
b. 3500
c. 6500
d. 8500

Ans - a

Net Working Capital = CA - CL = 8500 - 6500 = 2000

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4. Working Capital Cap

a. 1400
b. 2800
c. 5700
d. 6500

Ans - b

Working Capital Cap = CA - (CL - BB) = 8500 - (6500 - 800(CC)) = 8500 - 5700 = 2800

5. MPBF as per Tandon Committee - Method-I

a. 700
b. 1400
c. 2100
d. 3000

Ans - c

MPBF as per Tandon Committee - Method-I = WCG - 25% of WCG = 2800 - 25% of 2800 = 2800 - 700 =

2100

6. MPBF as per Tandon Committee - Method-II

a. 675
b. 750
c. 875
d. 950

Ans - a

MPBF as per Tandon Committee - Method-II = WCG - 25% of CA = 28000 - 25% of 8500 = 2800 - 2125 =
675

7. Current Ratio as per Tandon Committee - Method-I
a. 1
b. 1.09
c. 1.33
d. 1.66

Ans - b

Current Ratio as per Tandon Committee - Method-I = CA / (MPBF + Trade Creditors + Other CL) = 8500 /
(2100+4500+1200) = 8500 / 7800 = 1.09

8. Current Ratio as per Tandon Committee - Method-II
a. 1
b. 1.09
c. 1.33
d. 1.66

Ans - c

Current Ratio as per Tandon Committee - Method-II = CA / (MPBF + Trade Creditors + Other CL) = 8500 /
(675+4500+1200) = 8500 / 6375 = 1.33

9. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-I
a. 700
b. 1000
c. 1300
d. 1800

Ans - c

Borrowing by the way of Cash Credit = 800
MPBF as per Tandon Committee - Method-I = 2100
So, Borrowing by the way of Cash Credit is short by (2100 - 800) = 1300 Crores

10. Borrowing by the way of Cash Credit when compared with Tandon Committee - Method-II
a. 100
b. 125
c. 150
d. 175

Ans - b

Borrowing by the way of Cash Credit = 800
MPBF as per Tandon Committee - Method-II = 675
So, Borrowing by the way of Cash Credit is excess by (800 - 675) = 125 Crores

....

...... is for learning to prepare the individual for a different but identified job.
a. Training
b. Education
c. Development
d. Motivation

Ans - b

....

Humanistic Theories of Knowles are not called as ...... (i) Cognitive Theories, (ii) Behaviourist Theories,
(iii) Mechanistic Theories
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - d

....

...... theories don't hold that the learner is passive in the process of learning. (i) Cognitive Theories, (ii)
Behaviourist Theories, (iii) Organismic Theories
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - b

....

Changes in the level and composition of taxation and government spending can have impact on the
following variables in the economy ...... (i) Aggregate demand and the level of economic activity, (ii) The
proper utilization of funds, (iii) The distribution of income
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - b

....

Price elasticity of demand refers to responsiveness of demand to a change in ......(i) price of the
commodity, (ii) price of the substitute goods, (iii) income of the consumer
a. Only (i)
b. Only (i) and (ii)
c. Only (ii) and (iii)
d. Only (i) and (iii)

Ans - a

....

Capital is Rs 180, Reserves Rs 20, term loan Rs 300, Bank cash credit Rs 200, trade creditors Rs 50,
provisions Rs 50/-,net fixed assets Rs 400,inventories Rs 150, cash Rs 50, Receivables Rs 150, goodwill Rs
50. What is current ratio?
a. 1
b. 1:1.17
c. 1.17:1
d. 2

Ans - c

Let me Explain
CA= 50+150+150= 350
CL= 200+50+50=300
CR= CA:CL= 350:300
i.e 1.17:1

....

As part of the concept of self-development, the self can be categorized into ...... (i) patent self, (ii)
explicit self, (iii) inner self
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - b

....

Which of the following is a method of selecting samples from a population? (i) Judgement sampling, (ii)
Random sampling, (iii) Probability sampling
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - a

....
A bank calculates that its individual savings accounts are normally distributed with a mean of Rupees
2,000 and a standard deviation of Rupeess600. If the bank takes a random sample of 100 accounts, what
is the probability that the sample mean will lie between Rupees 1,900 and Rupees 2,050?

a. 0.4792

b. 0.7492

c. 0.7942

d. 0.9742

Ans - b

Explanation :

Standard Error = SD / √(N)

= 600 / √100

= 600 / 10

= 60

Using the equation

z = (x bar minus Mu)/SE

we get 2 z values

for x bar = Rs. 1900,

z = (1900 - 200) / 60

= (-100) / 60

= -1.67

for x bar = Rs. 2050,

z = (2050 - 200) / 60

= 50 / 60

= 0.83

Probability table gives us probability of 0.4525 corresponding to a z value of −1.67, and it gives

probability of 0.2967 for a z value of 0.83. If we add these two together, we get 0.7492 as the total

probability that the sample mean will lie between Rs. 1900 and Rs. 2,050.

....

...... is a parameter, whereas ...... is a statistic. (i) N, Mu, (ii) Zigma, s, (iii) N, n

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....
A perfect inverse relationship between two variables me**Ans** the value of r is ......

a. 0

b. -1

c. +1

d. 0.5

Ans - c

....
The value of 'r' ......

a. is always < 1

b. is always > 1

c. is always between 0 and -1

d. always lies between -1 and 1.

Ans - d

....
There is no linear relationship between the variables if the value of 'r' is ......

a. 0

b. -1

c. +1

d. 0.5

Ans - a

....
Select the incorrect statement:

a. Bond prices fall when market interest rates fall.

b. Bond prices rise when market interest rates fall.

c. If the bond's YTM increases, the rate of return during the period will be greater than that yield.

d. all are incorrect

Ans - d

....
In a scatter diagram, a value of r = -1 indicates all points are lying on a line of ...... slope, i.e., sloping ......

from ...... to ......

a. positive, up, right, left

b. positive, down, left, right

c. negative, up, right, left

d. negative, down, left, right

Ans - d

....
Which of the following statementsis not correct?

a. Human wants are limited.

b. Me**Ans** to satisfy human wants are limited.

c. Me**Ans** or resourceshave alternative uses

d. None of the above

Ans - d

....
XYZ purchased machinery of 100000. Rate of depreciation is 10%. What is average rate of depreciation?

a.12.25%

b.12.96%

c.13.75%

d.13.98%

Ans - c

....
In which of the following situations would Zigma x bar = Zigma/√n would be the correct formula

to use for computing. (i) Sampling is from a finite population without replacement, (ii) Sampling is from

a finite population with replacement, (iii) Sampling is from an infinite population

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....
In economics 'Valueof next best alternative foregone' is called:

a. Propensity

b. Opportunity Cost

c. Sacrifice Cost

d. None of these

Ans - b

....
Which of the following cannot be a reality in life and remains an imaginary situation?

a. Less than unit elastic demand

b. Perfectly elastic demand

c. Unit elastic demand

d. More than unit elastic demand

Ans - b

....

Which of the following is not a factor affecting elasticity of demand?

a. Share in the total expenditure
b. Multiple usesof the commodity
c. Availability of close substistutes
d. None of these

Ans -d

....
Suppose that a population with N is equal to 144 has p is equal to 24. What is the mean of the sampling

distribution of the mean for samples of size 25?

a. 24
b. 12
c. 4.8
d. 2

Ans – a

There are 2 methods for performance appraisal. Which of the following are not correct. (i) the

traditional methods emphasize on rating the individual personality traits, (ii) the traditional methods lay

importance on job achievement, (iii) the modern methods lay emphasize on rating the individual

personality traits

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - c

....
Which Type of compensation in the following are matched properly? (i) top or middle management –

salary, (ii) Clerical or administrative staff - salary, (iii) unskilled, semi-skilled, skilled or highly skilled staff

– wages

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - c

....
In the 360 degree appraisal method, the appraisal of an employee is done by ...... (i) seniors, (ii)

colleagues, (iii) subordinates

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - d

....
The dispersion among sample me**Ans** is less than the dispersion among the sampled items themselves

not because ...... (i) Very large values are averaged down and very small values are averaged up, (ii) Each

sample is smaller than the population from which it is drawn, (iii) The sampled items are all drawn from

the same population

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - c

....

The central limit theorem assures us that the sampling distribution of the mean

a. Is always normal
b. Is always normal for large sample sizes
c. Approaches normality as sample size increases
d. Appears normal only when N is greater than 1,000

Ans - b

....
In a normally distributed population, the sampling distribution of the mean ...... (i) Is normally

distributed, (ii) Has a mean equal to the population mean, (iii) Has a standard deviation equal to the

population standard deviation divided by the square root of the sample size

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - d

....
The compensation should be adequate which takes into account the following ...... (i) minimum wages,

(ii) living wages, (iii) fair wages

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - d

....
As on end of previous financial year, XYZ Bank has :
Total Advances - Rs. 80,000 Cr
ANBC (Adjusted Net Bank Credit) - Rs. 75000 Cr
Agriculture Advances - Rs. 13500 Cr
MSE Advances - 5000 Cr
Weaker Section Advances - Rs. 8500 Cr
Total Priority Sector Advances - Rs. 29000 Cr
Ans wer the following based of the above information
Whether the Bank has achieved the target for Agriculture Advances?

a. Yes. The Bank has just achieved the target
b. Yes. the Bank has exceeded the target
c. No. The Bank has defaulted in achieving the target
d. No such target for Agriculture Advances

Ans - a

....
Whether the Bank has achieved the target for MSE Advances?

a. Yes. The Bank has just achieved the target
b. Yes. the Bank has exceeded the target
c. No. The Bank has defaulted in achieving the target
d. No such target for Agriculture Advances

Ans - d

....
Whether the Bank has achieved the target for Weaker Section Advances?

a. Yes. The Bank has just achieved the target
b. Yes. the Bank has exceeded the target
c. No. The Bank has defaulted in achieving the target
d. No such target for Agriculture Advances

Ans - b

....
Whether the Bank has achieved the target for Priority Sector Advances?

a. Yes. The Bank has just achieved the target

b. Yes. the Bank has exceeded the target

c. No. The Bank has defaulted in achieving the target

d. No such target for Agriculture Advances

Ans - c

…………………………………

Unemployment of men and materials is not widespread during ...... (i) boom, (ii) recession, (iii)

depression

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - a

…………………………………

Which of the following startements are correct ? (i) Business cycles are highly unpredictable, (ii)

Economic activity is at its lowest level during the recession phase, (iii) During boom period production

capacities are fully utilized

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

…………………………………

Which of the follwing can be included in capital as factor of production? (i) Factory building, (ii)

machinery, (iii) car used for factory work

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

…………………………………

A ......% confident interval me**Ans** the value lies between (y-2S, y+2S).

a. 50

b. 65

c. 75

d. 90

Ans - d

…………………………………

The change comes over a long period of time in ...... variation.

a. secular trend

b. cyclical fluctuation

c. seasonal variation

d. irregular variation

Ans – a

…………………………………

In which of the following methods of sampling, elements are selected from the population at a uniform

level that is measured in time, order or space?

a. Simple Random Sampling

b. Systematic Sampling

c. Stratified Sampling

d. Cluster Sampling

Ans - b

…………………………………

Market Demand Curve obeys the ......

a. Law of downward-sloping demand

b. Law of upward-sloping demand

c. Law of diminishing

d. None of these

Ans - a

…………………………………

Which of the following methods can be used to analyse past cyclical variation and not for predicting

future cyclical variation?

a. Ratio to Moving Average Method

b. Residual Method

c. Regression Method

d. Correlation Method

Ans - b

…………………………………

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Systematic sampling requires ...... time and results in ...... cost than simple random sample method.

a. less, more

b. less, lower

c. more, more

d. more, less

Ans - b

…………………………………

A perfect inverse relationship between two variables me**Ans** the value of r is ......

a. 0

b. -1

c. +1

d. 0.5

Ans - b

…………………………………

The repetitive movement around a trend line in a 4- month period is best described by

a. seasonal variation

b. secular trend

c. cyclical fluctuation

d. irregular variation

Ans - a

…………………………………

Asha wants to receive a fixed amount for 15 years by investing Rs. 9 lacs @ 9% roi. How much she will

receive annually?

a. 116153

b. 111563

c. 115163

d. 111653

Ans - d

Explanation :

Here,

P = 9 lac

R = 9% p.a.

T = 15 yrs

EMI = P * R * [(1+R)^T/(1+R)^T-1]

EMI = 900000 * 0.09 * 1.0915 ÷ (1.0915 – 1)

= 111653

…………………………………

Use ...... sampling when the groups are essentially similar to each other but there is considerable

variation within each group.

a. Simple Random Sampling

b. Systematic Sampling

c. Stratified Sampling

d. Cluster Sampling

Ans - d
....
The result of discarding extreme values before averaging is called ......
a. residual mean
b. modified mean
c. extreme mean
d. none of the above
Ans - b
....
Which of the following is not correct regarding term lo**Ans** by the banks?
a. Asset liability matching is an important consideration in term financing
b. Installment of term loan, payable within one year is considered as current liability
c. Repayment of a term loan can be in equated monthly instalments
d. Current ratio is the most important ratio in appraisal of a term loan
Ans - d
....
Project lo**Ans** can be given by the bank to
a. Only corporate
b. Only corporate and partnership firms
c. Only corporate, partnership firms and societies
d. Any business entity
Ans - d
....
Which of the following are internal factor affecting credit risk? (i) Excessive lending to cyclical industries,
(ii) Protectionist policies of other countries, (iii) Low quality of credit appraisal and monitoring
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b
....
Which of the following is not a method for detecting wrong mention of receivables in stock statement
submitted by the borrower?
a. Analysis of financial statements
b. Cross check from the balance sheet figure
c. Receivables audit
d. Inspection of books of account
Ans - a
....
Which of the following is not a method for detecting wrong mention of inventory in a stock statement?
a. Stock audit
b. Inspection of stocks
c. Analysis of financial statements
d. Cross-check from the balance sheet figure
Ans - c
....
Which of the following is not a danger sign about the direction of business of the borrower?
a. Devolvement of L Cs, invocation of Bank Guarantees
b. Demand for higher limit
c. Delays in submission of stock/receivables statements
d. Return of cheques or bills
Ans - d
....

A bond with a par-value of Rs. 100 is purchased for 95.92 and it paid a Coupon rate of 5%. Calculate its
current yield.
a. 5.12
b. 5.21
c. 5.34
d. 5.43
Ans - b
Explanation :
Coupon = Face value × Coupon Rate
And annual interest paid = Market Price × Current Yield
5 = 95.92 × CY
CY = 0.0521 = 5.21%
....
Which of the following is not a purpose of credit monitoring?
a. To ensure end use of the funds by the borrower
b. To detect any deterioration in the security charged to the bank
c. To comply with the guidelines of the RBI
d. To ascertain that the business continues to run on the projected lines
Ans - c
....
Which of the following is not a tool available to check the bank for credit monitoring?
a. Sending regular reminders to the borrower
b. Periodic visits to the business place for inspection
c. Analysis of financial statements
d. Examine conduct of borrower's account
Ans - a
....

A zero-Coupon bond has a future value of Rs. 1000 and matures in 2 years and can be currently
purchased for Rs. 925. Calculate its current
yield.
a. 2.78
b. 2.98
c. 3.78
d. 3.98
Ans - d
Explanation :
Here
$1000 = 925 × (1 + r)^2$
So,
r = 1.0398 – 1
= 0.0398
= 3.98%
....
An increase in government expenditure or tr**Ans**fer payments will shift the IS curve ......
a. To right
b. To left
c. No change
d. Downwards
Ans - a
....
Hindu rate of growth is ......
a. 3%
b. 3.5%
c. 5%
d. 7%
Ans - b
....

CPI is the cost of living index popularly known as ......
a. Cost –push inflation
b. Demand – pull inflation
c. Core inflation
d. Headline inflation
Ans - c

………………………….............

Which of the following are credit risk? (i) Unwillingness of a customer to meet his commitment relating
to a financial tr**Ans** action with the bank, (ii) Inability of the customer to reimburse the bank in case of
invocation of a guarantee or devolvement of an L.C, (iii) Inability of a customer to meet his commitment
relating to a financial tr**Ans** action with the bank
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

………………………….............

Which if the following statement is NOT true?
a. CPI reflects the change in the level of prices of a basket of goods and services purchased/consumed by
the households at the retail level.
b. WPI reflects the change in the level of prices of a basket of goods traded between corporations at the
wholesale level.
c. GDP deflator is based on a fixed basket of goods and services and this basket is not changed according
to people's consumption and investment patterns.
d. WPI helps to monitor price movements that reflect price movements that reflect supply and demand
in industry, manufacturing and construction sectors.
Ans - c

………………………….............

Bank calculates that its individual savings accounts are normally distributed with a mean of Rs 2000 and
a standard deviation of Rs 600. If the bank takes a random sample of 100 accounts, What is the
probability that the sample mean will lie between Rs 1900 and Rs 2050?
a. 0.7492
b. 0.8542
c. 0.5357
d. 0.4573
Ans - a

…………………………....................

CSO (Central Statistical Organization) classifies the industrial sector into ...... segments.
a. 2
b. 3
c. 4
c. 5
Ans - b

………………………….............

Pick the incorrect statement.
a. Bond prices and rate of interest are inversely related.
b. If bond prices go down, rate of interest increases.
c. If bond prices go up, rate of interest rises.
d. If bond prices go up, rate of interest declines.
Ans - c

………………………….............

For a given year if an adjusted seasonal index is > 100 then for some other period it is
a. < 100
b. > 100
c. = 100
d. none of the above
Ans - a

………………………….............

Given,
M2 - 700000 Crores
Currency with public - Rs. 100000 Crores
Demand deposit with banking system - Rs. 150000 Crores
Time deposits with banking system - Rs. 150000 Crores
Savings deposit of post office savings banks - Rs. 60000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores

Calculate Other deposit with RBI
a. Rs. 240000 Crores
b. Rs. 250000 Crores
c. Rs. 390000 Crores
d. Rs. 400000 Crores
Ans - c
Solution :
M2 = M1+Savings deposit of post office savings banks
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
So,
M2 = currency with public + demand deposit with the banking system + other deposits with RBI +
Savings deposit of post office savings banks
Other deposit with RBI = M2 - currency with public - demand deposit with the banking system - Savings
deposit of post office savings banks
Other deposit with RBI = 700000 - 100000 - 150000 - 60000
Other deposit with RBI = 390000 Crores

………………………….............

Pick odd man out
a. Boom
b. Depression
c. Slowdown
d. Recovery
Ans - c

………………………….............

Which of the following are correct regarding infrastructure project by the banks? (i) Banks are allowed
to funds promoters' equity in certain circumstances, (ii) Asset liability mismatch has been permitted by
RBI, (iii) IDFC provides liquidity support to banks
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

………………………….............

Which of the following is the queue processing and reordering in RTGS?
a. FIFO
b. Bypass FIFO
c. FIFO with prioritization
d. All of the above
Ans - d

....
What government of India does in open market operations to suck money from the market?

a. Absorb bonds
b. Sell bonds
c. Increase CRR
d. Increase interest Rate

Ans - b

....
A bond has been issued for a 10 year 12% coupon bond. The face value of the bond is Rs 1000.00 and
the bond makes annual coupon payments. If the bond is trading at Rs 967.25 , what is the bond's yield
to maturity?

a. 12.00%
b. 12.59%
c. 11.26%
d. 13.27%

Ans - a

....
ABC Corporation has just issued a 10 year 12% bond. The face value of the bond is Rs 1000.00 and the
bond makes semiannual coupon payments. If the bond is trading at Rs 867.25, what is the bond's YTM?

a. 12.00%
b. 12.37 %
c. 14.56%
d. 10.86%

Ans - c

....

The real return is 10% and the expected rate of return is 4.5% . What is the nominal rate of return?

a. 4.50%
b. 14.95%
c. 10.00%
d. 8.69%

Ans – b

....
Monica purchased a bond with face value of Rs. 1000 and Coupon of 8% and maturity of 4 years. If YTM
is increased by 1%, the change in price of bond would be......

a. 23.69
b. 32.69
c. 23.96
d. 32.96

Ans - d

Explanation :
If YTM is 9%, then bond's price
= [80 × (1.09^4 – 1) ÷ 0.09 + 1000] ÷ 1.09^4
= 967.604
So, change in price of the bond
= 1000 - 967.64
= 32.96 decrease
(Since Coupon rate < YTM, so Bond's Value < FV)

....
In economics, fiscal policy has got two main instruments.

a. government reserve and capital
b. CRR and SLR
c. Base rate and Bank rate
d. government spending and taxation (revenue collection)

Ans - d

....

Changes in the level and composition of taxation and government spending can have impact on the
following variables in the economy. Pick up the odd one.

a. Aggregate demand and the level of economic activity
b. The pattern of resource allocation
c. The proper utilization of funds
d. The distribution of income

Ans - c

....
A committee was set up in January 2000 for the fiscal responsibility and budget management act(FRBM).
This was headed by......

a. Mr. M narsimanan
b. Dr. EAS Sharma
c. Mr. R Raghawan
d. Mr. AK Choudhary

Ans - b

....
A jar contains 3 red marbels , 7 green marbels and 10 white marbles. If a marble is drawn at random ,
What is the probability that marble drawn is white ?

a. 2/5
b. 1/2
c. 3/8
d. 10/13

Ans - b

....
ABC Inc has a 12 year bond outstanding that makes 9.5% annual coupon payments. If the appropriate
discount rate is for such a bond is 7% , what is the appropriate price of bond ?

a. 1254.87
b. 1198.57
c. 1158.57
d. 1232.56

Ans - b

....

The aim of a rehabilitation programme is:

a. To make the operations of the enterprise viable again
b. To help in employment generation
c. To comply with R B I guidelines
d. To increase bank's advances

Ans - a

....
Banks enter into compromise with borrowers in case of default, because:

a. Recovery through legal action is time consuming
b. Adequate security is not available
c. Realization or security may be difficult
d. All the above

Ans - d

....
Maximum loan amount under housing finance to repair a house at a rural place can be Rs. ?

a. 1 lakh
b. 2 Lakh
c. 5 Lakh
d. 10 Lakh

Ans - a

....

Suppose you start a rent-a-car business and want to buy an automobile. You have a choice of buying the
car cash down for Rs 400000 or paying Rs 90000 a year for five years for the same car. What would you
do, if the opportunity cost is 10 % ?
a. Go for Cash down payment
b. Take auto loan
c. Cannot say
d. NOTA
Ans - b

....

100% FDI is permitted under a very limited number of sectors. Which of the following is one of them?
a. retail trading and lottery business
b. investment companies
c. petroleum and air tr**Ans** port
d. defence, insurance and asset reconstruction
Ans - a

....

Under which of the following, 100% FDI is not permitted?
a. retail trading and lottery business
b. gambling and betting
c. atomic energy
d. print media and insurance
Ans - d

....

FII are permitted to invest in debt instruments issued by ......
a. private corporate
b. government
c. both a and b
d. None of these
Ans - c

....

Which of the following are macro level action for mitigation of credit risk? (i) Improving appraisal
standards of credit proposals, (ii) Periodically reviews of the exposure norms for single and group
borrowers, (iii) Frequent reviews of norms and fixing internal limits for aggregate commitments to
specific sectors of the industry or business
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c

....

The economy, in which the government makes all important decisions about production and
distribution, is called a ...... economy.
a. Laissez-faire economy
b. Socialistic economy
c. Command economy
d. Either of b or c
Ans - d

....

Pick odd man out.
a. Rent
b. Interest
c. Wages
d. Money
Ans - d

....

Which one is the force behind the Supply Curve?
a. Cost of production
b. Technological advances
c. Government policies
d. All of the above
Ans - d

....

Priya purchased a bond with face value of Rs. 1000 and Coupon of 8% and maturity of 4 years. If YTM is
reduced by 2%, the change in price of bond would be......
a. 63.90
b. 69.30
c. 36.90
d. 39.60
Ans - b
Explanation :
If YTM = 6%, bond's price

= [80 × (1.06^4 − 1) ÷ 0.06 + 1000] ÷ 1.06^4
= 1069.30,
So, change in price of the bond
= 1069.30 - 1000
= Rs. 69.30

....

In capital market the erstwhile badla system is replaced by ......
a. open market system
b. outcry system
c. option and futures
d. Logging system
Ans - c

....

IS curve and LM curve relates which of the two variables?
a. Demand and supply
b. Money and market
c. Money and interest rate
d. Income and rate of interest
Ans - d

....

You bought a 5 year Zero Coupon bond with a Rs 1000 face value for Rs 735.67. What is the YTM of this
bond?
a. 10.36%
b. 6.33%.
c. 4.69%
d. 8.18%
Ans - b

....

Given,
Currency with public - Rs. 90000 Crores
Demand deposit with banking system - Rs. 180000 Crores
Time deposits with banking system - Rs. 220000 Crores

Other deposit with RBI - Rs. 260000 Crores
Savings deposit of post office savings banks - Rs. 60000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores
Calculate broad money M3.
a. Rs. 490000 Crores
b. Rs. 530000 Crores
c. Rs. 570000 Crores
d. Rs. 750000 Crores

Ans - d
Solution :
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
M1 = 90000+180000+260000
M1 = 530000
M3 = M1+Time deposit with banking system
So,
M3 = 530000+220000
M3 = 750000 Crores

....

The finance minister is required to keep parliament informed through ...... reviews on the
implementation and to take corrective measures if the reviews show deviations.
a. Halfyearly review
b. Annual reviews
c. Monthly review
d. Quarterly review
Ans - d

....

Microeconomics is concerned with the behaviour of ...
a. GDP
b. Individual Firms
c. Employment
d. All the above
Ans - b

....

Which of the following statements are correct for project appraisal? (i) Capacity of promoters to arrange
for additional funds, in case of contingencies, forms a part of economic appraisal, (ii) The contribution of
promoters forms a part of economic appraisal, (iii) Promoters' background is part of the management
appraisal
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c

....

...... is learning for growth of the individual not related to a specific present or future job.
a. Training
b. Education
c. Development
d. Motivation
Ans - c

....

Mr. Ram is working in ABC Corp., since last 30 years. Now he is at an age of 59 due to his old age he is
unable to complete his social and biological roles and feeling unwanted and uselessness, the condition
of Mr. Ram is said to be...
a. Guilt
b. Inferiority
c. Isolation
d. Dispair
Ans - d

....

KPA stands for...
a. Key Performance Areas
b. Knowledge, Performance and Attitude
c. Knowledge, potential and Achievement
d. None of the above
Ans - a

....

The education model available for education of children is called ......
a. Andragogy
b. Cognitive
c. Pedagogy
d. Minorology
Ans - c

....

To control employee behavior at work place as daydreaming, forgetfulness, absenteeism, tardiness,
sabotage, alcoholism and drug abuse can be analysed through...
a. Through Trait theory
b. Through psychoanalytical studies
c. Through self concept theory
d. Through Social learing theory
Ans - b

....

Which of the following is not an unsatisfactory sign in conduct of the account of the borrower?
a. Delay in payment of interest or installments
b. routing of tr**Ans** actions with some other bank
c. Frequent over drawings
d. High turnover
Ans - d

....

Which of the following are correct regarding term lo**Ans** by the banks? (i) Asset liability matching is an
important consideration in term financing, (ii) Current ratio is the most important ratio in appraisal of a
term loan, (iii) Installment of term loan, payable within one year is considered as current liability
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

....

Which of the following is not the purpose credit audit?
a. Improvement in the quality of credit portfolio
b. Review sanction process and compliance status of large lo**Ans**
c. Feedback on regulatory compliance
d. Stock inspection
Ans - d

....

Purpose of appointing bank's nominee on company's board of borrowing company is:
a. To keep a tab on the important decisions of the board
b. To be a part of the management
c. To guide the company for better working
d. To safeguard the securities charged to the bank
Ans - a

....

Which of the following is not correct for SFMS?
a. Uses Text messages
b. Uses server signing PKCs
c. Uses server encryption PKCs
d. Access can be restricted to HTTPS

Ans - a

....

Which of the following is not the type of smart cards?
a. Stored Value Cards
b. Re-loadable and disposable cards
c. Closed and open stored value cards
d. None of these
Ans - d

....

In RTGS, IDL is
a. Intra Day Liquidity
b. Inter-bank Debit List
c. Instrument Debit List
d. None of these
Ans - a

....

FEDWIRE is a
a. Net settlement system
b. Gross Settlement system
c. Deferred net settlement system
d. Deferred gross settlement system
Ans - b

....

LM curve is derived from
a. Classical theory
b. Keynesian liquidity preference theory of interest
c. Law of diminishing marginal utility
d. Law of equimarginal utility
Ans - b

....

Underemployment of both men and materials is a characteristic of which phase?
a. Depression
b. Boom
c. Recovery
d. Recession
Ans - a

....

Which phase of the business cycles also known as the crisis?
a. Boom
b. Depression
c. Recovery
d. Recession
Ans – d

Cash = Rs 50000/-
Debtors = Rs 100000/-
Inventories = Rs 150000/-
Current liabilities = Rs 100000/-
Total current assets = Rs 300000/-
The quick ratio = ?
a. 1.5:1
b. 2:1
c. 3:1
d. 3:2
Ans - a
Let me Explain
Since Quick ratio = Quick asset / CL
Here Quick asset = CA- Inventory
Now CA= (Cash + Debtor.....etc) = Rs 300000/-
Here inventories = 150000/-
CL = 100000/-

Hence QR= 150000/100000
i.e 1.5:1

....

Which of the following are micro level action for mitigation of credit risk? (i) Improving sanctioning and
delivering process, (ii) Obtention of collateral security, (iii) Monitoring and review of individual
proposals/categories of proposals
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

The Concept of career path relates to ...... of movements and deciding the ...... for each stage.
a. Sequence, time period
b. Number, candidates
c. Decision, number
d. Type, time period
Ans – a

170
Johari Window is most useful for ......
a. Understanding others
b. Self-Awareness
c. Working in Teams
d. Improving inter-personal relations
Ans - b

....

Current ratio of a unit is 2:1 and quick ratio is 1:1. The level of current assets is Rs 20 lac. Find outthe
amount of quick asset.
a. Rs 8 lac
b. Rs 10 lac
c. Rs 12 lac
d. Rs 15 lac
Ans - b
Let me Explain
Since CR = CA: CL
CR= CA:CL = 2:1
i.e. 20:CL= 2:1
i.e CL = 10 lac
Now QR= 1:1
Since QR= Quick asset/CL (here quick asset is CA-Inventory)
Hence QA= CL ~ 10 lac

....

Total assets is Rs 20 lac, current liabilities Rs 10 lac and capital and reserves Rs 4 lac. What is the debtequity
ratio?
a. 1:1
b. 1.25:1
c. 1.5:1
d. 1.75:1
Ans - c
Let me Explain
As per Balance sheet rule,
Total assets = Total liabilities
Since total assets here is Rs 20 lac hence total liabilities must be 20 lac.
Now Long term debt = 20-(10+4) = 6 lac
and capital + reserve (TNW i.e tangible net worth) = 4 lac
Since DER = TL/TNW or debt/ equity or TL/equity

Hence 6/4 = 1.5

…………………………………

A 10%, 6-years bond, with face value of Rs. 1000 has been purchased by Mr. x for Rs. 900. What is his

yield till maturity?

a. 12.47
b. 14.27
c. 11.74
d. 11.27

Ans - a

Explanation :

Here,

FV = 1000

CR = 10%

R (YTM) =?

T = 6 years

Coupon = FV × CR = 100

Bond's price = 900

Since FV > Bond's Value, Coupon rate < YTM (based on above three observations)

So, we have to use trial and error method. We have to start with a value > 10 and find the price until we

get a value < 900.

Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)

So,

If YTM = 11%, price =957.69 (> 900, so keep guessing)

If YTM = 12%, price = 917.78 (> 900, so keep guessing)

If YTM = 13%, price = 880.06 (< 900, so stop)

So, YTM must lie between 12 and 13.

So, using interpolation technique,

YTM

= 12 + (917.78 – 900) ÷ (917.78 – 880.06)

= 12 + 17.78 ÷ 37.72

= 12.47%

…………………………………

…… theories hold that the learner is passive in the process of learning.

a. Cognitive Theories
b. Behaviourist Theories
c. Organismic Theories
d. Humanistic Theories

Ans - b

…………………………………

Left hemisphere controls right side of body and controls all except one. Pick up the odd one.

a. Sequential ordering
b. Complex motor sequences pattern
c. Simultaneous
d. Dominant

Ans - c

…………………………………

Working capital turn over ratio is 4 and current ratio is 3:1. If current liabilities are Rs 30 lac and net

profit to sales percent 5% . What is the amount of net profit?

a. Rs 12 lac
b. Rs 15 lac
c. Rs 18 lac
d. Rs 24 lac

Ans - c

Let me Explain

CR = 3:1

Liabilities = 30 lac

Hence current asset will be 90 lac

Now since wc turn over is 4 that me**Ans** the total turn over will be 90×4=360 lac

Then profit should be 360×5% = 18 lac

…………………………………

Which theory of personality believes that the traits of a person which determine his personality and

behavior, are basically inherent to a person.

a. Psycho-analytical theory
b. Trait Theory
c. Self concept theory
d. Social learning theory

Ans - b

…………………………………

…… theory of personality believes that the personality development is more a result of social variables

than biological factors.

a. Psycho-analytical theory
b. Trait Theory
c. Self concept theory
d. Social learning theory

Ans - d

…………………………………

Split brain (right vs left) psychology is closely related to ESB. Which of the following is controlled by the

left side of the brain? (i) speech, (ii) emotions, (iii) reading and writing

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - b

…………………………………

Union formations were seen in the …… phase of development of HRM.

a. First phase
b. Second Phase
c. Third phase
d. Unions have been present even before HRM came in to existence

Ans - a

…………………………………

A sales man in a shop showed a suit piece and told the customer that the cloth is very good, but costly.

He was using the following tr**Ans** action:

a. Duplex
b. Angular
c. Complementary
d. None of the above

Ans - b

…………………………………

A prominent politician was heard saying that that people state was incapable of joining the army. He

was ……

a. Stereotyping
b. Projecting
c. Hallucinating
d. All of the above

Ans - a

…………………………………

Demand Schedule is the relationship between …… (i) Price, (ii) Demand, (iii) Quantity bought

a. Only (i) and (ii)
b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

....

Which of the following statements are correct? (i) Human wants are unlimited, (ii) Me**Ans** to satisfy

human wants are unlimited, (iii) Me**Ans** or resources have alternative uses

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

....

Go through the following data and **Ans** wer the question (all in Indian Rupees in Crores)

1. Consumptions - Rs. 50000

2. Gross investment - Rs. 40000

3. Govt spending - Rs. 10000

4. Export - Rs. 90000

5. Import - Rs. 60000

6. Taxes - Rs. 5000

7. Subsidies(on production and import) - RS. 1000

8. Compensation of employee - Rs. 500

9. Property Income - Rs. 500

7,8,9 - Net receivable from aboard

10.Total capital gains from overseas investment - Rs. 1500

11.Income earned by foreign national domestically - Rs. 500

Calculate GDP

a. Rs. 100000

b. Rs. 110000

c. Rs. 120000

d. Rs. 130000

Ans - d

Solution :

GDP = Consumption + Gross investment + Government spending + (Exports - Imports)

GDP = C+I+G+(X-M)

= 50000+40000+10000+(90000-60000)

= 130000

....

Calculate Inflation, if Price index in current year is 12 and price index in base year is 10.

a. 20

b. 25

c. 30

d. 35

Ans - a

Solution :

Inflation = (price index in current year-price index in base year)/(price index in base year)*100

= (12-10)/10*100

= 2/10*100

= 20

....

...... is not a measure of level of prices of all new, domestically produced final goods and services in an

economy. (i) WPI, (ii) GDP deflator, (iii) CPI

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

....

Ram purchased two bonds bond-1 & bond-2 with face value of Rs. 1000 each and Coupon of 8% and

maturity of 4 years & 6 years respectively. If YTM is increased by 1%, the % change in prices of bond-1 &

bond-2 would be ......

a. 2.39 & 4.84

b. 3.29 & 4.84

c. 3.29 & 4.48

d. 2.39 & 4.48

Ans - c

Explanation :

Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)

Bond 1:

If YTM is 9%, then bond's price

= [80 × (1.09^4 − 1) ÷ 0.09 + 1000] ÷ 1.09^4

= 967.64

Bond 2:

If YTM is 9%, then bond's price

= [80 × (1.09^6 − 1) ÷ 0.09 + 1000] ÷ 1.09^6

= 955.14

So, % change in price of bond 1

= (1000 − 967.04) ÷ 1000

= 0.03296

= 3.29%

& % change in price of bond 2

= (1000 − 955.14) ÷ 1000

= 0.04486

= 4.48%

....

...... % of small enterprises advances should go to micro enterprises in case of foreign banks.

a. 20

b. 40

c. 60

d. 80

Ans – c

....

Small enterprises advance and export credit does not financed by both public sector and PSU (export

does not comes under priority sector advance). What percentage of small enterprises advance and

export credit is supposed to be given ...... and ...... respectively?

a. 40 and 32 %

b. 18 and 10%

c. 10 and 12%

d. no target and 12%

Ans - c

....

RBI to free the lending rates of scheduled commercial banks for credit limit over ......

a. 01 Lakh

b. 02 Lakh

c. 05 lakh

d. 10 Lakh

Ans - b

....

MR. Rohit want to invest some money in XYZ co., he wants to purchase some stocks of this co. How can

Mr. Rohit assess the financial statement of the XYZ co.?

a. by balance sheet

b. by EPS

c. by financial statement

d. all

Ans - d

....

As per company act the maximum period of financial period is 15 months, MR Charles is GM of ABC co.

due to some contingency he is unable to prepare his Financial statement. So he wants to extend his

financial to another 03 months i.e 18 months maximum period of financial statement. MR Charles has

to approach to whom for such extension.

a. Income Tex office

b. Reserve bank of India

c. Accountant general of region

d. Registrar of company

Ans – d

....

Cash = Rs 50000/-

Debtors = Rs 100000/-

Inventories = Rs 150000/-

Current liabilities = 100000/-

Total current assets = 300000/-

Quick Ratio = ?

a. 1:1

b. 1.5:1

c. 1.75:1

d. 2:1

Ans - b

....

Which one is the force behind the Supply Curve?

a. Cost of production

b. Technological advances

c. Government policies

d. All of the above

Ans - d

....

Capital is Rs 180, Reserves Rs 20, term loan Rs 300, Bank cash credit Rs 200, trade creditors Rs 50,

provisions Rs 50/-,net fixed assets Rs 400,inventories Rs 150, cash Rs 50, Receivables Rs 150, goodwill Rs

50. What is current ratio?

a. 1

b. 1:1.17

c. 1.17:1

d. 2

Ans - c

CA= 50+150+150= 350

CL= 200+50+50=300

CR= CA:CL= 350:300

i.e 1.17:1

....

Which of the following is an external factor affecting credit risk?

a. Government policies

b. Faulty loan and repayment structuring

c. Overexposure (concentration) of credit to a particular segment

d. Lack of an efficient recovery machinery

Ans - a

....

What bank should do to avoid asset-liability maturity mismatch that may arise out extending long tenor

to infrastructure projects ?

a. Return on investment

b. Break- even analysis

c. Liquidity support from IDFC

d. Take-out financing arrangement

Ans - d

....

Narrow Money consists of ...... (i) Time deposits, (ii) Currency with the Public Demand Deposits, (iii)

Other Deposits with the RBI

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

.... rate of interest which a central bank charges on the lo**Ans** and advance that it extends to

commercial banks and other financial intermediaries.

a. Base rate

b. Bank rate

c. CRR

d. Repo rate

Ans - b

....

The famous book "The Landmarks of Tomorrow" is written by ......

a. AK Rice

b. Peter F Drucker

c. Shiv Khera

d. Abraham Maslow

Ans - b

....

Money Supply refers to

a. The amount of money in banks

b. The amount of money with the people

c. The amount of money in circulation in an economy

d. None of the above.

Ans - c

....

In capital market, the screen based system is replaced by......

a. book keeping sys

b. loging system

c. Open cry system

d. Tele phonic System

Ans - c

....

The equilibrium price is also known as ......

a. Market price

b. Optimum price

c. Real price

d. Market-clearing price

Ans - d

....

The cash flow expected from a project is Rs. 700, Rs. 1000 and Rs. 1200 in the 1st, 2nd, & 3rd year. The

discounting factor @ 10% roi is 1.10, 1.21 and 1.331. What is the total present value of these cash

flows?

a. 3264

b. 3246

c. 2346

d. 2364

Ans - d
Explanation :
NPV = Σ {C÷ (1+r)T} – 1
Total Present Value
= Σ {C÷ (1+r)T}
= (700 ÷ 1.1) + (1000 ÷ 1.21) + (1200 ÷ 1.331)
= Rs. 2364

....

Macro Economics does not deal with ......
a. GDP
b. Unemployment Rates
c. Individual Firms
d. Price Indices
Ans - c

....

Priyanka made an investment of Rs. 18000 and he expects a return of Rs. 3000 p.a. For 12 years. What is
the present value and net present value of the cash flow @ 10% discount rate?
a. 2114
b. 2414
c. 2441
d. 2141
Ans - c
Explanation :
PV = 20441
NPV = PV – 18000
= Rs. 2441

....

Laissez-faire economy is ......
a. The extreme case of a market economy
b. The extreme case of a command economy
c. The extreme case of a mixed economy
d. None of these
Ans - a

....

Which of the following equations is correct?
a. GDP at factor cost = GDP at market prices - indirect taxes - subsidies
b. GDP at factor cost = GDP at market prices - indirect taxes + subsidies
c. GDP at factor cost = GDP at market prices + indirect taxes - subsidies
d. GDP at factor cost = GDP at market prices + indirect taxes + subsidies
Ans - b

....

Forces behind the supply curve
a. Cost of production
b. Technological advances
c. Government policies
d. All of the above
Ans - d

....

Supply curves relates quantity supplied to ......
a. Supply
b. Demand
c. Price
d. Demand
Ans - c

....

Narrow money is not indicated by ...... (i) M1, (ii) M2, (iii) M3
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c

....

Calculate broad money M3
Currency with public- Rs 100000
Demand deposit with banking sys-Rs 200000
Other deposit with RBI- Rs 200000
Savings deposit of post office savings banks- Rs40000
Time deposits with banking sys-Rs 200000
All deposit with post office banking sys in cluding Rs 40000 of NSC total-Rs 100000
a. Rs 500000
b. Rs 700000
c. Rs 800000
d. Rs 900000
Ans - b

....

In capital market the erstwhile badla system is replaced by ......
a. open market system
b. out cry system
c. option and futures
d. Logging system
Ans -c

....

Expand F R B M Act
a. Fiscal Responsibility and Business Management Act
b. Fiscal Role and Budget Management Act
c. Fiscal Role and Business Management Act
d. Fiscal Responsibility and Budget Management Act
Ans - d

....

A loan for which only interest is paid during its repayment period while the principal is repaid at the end
is called ...
a. Term loan
b. Interst demand loan
c. Lumpsum payment lo**Ans**
d. Balloon repayment loan
Ans - d

....

Pick odd man out
a. Lo**Ans** to Public Enterprises
b. Pensions
c. Subsidies
d. Police
Ans - a

....

I start saving Rs. 1 lakh for the next 4 years. If the interest rate is 10 percent pa, how much will I get at
the end of 4 years?
a. Rs. 4,46,100
b. Rs. 4,61,400
c. Rs. 4,64,100
d. Rs. 4,14,600
Ans - c

....

A constant flow paid or received at regular time intervals is known as...

a. Annuity
b. Perpetuity
c. Growing annyuity
d. Growing perpetuity
Ans - a

....
Money has a time value is shown by which of the following concept.
a. Market value
b. Face value
c. Present Value
d. b & C
Ans - c

....
A border patrol checkpoint that stops every passenger van is using
a. Simple random sampling
b. Systematic sampling
c. Stratified sampling
d. Complete enumeration
Ans - d

....
A population having a stated or limited size is called as...
a. Limited Population
b. Infinite Population
c. Finite Population
d. unlimited Population
Ans - c

....
Value today of Re.1 to be received in future is called
a. Present value
b. Compounded factor
c. Discount factor
d. Yield factor
Ans - c

....
In random sampling, we can describe mathematically how objective our estimates are. Why is this?
a. We always know the chance that any population element will be included in the sample
b. Every sample always has an equal chance of being selected
c. All the samples are exactly the same size and can be counted
d. both a and b
Ans - d

....
Pick odd man out
a. Customs
b. Service Tax
c. Interest Receipts
d. Income Tax
Ans - c

....
The average growth rate of Indian economy over a period of 25 years since 1980-81 was about
a. 3 to 4 per cent
b. 6 per cent
c. 9 per cent
d. 12 per cent
Ans - b

....
Expand O M O
a. Open Market Operations
b. Open Market Organization

c. Open Monetary Operations
d. None of the above
Ans – a

....
F R B M Act enacted in
a. 2001
b. 2003
c. 2004
d. 2000
Ans – b

....
A 5-year Govt. bond with a coupon rate of 8% has a face value of 1000. What is the annual interest
payment?
a. 80
b. 40
c. 100
d. None of the above
Ans - a

....
The dispersion among sample me**Ans** is, the dispersion among the sampled items themselves because
a. Each sample is smaller than the population from which it is drawn
b. Very large values are averaged down and very small values are averaged up
c. The sampled items are all drawn from the same population
d. None of these
Ans - b

....
Demand for a product at Rs. 4 per unit is 50. If the price elasticity of demand is 2, how much the demand
will be at Rs. 3 per unit?
a. 25
b. 40
c. 60
d. 75
Ans - d
Solution :
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
% Change in Quantity Demanded = x-50/50*100 = (x-50)*2 = 2x-100
% Change in Price = 1/4*100 = 25
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
2 = 2x-100/25
50 = 2x-100
50+100 = 2x
2x = 150
x = 150/2 = 75

....
What will be value after 3 years, if you deposit Rs. 5000 each year at 10% interest?
a. Rs. 16250
b. Rs. 16550
c. Rs. 16750
d. Rs. 17250
Ans - b
Solution :
Future value of annuity = A/r ×{ (1+r)^n-1}
FV = 5000/0.1×{(1+0.1)^3-1}
= 5000/0.1*{(1.01)^3-1}
= 5000/0.1(1.331-1)

= 5000/0.1*0.331
= Rs. 16550

....

In case of compound Interest, if compounding is done quarterly, then r is divided by ...
a. 2
b. 3
c. 4
d. 6
Ans - c

....

A card is drawn at random from a deck of cards. Find the probability of getting 3 of diamond.
a. 1/52
b. 1/38
c. 3/56
d. 3/38
Ans - a

Since a pack consist 52 cards and among that cards there are 13 diamonds.
Now for same space, A card is drawn out of 52 cards i.e
n(S) = (52,a. = n(S) = 52
Now for event for occurring 3 of diamonds in one drawn out of 13 =
n(E) = 1
Hence probability of occurrence of getting 3 of diamond
P(E) = n(E)/n(S)
= 1/52

....

Ranjit borrowed an amount of Rs. 50000 for 8 years @ 18% roi. What shall be monthly payment?
a. 986
b. 968
c. 896
d. 869
Ans - a
Explanation :
Here,
P = 50000
R = 18% = 18 % ÷ 12 = 0.015% monthly
T = 8 yrs = 96 months
EMI = P * R * [(1+R)^T/(1+R)^T-1]]
EMI = 50000 * 0.015 * 1.01596 ÷ (1.01596 − 1
= 986

....

Ajit wants to receive Rs. 40000 p.a. for 20 years by investing @ 5%. How much he will have to invest
now?
a. 498489
b. 498849
c. 498948
d. 498984
Ans - a
Explanation :
Here,
P = 40000
R = 5% p.a.
T = 20 yrs
PV = P / R * [(1+R)^T - 1]/(1+R)^T
PV = (40000 ÷ 0.05) * {(1.0520 − 1) ÷ 1.0520}
= 498489

....

Suppose CR is 4:1. NWC is Rs 30000/- what is the amount of CA?

a. Rs 20000/-
b. Rs 10000/-
c. Rs 40000/-
d. Rs 60000/-
Ans - c
Since CA:CL=4:1
Hence CA=4x
CL=x
CA-CL=30000
4x-x = 30000
3x= 30000
x= 10000
Hence CA = 4x i.e 40000/-

....

The present banking system is called a ......
a. On line banking system
b. Fractional reserve banking system
c. Accural system of accounting
d. Book keeping accounting system
Ans - b

....

Central bank mainly uses......to control the money supply in the market.
a. SLR
b. CRR
c. base rate
d. bank rate
Ans - d

....

According to Eric Berne, there are typically ... types of ego states in tr**Ans** actional analysis.
a. 3
b. 4
c. 5
d. 6
Ans - a

....

One's belief about who is responsible for the event in one's life refers to...
a. Adult ego state
b. change catalyst
c. personal efficacy
d. Locus of Control
Ans - d

....

A person invested Rs. 100000 in a bank FDR @ 6% p.a. for 1 year. If interest is compounded on halfyearly
basis, the amount payable shall be ......
a. 109060
b. 100960
c. 103090
d. 106090
Ans – d

192
Explanation :
Here,
P = 100000
R = 6% half-yearly = 3%@ p.a. = 0.03 p.a.
T = 1 yr = 2 half yrs
FV = P * (1 + R)^T
So,

FV = 100000 * (1+0.03)^2
= 106090

....
What is the main theme of FRBM act for Indian econ0my......
a. To protect black money marketing
B. To protect Indian economy from inflation
C. To reduce the dependence of the govt on borrowings and help to reduce the fiscal deficit in a phased
manner.
d. To reduce fiscal imbalance and give Indian economy future stability.
Ans - c

....
Which stage of career roles signifies the beginning of complex functions ?
a. Apprentice
b. colleague
c. Mentors
d. Sponsors
Ans - c

....
A bond has been issued with a face value of Rs. 1000 at 8% Coupon for 3 years. The required rate of
return is 7%. What is the value of the bond?
a. 1062.25
b. 1625.25
c. 1026.25
d. 1052.25
Ans – c

Explanation :
Here,
FV = 1000
Coupon Rate (CR) = 0.08
t = 3 yr
R (YTM) = 0.07
Coupon = FV × CR = 80
Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)
So, Value of bond = 1026.25
(Since Coupon rate > YTM, so Bond's Value > FV)

....
A person raised a house loan of Rs. 10 lac @ 12% roi repayable in 10 years. Calculate EMI.
a. 14734
b. 14347
c. 13437
d. 13734
Ans - b
Explanation :
Here,
P = 1000000
R = 12% monthly = 0.01% p.a.
T = 10 Y = 120 months
EMI = P * R * [(1+R)^T/(1+R)^T-1)]
So,
EMI = 1000000*0.01*(1+0.01)^120 ÷ {(1+0.01)^120 − 1}
= 14347

....
Mr. XYZ is working as GM of ABC co. He is trustworthy, open to other's ideas, accept suggestions, have
better self awareness, received feedback from others and make more and more disclosures. He will
come in which stage of self awareness?

a. ARENA
b. BLIND
c. CLOSED
d. BLIND
Ans - a

....
The concept of howthorne studies was given by...
a. Fredrick tylor
b. Charles Bbbage
c. Elton Mayo
d. Peter Duker
Ans - c

....
Who had not contributed much towards the dimensions of Motivation ?
a. Chiris Argyris
b. Hanery Foyal
c. Elton Mayo
d. Abraham Maslow
Ans - b

....
MR. Ravi is expected to join a professional course after 03 years from now and he would be needing a
sum of Rs.3 lacs at that time. If he wants to save the amt in annual installments and prevailing interest
rates are 5%, How much amt he should deposit per annum?
a. 92163
b. 90631
c. 91363
d. 92531
Ans - a
Solution :
= fv*r/(i+r)*{(1+r)^n-1}
= 300000*.05/(1.05){(1.05)^3-1}
= 90163

....

What is the price of a 20-year, zero-coupon bond with a 5.1% yield and Rs. 1000 face value?
a. Rs. 359
b. Rs. 369
c. Rs. 379
d. Rs. 389
Ans - b
Solution :
PV = 1000/(1+0.051)^20
= 369

....
Go through the following data and **Ans** wer the question (all in Indian Rupees in Crores)
1. Consumptions - Rs. 30000
2. Gross investment - Rs. 40000
3. Govt spending - Rs. 20000
4. Export - Rs. 70000
5. Import - Rs. 60000
6. Taxes - Rs. 5000
7. Subsidies(on production and import) - RS. 1000
8. Compensation of employee - Rs. 500
9. Property Income - Rs. 500
7,8,9 - Net receivable from aboard
10.Total capital gains from overseas investment - Rs. 1500
11.Income earned by foreign national domestically - Rs. 500
Calculate GDP

a. Rs. 70000
b. Rs. 90000
c. Rs. 100000
d. Rs. 220000
Ans - c
Solution :
GDP = Consumption + Gross investment + Government spending + (Exports - Imports)
GDP = C+I+G+(X-M)
= 30000+40000+20000+(70000-60000)
= 100000
....

Gain on revaluation of asset is a ......
a. General reserve
b. Investment allowance reserve
c. Capital reserve
d. Revenue reserve
Ans - c
....
Banks can file a civil suit for recovery of their dues in civil courts. This option is used for dues ......
a. Up to 5 lacs
b. Up to 10 lacs
c. Above 10 lacs only
d. Above 20 lacs only
Ans - b
....
Net Working Capital (N W C) me**Ans** ......
a. Total current assets minus bank finance
b. Total current assets minus credit from suppliers
c. Total current assets minus total current liabilities
d. Short term sources brought in by the promoters
Ans - c
....
Which of the following statements is not true for efficient inventory management?
a. It results in reduction in inventory
b. It reduces the working capital requirements of the enterprise
c. It reduces the N W C available with the enterprise
d. It increases the Inventory Turnover Ratio if the level of sales remains same.
Ans - c
....
The parent ego state can be further classified into ...... categories according to Eric Berne.
a. 2
b. 3
c. 4
d. 5
Ans - a
....
The measures of money including Bank deposit with RBI, Demand deposit with the banking system,
Term deposit of banking system, currency with public, and other deposits with RBI are shown as
M0,M1,M2,M3.
1. The liabilities such as current deposits, demand liabilities portion of saving bank, margins held against
letter of credit or bank guarantee, balances in overdue fixed deposits are included initially, in ......
a. M0
b. M1
c. M2

d. M3
Ans -b
2. The demand deposit of banks are included in ...... (i) M1, (ii) M2, (iii) M3
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a
3. The term deposit of banks are included in ......(i) M1, (ii) M2, (iii) M3
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c
4. Major portion of which of the following contains, interest free funds and is the most liquid part of
money supply.
a. M0
b. M1
c. M2
d. M3
Ans - a
....
Foreign banks with 20 branches and above in India need to achieve PS target of 40% in how many years
since announced?
a. 02 years
b. 03 years
c. 04 years
d. 05 years
Ans - d
....
Laissez-faire economy is
a. The extreme case of a market Economy
b. The extreme case of a Command Economy
c. The extreme case of a mixed Economy
d. None of these
Ans - a
....
Capital is Rs 180, Reserves Rs 20, term loan Rs 300, Bank cash credit Rs 200, trade creditors Rs 50,
provisions Rs 50/-,net fixed assets Rs 400,inventories Rs 150, cash Rs 50, Receivables Rs 150, goodwill Rs
50. What is current ratio ?
a. 1
b. 1:1.17
c. 1.17:1
d. 2
Ans - c
....
Lower the elasticity of liquidity preference with respect to the changes in interest rate, the LM curve will
be.
a. No effect
b. flat
c. less steep
d. steeper
Ans - d
....
Who gave welfare theory of economics?
a. Alfred Marshall

b. Lionel Robbions
c. Adam Smith
d. None of these
Ans – a

....

Supply curve relates quantity supplied to
a. Supply
b. Income
c. Price
d. Demand
Ans - c

....

Theory of interest is based on......
a. Investment demand function
b. The interest rate functions
c. The liquidity preference function
d. The quantity of money
Ans - b

....

Inner self of self development concept signifies. Pick up the odd one.
a. Behaviour pattern
b. Values and other psychological factor
c. Strenght and weakness
d. Individual identity and physical features
Ans - d

....

Adjusting one with the team expectations and norms comes under which stage of group formation and
group behaviour.
a. Forming (Awareness)
b. Storming (Conflict)
c. Norming (Cooperation)
d. Conforming (Adjustment)
Ans : d

....

In balance sheet amount of total assets is Rs 10 lac , current liabilities Rs 5 lac and capital and reserves
Rs 2 lac. What is the debt-equity ratio ?
a. 1:1
b. 1.5:1
c. 1.75:1
d. 2:1
Ans - b

....

To retain employee in the organization companies are forced to do some strategic changes which does
not include...
a. Diversification
b. Exp**Ans** ion
c. Responsiveness
d. Structural changes
Ans - c

....

What should a bank do if the owner of the collateral security is someone other than the borrower ?
a. Reject the loan
b. Tr**Ans** fer security to the name of borrower
c. Make the owner of the collateral security as first guarantor of the loan and create charge over the
security
d. security should be hypothecated to the banker

Ans - c

....

The amount of term loan installment is Rs 10000/- per month, monthly average interest on TL is Rs
5000/-. If the amount of depreciation is Rs 30000/- p.a and PAT is Rs 270000/-. What would be the
DSCR?
a. 1.75
b. 2
c. 1.65
d. 1.33
Ans - b
Since DSCR = (interest + PAT+ Depreciation) / (interest + installment of TL)
Hence (5000×12 +270000+30000)/(5000×12+10000×12)
i.e 360000/18000
i.e 2

....

Liabilities→
Capital =180
Reserve =20
Term loan = 300
Bank C/C=200
Trade creditors=50
Provision=50
Total liabilities = 800
Asset→
Net fixed Assets =400
Inventories=150
Cash =50
Receivables= 150
Good will=50
Total assets =800
a. Net worth= ?
b. Tangible net worth = ?
c. Net working capital = ?
d. Quick ratio = ?
e. Current ratio =?
f. Outside liability =?
The correct **Ans** wer is
a. net worth = 200
b. tangible net worth = 150
c. net working capital = 50
d. Quick ratio= 0.66:1
e. Current ratio = 1.17:2
f. OSL = 600

....

Salim purchased 8%, 3 years bond of Rs. 10 lac, with annual interest payment and face value payable on
maturity. The YTM is assumed@ 6%. Calculate % change in the price of the bond when the decrease in
YTM is 100 basis points from 6% to 5% and the duration is 2.79 years and modified duration is 2.63
years.
a. 2.36
b. 2.63
c. 3.26
d. 3.62
Ans - b
Explanation :
Percentage change in price of bond
= -MD × Change in Price

= -2.63 × (6% - 5%)

= 2.63%,

That me**Ans** a fall in YTM by 1% increases the price of the bond by 2.63%.

....

Cash = Rs 50000/-

Debtors = Rs 100000/-

Inventories = Rs 150000/-

Current liabilities = Rs 100000/-

Total current assets = Rs 300000/-

The quick ratio = ?

a. 1.5:1

b. 3:1

c. 2:1

d. NOTA

Ans - a

Since Quick ratio = Quick asset / CL

203

Here Quick asset = CA- Inventory

Now CA= (Cash + Debtor.....etc) = Rs 300000/-

Here inventories = 150000/-

CL = 100000/-

Hence QR= 150000/100000

i.e 1.5:1

....

A company has net worth of Rs 5 lac , term liabilities are Rs 10 lac. Fixed Assets worth Rs 16 lac and

current assets are Rs 25 lac. There is no intangible assets or the non current assets. Calculate it's net

working capital.

a. 1 lac

b. 2 lac

c. 3 lac

d. 4 lac

Ans - a

....

An increase in government expenditure or tr**Ans** fer payments will shift the IS curve ......

a. To right

b. To left

c. No change

d. Downwards

Ans - a

....

Expand EMEs

a. External Marketing Economics

b. Environmental Efficiency

c. Emerging Market Economies

d. None of the above

Ans - c

....

Which of the following statements is not true for an infrastructure project?

a. It has long gestation period

b. It reduces the risk for the lender as his funds get assured deployment for a long time.

c. The debt equity ratio is normally high for an infrastructure project

d. The implementation period is usually long

Ans - b

....

In economics 'Value of next best alternative foregone' is not called as ...... (i) Propensity, (ii) Opportunity

Cost, (iii) Sacrifice Cost

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

....

The dispersion among sample me**Ans** is, the dispersion among the sampled items themselves because

......

a. Each sample is smaller than the population from which it is drawn

b. Very large values are averaged down and very small values are averaged up

c. The sampled items are all drawn from the same population

d. None of these

Ans - b

....

A bond that has no maturity and pays a fixed coupon(or rate of interest) is called ......

a. Long term bond

b. Perpetual bonds

c. Consol bonds

d. Non-repayable bonds

Ans - c

....

Use ...... sampling when there is wide variation between the groups but each group has small variation

within itself.

a. Simple Random Sampling

b. Systematic Sampling

c. Stratified Sampling

d. Cluster Sampling

Ans - c

....

Standard deviation of the distribution of the sample me**Ans** is called ...... Select the best option.

a. standard error of the mean

b. sampling distribution error

c. standard error of the proportion

d. standard error of the statistics

Ans - a

....

Work life balance is achieved due to ...... (i) added work load, (ii) lack of support from juniors, (iii) family

problems

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

....

The Equilibrium Price is also known as

a. Market price

b. Optimum price

c. Real price

d. Market-clearing price

Ans - d

....

Go through the following data and **Ans** wer the questions (all in Indian Rupees in Crores)

1. Consumptions - Rs. 30000

2. Gross investment - Rs. 40000

3. Govt spending - Rs. 20000

4. Export - Rs. 70000

5. Import - Rs. 60000

6. Taxes - Rs. 5000

7. Subsidies(on production and import) - RS. 1000

8. Compensation of employee - Rs. 500

9. Property Income - Rs. 500

7,8,9 - Net receivable from aboard

10.Total capital gains from overseas investment - Rs. 1500

11.Income earned by foreign national domestically - Rs. 500

Calculate GNP

a. Rs. 100000

b. Rs. 101000

c. Rs. 110000

d. Rs. 111000

Ans - b

Solution :

GDP = Consumption + Gross investment + Government spending + (Exports - Imports)

GDP = C+I+G+(X-M)

= 30000+40000+20000+(70000-60000)

= 100000

GNP=GDP+NR(total capital gains from Overseas investment-income earned by foreign national

domestically)

= 100000 + (1500-500)

= 101000

....

Emotional intelligence refers to...... (i) being self-Motivated, (ii) being emotionally strong, (iii) being

empathetic

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

....

Attitude can be classified into three basic components. Which are among them ? (i) Emotional, (ii)

Informational, (iii) Behavioural

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

....

Given,

Recoveries of loan and advance - Rs. 1200 Crores

Misc capital receipt - Rs. 600 Crores

Market lo**Ans** - Rs. 500 Crores

Short term borrowings - Rs. 800 Crores

External assistance (Net) - Rs. 300 Crores

State provident fund - Rs. 400 Crores

Other receipts (Net) - Rs. 800 Crores

Securities issued against small savings - Rs. 300 Crores

Recoveries of short term lo**Ans** and advances from states and lo**Ans** to govt servents - Rs. 600 Crores

Total Non Tax Revenue - Rs. 3000 Crores

Net Tax Revenue - Rs. 1000 Crores

Draw down cash balance - Rs. 2000 Crores

Calculate Financing of Fiscal Deficit ...

a. Rs 3100 Crores

b. Rs 4700 Crores

c. Rs 5100 Crores

d. Rs 5700 Crores

Ans - c

Solution :

Financing of Fiscal Deficit = Debt Receipt + Draw down cash balance

Now, let us calculate Debt receipt,

Debt Receipt = Market Lo**Ans** + Short Term Borrowings + External assistance(NET) + Securities issued

against Small savings + State provident fund +

other Receipts(Net)

= 500 + 800 + 300 + 300 + 400 + 800

= 3100 Crores

So,

Financing of Fiscal Deficit = Debt Receipt + Draw down cash balance

= 3100 + 2000

= 5100 Crores

....

You have the choice between investing in a corporate bond with a yield of 8% or a municipal bond. If

your marginal tax rate is 28% , what should be the yield on the municipal bond in order to be

competitive?

a. 8.00%

b. 5.76 %

c. 11.11 %

d. 13. 69%

Ans - b

....

ABC Inc. has a 12 year bond outstanding that makes 9.5% annual coupon payments. If the appropriate

discount rate for such a bond is 7%, what is the appropriate price of bond?

a. Rs 1200.00

b. Rs 1000.56

c. Rs 1198.57

d. Rs 762.56

Ans - c

....

Under career path planning, at each level, the jobs which are comparable in terms of the knowledge,

skill requirement can be identified and categorized as a group. This is called as ......

a. task group

b. job families

c. work cluster

d. any of the above

Ans - b

....

You recently earned a 13% return on an investment during the preceding year. If the inflation rate

during that period is 8% what was your real return during that period?

a. 5%

b. 4.63 %

c. 4.42%

d. None

Ans - b

....

You find that the yield on a 6 year bond is 12% while that of 4 year bond is 9%. What should be the yield
on a 2 year bond beginning 4 from now?
a. 18.25%
b. 16.56%
c. 12.65%
d. None
Ans - a

....

Who is considered as the founder of the field of Microeconomics?
a. Lionel Robbins
b. Amartya Sen.
c. Adam Smith
d. Prof. Alfred Marshall
Ans - c

....

...... is known for his concept of "Division of Labour" and "Time and motion studies".
a. Abraham Maslow
b. Frederick Tailor
c. Robert Owen
d. Eric Berne
Ans - b

....

The job that are comparable in terms of the knowledge, skill required can be identified and categorized
as a group are called ...
a. Job Efficacy
b. Job Identification
c. Job Specification
d. Job Family
Ans - d

....

Emotional intelligence is refers to... Pick up the odd one.
a. being Sself-Motivated
b. being Self-Regulated
c. being empathetic
d. being emotionally strong
Ans - d

....

A ......% confident interval me**Ans** the value lies between (y-S, y+S).
a. 50
b. 65
c. 75
d. 90
Ans - b

....

Which of the following sentences is incorrect?
a. The payment which the bond holder receives each year is known as coupon.
b. At maturity, the borrower (government or corporate) pays the bondholder the bond's face value or
par value.
c. For bonds priced above its face value, the rate of return is the coupon rate.
d. The YTM is defined as the discount rate that makes the present value of the bond's payment equal to
its price.
Ans - c

....

Which of the following statement is not correct? (i) performance appraisal and potential appraisal are

the same system, (ii) performance appraisal is to know the future performance, (iii) potential appraisal is
to understand the potential of the employee to contribute to growth of organization
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....

Select the incorrect statement:
a. A government bond is a bond issued by Indian Government in Indian Rupees.
b. Bonds issued by a national government in foreign currencies are referred to as sovereign bonds.
c. Government bonds are issued for a tenure of 5-30 years.
d. Government bonds do not have any market risk, they only have credit risk.
Ans – d

....

The standard error of the mean for a sample size of two or more is ......
a. Always greater than the standard deviation of the population
b. Generally greater than the standard deviation of the population
c. Usually, the standard deviation of the population
d. None of these
Ans - c

....

As you set tighter confidence interval, you would get to a ...... confidence level.
a. higher
b. lower
c. either higher or lower
d. none of the above
Ans - b

....

Kumar invested in 10%, 3-year bond of face value of Rs. 1000. The expected market rate is 12%. What is
the duration of the bond?
a. 2.37 years
b. 2.73 years
c. 3.27 years
d. 3.72 years
Ans – b

Explanation :
Bond's Duration = ΣPV×t ÷ ΣP
Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)
ΣP = {100 × (1.123 -1) ÷ 0.12 + 1000} ÷ 1.123
= 951.6
Here 1 ÷ 1.12 = 0.89286, so a^t = 0.711787
ΣPV × t = 100 × 8.33336 × *0.288213 ÷ 0.10714286 − 3 × 0.711787]
+ 3000 × 0.711787
= 833.336 × (2.689988 − 2.135361) + 2135.361
= 462.19 + 2135.36 = 2597.55
So, Duration of the Bond
= 2597.55 ÷ 951.6
= 2.73 years

....

The probability that we associate with an interval estimate is called ......
a. Estimate level
b. Confidence Level
c. Probability Level

d. None of the above

Ans - b

....

In Random Sampling, we pick up one, keep it away and then pick another from the remaining. This is
called ......

a. Sampling with replacement
b. Simple random sampling
c. Sampling without replacement
d. None of the above

Ans - c

....

When compounding or discounting is done more frequently than annually, the effective discounting rate
of interest is ...... the nominal rate of interest.

a. lesser than
b. equal to
c. greater than
d. either of b or c

Ans - c

....

Ram is working in xyz co. Initially he was working very hard and completing all the task or target on time
and so that he can go up in the organization but due to some reason he was unable achieve his goal and
developed feelings of low self-concept and low self-esteem. It is called.....

a. Guilt
b. Isolation
c. Stagnation
d. Inferiority

Ans - d

....

Select the incorrect statement:

a. A bond that is priced above its face value is said to sell at a premium.
b. Investors who buy a bond at a premium, face a capital loss over the life of the bond.
c. Return on bonds which are at a premium is greater than the current yield.
d. Return on bonds which are at a discount is greater than the current yield.

Ans - c

....

Which of the following industries in India first used the term "Personnel Officer"?

a. Insurance
b. Banks
c. Chemical and pharmaceutical
d. Iron and steel

Ans - c

....

It is the highest activity of life, it creates new untapped alternatives, it values and exploits the mental
emotional and psychological differences between people...

a. Stress free work
b. Personality development
c. Autonomy
d. Synergy

Ans - d

....

Ram is working in xyz co. Initially he was working very hard and completing all the task or target on time
and so that he can go up in the organization but due to some reason he was unable achieve his goal and

developed feelings of low self-concept and low self-esteem. It is called.....

a. Guilt
b. Isolation
c. Stagnation
d. Inferiority

Ans - d

....

Which of the following is not a method for detecting wrong mention of inventory in a stock statement?

a. Stock audit
b. Inspection of stocks
c. Analysis of financial statements
d. Cross-check from the balance sheet figure

Ans - c

....

Which of the following is not a method for detecting wrong mention of receivables in stock statement
submitted by the borrower?

a. Analysis of financial statements
b. Cross check from the balance sheet figure
c. Receivables audit
d. Inspection of books of account

Ans - a

....

Which of the following statements is true about 'Inflation?' (i) A rise in the general level of prices, (ii)
Leads to fall in purchasing power

a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)

Ans - d

....

Which of the following is not a danger sign about the direction of business of the borrower?

a. Devolvement of L Cs, invocation of Bank Guarantees
b. Demand for higher limit
c. Delays in submission of stock/receivables statements
d. Return of cheques or bills

Ans - d

....

Expand N C C D

a. National Council on Crime and Delinquency
b. National council on Credit and Debentures
c. National council on Commerce and deregulation
d. None of the above

Ans - a

....

X invested Rs 100000 in bank FDR at 6%p.a.for one year. If interest is compounded on quarterly basis,
the amount payable shall be?

a. 100600
b. 106090
c. 106130
d. 106160

Ans - c

....

Mr. A is the Branch Manager in ABC Bank. He makes it a point to visit the prominent deposit customers
himself to deliver their deposit receipts. He does not even take the "Relationship Manager" appointed
for this purpose. Mr. A believes that none of the new generation staff is good enough to deal with such

tasks. What is the "Life position" taken by Mr. A as regards the "Relationship Manager" as per the
"Theory of Life position" propounded by Dr. Thomas Harris?
a. I are OK, you are OK
b. I am Ok, You are not OK
c. I am not OK, you are not Ok
d. I am not OK, you are not OK
Ans - b

....

Quantity supplied of a product at Rs. 8 per unit is 200 Units. If the price elasticity of supply is 1.5, what
will be the quantity supplied at Rs. 10 per unit?
a. 150
b. 175
c. 250
d. 275
Ans - d
Solution :
Price Elasticity of Supply = (% change in quantity supplied. / (% change in price)
1.5 = ((x-200)*100/200)/((10-8)*100/8)
1.5 = ((x-200)/2)/(200/8)
1.5 = ((x-200)/2)/25
1.5 = (x-200)/50
75 = x-200
x = 75+200
x = 275

....

Real Sector Policy me**Ans** focus on ...... in the early stages of reform process.
a. Mining and quarrying
b. Electricity
c. Manufacturing sector
d. None of the above
Ans - c

....

Ends refer to
a. Demand
b. Resources
c. Utility
d. Wants
Ans - d

....

Which ego state collects information and processes it?
a. parent
b. adult
c. child
d. both a and b
Ans - b

....

An investment at 10% interest rate compounded monthly is equal to an effective annual rate of ...
a. 10.38 %
b. 10.47 %
c. 10.57 %
d. 10.68 %
Ans – b
Solution :
Effective Interest Rate = (1+r/n)^n - 1
= (1+0.10/12)^12 - 1
= (1.1047 - 1)*100
= 10.47 %

....

Emotional intelligence is refers to... Pick up the odd one.
a. being self-Motivated
b. being Self-Regulated
c. being empathetic
d. being emotionally strong
Ans - d

....

The human resources systems are largely designed by banks and other organizations for ......
a. a heterogeneous workforce
b. a homogenous workforce
c. a diverse workforce
d. according to their need
Ans – b

....

We have six students say A, B, C, D, E, F participating in a quiz contest. Out of six students only two can
reach to the final. What is the probability of reaching to the final of each student?
a. 2/5
b. 1/2
c. 1/3
d. 1/4
Ans - c

....

Suppose a population with N = 144 has u(Mean)=24. What is the mean of sampling distribution of the
mean for samples of size of Rs 25 ?
a. 24
b. 2
c. 4.8
d. 3.2
Ans - a

....

A quarterly repayments of loan carry an interest rate of 8 % per annum . What is the effective annual
rate of interest ?
a. 8.32
b. 8.56
c. 8.24
d. 8.76
Ans - c

....

Market demand curve follows the ......
a. Law of upward-sloping demand
b. Law of upward-diminishing demand
c. Law of downward-diminishing demand
d. Law of downward-sloping demand
Ans - d

....

India is a
a. Capitalistic Economy
b. Socialistic Economy
c. Mixed Economy
d. Laissez-faire economy
Ans - c

....

On market equilibrium denotes which one is not to be there on equilibrium ?
a. The books are cleared of order
b. Demanders and suppliers are satisfied
c. Prices will fall.
d. All supply and demand order are filled

Ans - c

....
Gaurav invested in 12.5%, 5-year bond of face value of Rs. 100. The expected market rate is 15%. What
is the duration of the bond?
a. 3.98 years
b. 3.89 years
c. 2.98 years
d. 2.89 years
Ans - a
Explanation :
Bond's Duration = ΣPV×T ÷ ΣP
Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)
ΣP = {12.5 × (1.155 -1) ÷ 0.15 + 100} ÷ 1.155
= 91.6196

Here a = 0.86956 and a^t = 0.497176
So, ΣPV × T = 12.5 × 6.66636 × {0.502824 ÷ 0.13044 − 2.4588} + 248.588
= 116.33046 + 248.588 = 364.92
So, Duration of the Bond
= 364.92 / 91.6196
= 3.98 years

....
For external credit rating, banks depend on:
a. Rating agencies
b. Experienced staff of the bank
c. Banking consultants
d. None of the above
Ans - a

....
Which of the following is not an approach for assessment of credit risks, laid down under Basel 2
Accord?
a. Standardized approach
b. Foundation Internal Rating Based (I R b. approach
c. Advanced Internal Rating Based (I R b. approach
d. Simplified Internal Rating Based (I R b. approach
Ans - d

....
Which of the following statements is true regarding Standardized approach?
a. It has already been adopted by all the banks
b. It has been adopted only the foreign banks operating in India.
c. It has been adopted by the foreign banks operating in India and some of the Indian banks
d. It has to be adopted by the all the banks by March 2010
Ans - a

....
Macro Economics doesn't deal with...
a. GDP
b. Unemployment Rates
c. Individual Firms
d. Price Indices
Ans - c

....
Money is anything which performs the following. Pick up the odd one
a. A measure of value
b. Medium of exchange
c. A store of value over time
d. Measure of prosperity
Ans - d

....
Narrow Money consists of
a. Currency with the Public Demand Deposits, 'Other 'Deposits with the RBI
b. Currency with the Public, Time Deposits, `Other' Deposits
c. Time deposits, Demand Deposits, 'Other' Deposits with the RBI
d. Currency with the Public, Demand Deposits
Ans - a

....
Which of the following approach does not acknowledge the existence of cultural distance and attempts
to teach individual members about cultural differences through training. (i) diversity enlargement, (ii)
diversity sensitivity, (iii) cultural audit
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

....
A construction company pl**Ans** to purchase a new earthmover for Rs. 350000 in 5 years. Determine the
annual savings required to purchase the earthmover if the return on investment is 12%.
a. 55904
b. 55094
c. 55490
d. 55049
Ans - b
Explanation :
Here,
FV = Rs. 350000
T = 5 years
R = 12%
FV = P / R * [(1+R)^T - 1]
350000 = P × (1.125 − 1) ÷ 0.12
350000 = P × 6.3528
P = 350000 / 6.3528
= 55094

....
Which is not a sub-system of HRM?
a. Administration
b. Maintenance
c. Credit
d. Development
Ans - c

....
Which of the following industries in India was the first to use the term "Personnel Officer"?
a. Insurance
b. Banks
c. Chemical and Pharmaceutical
d. Steel
Ans - c

....
Which is said to be the beginning stage of career?
a. Mentor
b. Apprentice
c. Colleague
d. Sponsor
Ans - b

....

According to Dalton, Thomson and Price, career roles are divided into ... categories.
a. 2
b. 3
c. 4
d. 5
Ans - c

....
Target for agricultural advances in case of foreign banks with 20 and more branches is...
a. 10
b. 18
c. 20
d. 32
Ans -b

....
In order to avoid the problem in delay in realization of bills, bank may take advantage of improved
computer/communication network called ......
a. GUI
b. SFMS
c. ETF
d. SWIFT
Ans - b

....
A man borrowed a certain sum of money & paid it back in 2 years in two equal installments. If the roi
(compound) was 4% p.a. and if he paid back Rs. 676 annually, what sum did he borrow?
a. 1725
b. 1525
c. 1275
d. 1575
Ans - c
Explanation :
Here,
PV =?
P = Rs. 676
T = 2 years
R = 4% = 0.04
PV = P / R * [(1+R)^T - 1]/(1+R)^T
PV = 676 × (1.042 – 1) ÷ (0.04 × 1.042)
= 1275

....
Which of the following is ratio, indicative of the repaying capacity of a borrower?
a. Quick ratio
b. T O L/T N W
c. D S C R
d. D E R
Ans - c

....
Bank guarantee should normally have a maturity of more than ......
a. 5 years
b. 10 years
c. 15 years
d. 20 years
Ans - b

....
Turnover method of assessment should be applied for working capital limit of up to Rs ......in case of SSI
units.
a. One Crore

b. Two Crores
c. Five Crores
d. Ten Crores
Ans - c

....
Project lo**Ans** can be given by the bank to
a. Only corporate
b. Only corporate and partnership firms
c. Only corporate, partnership firms and societies
d. Any business entity
Ans - d

....
The conduct of LC business is governed by......
a. RBI
b. IRDA
c. UCPDC 600
d. AMFA
Ans - c

....
Regulated Interest rates by RBI, are applicable for credit limit up to Rs ... lakh.
a. 1
b. 2
c. 3
d. 5
Ans - b

....
The total priority sector target for foreign banks, operating in India, is ...
a. 20%
b. 32%
c. 40%
d. 18%
Ans - b

....

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When an employee has a need for ......, achieving one's potential in his or her career meets that need.
a. physiological needs
b. safety needs
c. social needs
d. self-actualization needs
Ans - d

....
All of the following are dimensions of Emotional Intelligence except ......
a. Self awareness
b. Self management
c. External motivation
d. Empathy
Ans - c

....
The people who believe to have control of their own fate have ...... locus of control.
a. Internal
b. External
c. Ulterior
d. Closed
Ans - a

....
Which of the followings is the emotional or feeling part of an attitude?

a. Affective component
b. Behavioral component
c. Environmental component
d. Cognitive component
Ans - a

....
Sample is subset of ......
a. Data
b. Group
c. Population
d. Itself
Ans - d

....
Quota sampling, judgment sampling and convenience sampling are classified as types of ......
a. random sampling
b. non random sampling
c. direct sampling
d. indirect sampling
Ans - b

....
Suppose a finite population has 6 items and 2 items are selected at random without replacement, then
all possible samples will be ......
a. 6
b. 12
c. 15
d. 36
Ans - c

....
Non Probability form of sampling is ......
a. Random Sampling
b. Non Random Sampling
c. Probability Sampling
d. Quota Sampling
Ans - d

....
Which of the following prices is/are fixed by the central government?
1. Maximum Retail Price (MRP)
2. Minimum Support Price (MSP)
3. Fair and Remunerative Price (FRP)
Select the correct **Ans** wer using the codes given below.

228
a. 1 and 2 only
b. 1 and 3 only
c. 2 only
d. 2 and 3 only
Ans - d

....
In sampling with replacement a sampling unit can be selected ......
a. Only once
b. More than one time
c. Less than one time
d. Non of above
Ans - b

....
Sampling in which a sampling unit can be repeated more than once is called ......
a. Sampling without replacement
b. Simple sampling

c. Sampling with replacement
d. None of above
Ans - c

....
In India Hindu Growth is associated with which of the following
a. birth rate
b. population
c. Per Capita Income
d. National Income
Ans - d

....
Which of the following is not true about stratified random sampling?
a. It involves a random selection process from identified subgroups
b. Proportions of groups in the sample must always match their population proportions
c. Disproportional stratified random sampling is especially helpful for getting large enough subgroup
samples when subgroup comparisons are to be done
d. Proportional stratified random sampling yields a representative sample
Ans - b

....
The base year for computation of Nantional income in India
a. 1990-1991
b. 1993-1994
c. 1999-2000
d. 2000-2001
Ans - b

....
Revealed Preference Theory was propounded by ......
a. Adam Smith
b. Marshall
c. P.A. Samuelson
d. J.S. Mill
Ans - c

....
National income is the ......
a. Net National Product at Market price
b. Net National product at factor coast
c. net domestic product at market price
d. net domestic product at factor cost
Ans - c

....
What is the value of goods and services produced in a country within a year called?
a. National income at factor cost
b. net national output
c. net national product at market prices
d. gross national product at market prices
Ans - d

....

Economic planning is an essential feature of ......
a. capitalist economy
b. socialist economy
c. mixed economy
d. dual economy
Ans - b

....
To get the Net National Product, we deduct what from the Gross National Product?
a. direct taxes

b. imports
c. interim payments
d. loss
Ans - d

....
The law of demand states that ......
a. demand increases with increase in income
b. when income and prices rise, the demand also rises
c. when price falls, demand increases
d. when price increases, demand increases
Ans - d

....
Scarcity defination of economics was given by ......
a. Johan Robbins
b. Lionel Robbins
c. Edwin Canman
d. Marshal
Ans - b

....
The Great Depression was during ......
a. 1930s
b. 1920s
c. 1940s
d. 1830s
Ans - a

....
Welfare defination of economics was given by ......
a. Marshal
b. John Robbins
c. Adam smith
d. Karl marks
Ans - a

....
Which of the following is an exception to the law of demand?
a. Giffen good
b. Normal good
c. Superior good
d. All of the above
Ans - a

....
Wealth defination of economics was given by ......
a. A.C. Pigon
b. Lionel Robbins
c. Kenyes
d. Adam smith
Ans - d

....
In Economics, 1930s is popularly known as the period of ......
a. Great Battle
b. Great Depression
c. Industrial Revolution
d. Great Devide
Ans – b

Which of the following is true?
a. GNP + Depreciation = NNP
b. GNP = GDP + Net factor income from abroad
c. NDP = GNP minus net indirect taxes
d. NNP = DGP minus depreciation
Ans - b
....

GDP deflator is given by ......
a. Nominal NI/Real NI
b. Nominal GDP/Real GDP
c. Nominal GDP/ Nominal GNP
d. Real GDP/Real GNP
Ans - b

....
Under the classical system, the equilibrium will be at ......
a. Under employment
b. Full employment
c. Voluntary employment
d. Disguised unemployment
Ans - b

....
The central theme of Keynesian Theory is ......
a. Laissez-faire
b. Free Trade
c. Effective demand
d. Self interest
Ans - c

....
Under a fiat-money standard the value of the circulating medium of exchange is guaranteed by ......
a. some precious commodity such as gold or silver
b. by the taxing and borrowing powers of the government
c. the paper it is printed on
d. does not have any value
Ans - b

....
M2 is defined as ......
a. currency outside banks plus chartered banks' demand deposits
b. currency outside banks, chartered banks' demand deposits, and non-personal notice deposits and
personal savings deposits at chartered banks
c. currency in circulation plus demand deposits made at financial institutions
d. must be highly liquid and thus includes only currency circulating outside the banking system
Ans - b

....
M1 is defined as ......
a. currency outside banks plus chartered banks' demand deposits
b. currency outside banks, chartered banks' demand deposits, and nonpersonal notice deposits and
personal savings deposits at chartered banks
c. currency in circulation plus demand deposits made at financial institutions
d. must be highly liquid and thus includes only currency circulating outside the banking system
Ans - a

....
Which statement is true?
a. Inflation does not play any role in distribution of national income
b. Inflation plays unfavourable role in distribution of national income
c. Inflation plays favourable role in distribution of national income
d. Inflation brings equality in aggregate demand and aggregate demand and aggregate supply
Ans - b

....
Which of the following techniques yields a simple random sample?
a. Choosing volunteers from an introductory psychology class to participate

b. Listing the individuals by ethnic group and choosing a proportion from within each ethnic group at
random.
c. Numbering all the elements of a sampling frame and then using a random number table to pick cases
from the table.
d. Randomly selecting schools, and then sampling everyone within the school.
Ans - c

....
Macroeconomics is concerned with ......
a. Aggregate economic activity
b. Individual decision units
c. How to produce goods
d. How to buy stocks and bonds
Ans - a

....
If we compare GDP and GNP, then ......
a. GNP = GDP - net income from abroad
b. GNP = GDP + net income from abroad
c. GNP = NNP - net income from abroad
d. GNP = NNP + net income from abroad
Ans - b

....
Type of sampling In which each element of population has equally likely chance of occurrence in a
random sample is classified as ......
a. regular and irregular sampling
b. error free sampling
c. inertia sampling
d. simple random sampling
Ans - a

....
Suppose a finite population contains 7 items and 3 items are selected at random without replacement,
then all possible samples will be ......
a. 21
b. 35
c. 14
d. 7
Ans - b

....
Cluster sampling, stratified sampling and systematic sampling are types of ......
a. direct sampling
b. indirect sampling
c. random sampling
d. non random sampling
Ans - c

....
Listing of elements in population with identifiable number is classified as ......
a. regularity experimental frame
b. indirect experiment frame
c. direct experimental frame
d. frame for experiment
Ans - d

....
A population contain N item and all possible sample of size n are selected without replacement. The
possible number of sample will be ......
a. N
b. n^N

c. NCn
d. N^n
Ans - c

....
Effect of 14% compounding quarterly on effective annual int rate ...... %
a. 14.25
b. 14.50
c. 14.75
d. 15.00
Ans – c

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Solution s
Effective rate=(1+Annual ROI/N)^n-1
=1+14%/4)^4-1
=1.035^4-1
=1.1475-1
=1475
=14.75%

....
Suppose a finite population contains 4 items and 2 items are selected at random with replacement, then
all possible samples will be ......
a. 6
b. 16
c. 8
d. 4
Ans - b

....
If the fixed and variable cost at 50% production capacity are Rs.20000 and Rs.30000, respectively, the
total cost at 70% capacity will be ......
a. Rs.50000
b. Rs.62000
c. Rs.70000
d. Rs.58000
Ans - b
Solution
Fixed cost will remain same as 20000, variable cost at 50% is 30000 so for 70% it is 30000*70/50 that is
42000
So total cost is fixed+ variable
= 20000+42000= 62000

....
Consider the following economy traits
1) Prolonged increase in demand
2) Heating up of economy
3) Demand-supply lag

They are the characteristic feature of which phase of business/economy cycle?
a. Recession
b. Depression
c. Recovery
d. Boom
Ans - d

....
A population contains 2 items and 4 items are selected at random with replacement, then all possible
samples will be ......
a. 16
b. 8

c. 4C2

d. 4

Ans - a

....

When there is a difference between all receipts and expenditure of the Govt. of India, both capital and

revenue it is called ......

a. Income Deficit

b. Fiscal Deficit

c. Budgetary Deficit

d. None of the Above

Ans - c

....

Training is defined the systematized tailor-made pro gramme to suit the needs of a particular

organization for developing ......

a. Attitudes/actions/skills and abilities in employee

b. Actions/skills and abilities

c. Skills and abilities

d. Skills only

Ans - a

....

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A 6 year bond is selling at Rs. 9500 with face value of Rs. 10000. The annual Coupon amount is 800.

What is the yield to maturity?

a. 8.72

b. 9.12

c. 9.32

d. 10.12

Ans - b

Explanation :

Since Coupon rate = 8% and market price < Face Value, so YTM must be > CR

Let CR be 9%. So, bond's price = 9551.41 > 9500

Let CR be 10%, so price = 9128.95 < 9500

So, YTM must lie between 9 & 10.

Using interpolation technique,

YTM = 9% + (10-9) % × (9551.41 − 9500) ÷ (9551.41 − 9128.95)

= 9+51.41/422.46

= 9.12%

....

Match the following terms and their use:

i) purchase - 1. used in case of - usance bills

ii) discount - 2. used in cse of - bills drawn under LC, opened by the purchaser's bank

iii) negotiation - 3. used in case of - demand bills

a. i - 2, ii- 3. iii - 1

b. i - 3. ii - 1. iii - 2

c. i - 2, ii - 1, iii - 3

d. None of these

Ans - b

....

Sanctioned limit = Rs 3 lacs , Stocks = Rs 6 lacs, creditors = Rs 2 lacs , Mortgage of property = 50 lacs ,

margin = 30%. Calculate the DP.

a. 3 lacs

b. 5 lacs

c. 2 lacs

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d. 4 lacs

Ans - a

Bcz DP is never beyond the sanctioned limit.

....

...... me**Ans** higher responsibility. It gives more decision making, planning and controlling powers.

a. job enrichment

b. job enlargement

c. job satisfaction

d. job rotation

Ans - a

....

Select the INCORRECT sentence:

1. Term lo**Ans** are provided for acquiring the fixed assets.

2. Working capital term lo**Ans** are provided for sustaining current assets.

3. Term loan are payable as per demand.

4. Working capital term lo**Ans** are payable as per repayment schedule

a. both 1 and 2

b. both 2 and 3

c. both 3 and 4

d. both 1 and 4

Ans - c

....

Suppose you start a rent -a-car business and want to buy an automobile. You have choice of buying the

car cash down for Rs 400,000 or paying Rs 90,000 a year for five years for the same car. What is your

choice , if opportunity cost is 10% ?

a. Pay cash

b. Take the auto loan

c. Data insufficient to **Ans** wer

d. None of these

Ans – b

Here PV of Rs 90,000 each year for the next 5 years will be..

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PV(90000,10%,5) = { 90000×(1.10^5-a. } / 0.10 ×1.1^5

i.e 341171

Now if you see Cash down payment is 400,000 which is greater than the PV of Rs 90,000 for next 5 years

(Rs 341171). Hence you prefer taking loan.

....

Suppose you are performing stratified sampling on a particular population and have divided it into strata

of different sizes. How can you now make your sample selection?

a. Select at random an equal number of elements from each stratum

b. Draw equal numbers of elements from each stratum and weigh the results

c. Draw numbers of elements from each stratum proportional to their weights in the population.

d. b. and c. only

Ans - d

....

In a normally distributed population, the sampling distribution of the mean

a. Is normally distributed

b. Has a mean equal to the population mean

c. Has a standard deviation equal to the population standard deviation divided by the square root of the

sample size

d. All of the above

Ans - d

....
Suppose that, for a certain population, sigma xbar is calculated as 20 when samples of size 25 are taken
and as 10 when samples of size 100 are taken. A quadrupling of sample size, then, only halved sigma
xbar. We can conclude that increasing sample size is
a. Always cost-effective
b. Sometimes cost-effective
c. Never Cost-effective
d. None of these
Ans - c

....
Human development Index (HDI) is developed by......
a. RBI

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b. Central Govt
c. World Bank
d. SEBI
Ans - c

....
Adam Smith defined Economics as a:
a. Study of welfare
b. Study of 'me**Ans** ' and 'ends'
c. Study of Wealth
d. None of these
Ans - c

....
Given,
Currency with public - Rs. 90000 Crores
Demand deposit with banking system - Rs. 180000 Crores
Time deposits with banking system - Rs. 220000 Crores
Other deposit with RBI - Rs. 260000 Crores
Savings deposit of post office savings banks - Rs. 60000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores
Calculate M2.
a. Rs. 470000 Crores
b. Rs. 550000 Crores
c. Rs. 590000 Crores
d. Rs. 630000 Crores
Ans - c
Solution
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
M1 = 90000+180000+260000
M1 = 530000
M2 = M1+Savings deposit of post office savings banks
So,
M2 = 530000+60000
M2 = 590000 Crores
....

When RBI purchases government bonds, the money is ......
a. injected into the market
b. sucked from the market
c. purchasing bonds has no effect on money market
d. None of these
Ans - a
....
When RBI sells government bonds, the money is ......
a. injected into the market

b. sucked from the market
c. purchasing bonds has no effect on money market
d. None of these
Ans - b
....
A set of expected behavior patterns attributed to someone occupying a given position in a social unit is
not called as ...... (i) job, (ii) role, (iii) power
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b
....
A 15 year bond is trading at Rs. 958 with face value of Rs. 1000. The Coupon rate is 8%. What is the yield
to maturity?
a. 7.5
b. 8.5
c. 9.5
d. 10.5
Ans - b
Explanation :
Since trading value < face value, YTM is > CR
At 7%, price = 1091.08 > 958

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And at YTM = 9%, price = 919.39 < 958,
so YTM lies somewhere between 7 and 9.
= 7 + (9-7) × (1091.08 − 958) / (1091.08 − 919.39)
= 7 + 2 × 133.08 / 171.69
= 8.5%
....
The FRBM act was enacted as a law in August 200The committee which created the act was headed by
......
a. S. H. Khan
b. Narasimhan
c. Dr E. A. S. Sarma
d. Tandon
Ans - c
....
Which of the following statements the central government has to place before the Parliament each year
under FRBM act?
a. Medium Term Fiscal Policy
b. Fiscal Policy Strategy
c. Macroeconomic Framework
d. All of these
Ans - d
....
By what percent of GDP, the FRBM act suggests the Centre to reduce the fiscal deficit?
a. 2
b. 3
c. 4
d. 7
Ans - b
....
...... is the rate at which the RBI lends short term money to the banks.
a. Reverse Repo Rate
b. Repo Rate

c. OMO

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d. SLR

Ans - b

....

By what percent of GDP, the FRBM act prescribes the government to set a ceiling on guarantees?

a. 0.1

b. 0.5

c. 0.7

d. 1.5

Ans - b

....

The ...... act prohibits deficit financing.

a. Companies Act 1956

b. DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961

c. THE BANKING REGULATION ACT, 1949

d. FRBM Act 2003

Ans - d

....

The way(s) to compute GDP is / are ...... 1. Expenditure wise, 2. Income wise, 3. Product wise

a. 1 and 2

b. 2 and 3

c. 3 and 1

d. All of 1, 2 and 3

Ans - d

....

Which price index is used in India to calculate inflation for policy formulation?

a. Consumer price index

b. GDP deflator

c. Wholesale price index

d. Retail price index

Ans - c

....

...... is the rate at which banks park their short term excess liquidity with the RBI.

a. Reverse Repo Rate

b. Repo Rate

c. OMO

d. Bank Rate

Ans - a

....

The factors of production are ......

1. land

2. labour

3. capital

4. entrepreneur

a. 1 and 2

b. 2 and 3

c. 1, 2 and 3

d. All of 1, 2, 3 and 4

Ans - d

....

Which of the following does not reflect the real growth in GDP?

a. Calculating today's output at today's price

b. Calculating today's output at yesterday's price

c. GDP at constant price

d. Real GDP

Ans - a

....

Which is a more accurate measure tool for an export - oriented economy?

a. GDP

b. GNP

c. GNI

d. All of these

Ans - b

....

Calculate the Future Value of Present Value of Rs. 10000/- after 4 years if the rate of interest is 10%.

a. 13310

b. 14641

c. 14461

d. 13130

Ans - b

Solution :

$FV = P(1+r)n$

$FV = 10000(1+10/100)^4$

$= 10000(1.1)^4$

$= 10000*1.4641$

$= 14641$

....

A cash flow that is expected to grow at a constant rate forever, is called.

a. Annuity

b. Perpetuity

c. Growing annuity

d. Growing perpetuity

Ans - d

....

Demand Deposits are ...... (i) Paid on demand, (ii) Relatively less liquid than time deposits

a. Only (i)

b. Only (ii)

c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - a

....

If inflation rate is higher in an economy, the discount rate should generally,

a. Be lower

b. Be higher

c. Be Stable

d. Be fluctuating

Ans – b

Example of "Annuity" is ...

a. EMI of loan account

b. RD

c. Both of the above

d. None of the above

Ans - c

....

Additional utility derived from consumption of an additional unit of commodity is called ......

a. Average Utility

b. Elasticity

c. Acceleration

d. Marginal Utility

Ans - d

....

Demand for a commodity normally depends on ......
a. Income of the consumer
b. Price of related commodity
c. Price of the commodity
d. All the above
Ans - d

....

Given,
M4 - Rs. 750000 Crores
M1 - Rs. 400000 Crores
Currency with public - Rs. 100000 Crores
Demand deposit with banking system - Rs. 150000 Crores
Other deposit with RBI - Rs. 150000 Crores
Savings deposit of post office savings banks - Rs. 60000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores
Calculate Time deposit with banking system
a. Rs. 200000 Crores
b. Rs. 250000 Crores
c. Rs. 300000 Crores
d. Rs. 350000 Crores
Ans - c
Solution
M4 = M3+All deposit with post office savings bank excluding NSCs
M3 = M1+Time deposit with banking system
M4 = M1+Time deposit with banking system+All deposit with post office savings bank excluding NSCs
Time deposit with banking system = M4 - M1 - All deposit with post office savings bank excluding NSCs
Time deposit with banking system = 750000 - 400000 - 50000
Time deposit with banking system = 300000 Crores

....

Factors of Production are:
a. Land, Labour and Capital
b. Assets, Machineries and Money
c. Land, Labour, Capital and Entrepreneur
d. None of the above.
Ans - c

....

When the price of a product increases from 40 to 50, the demand for the product decreases by 25%.
What is the price elasticity of demand for the product?
a. 1
b. 1.5
c. 2
d. 2.5
Ans - a
Solution :
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
% Change in Quantity Demanded = 25
% Change in Price = 10/40*100 = 25
Price Elasticity of Demand = 25/25 = 1

....

EXPAND N E F T.
a. Nominal Electronic Funds Tr**Ans** fer
b. National Electronic Funds Tr**Ans** fer
c. National Electronic Funds Tr**Ans** formation
d. None of the above
Ans - b

....

While releasing the data relating to inflation increased by the Govt, it is observed that
1) The consumer price index based inflation increased to 11% and
2) Whole sale price index based inflation increased to 8%
3) The govt. claims that due to implementation of Banks Bi-partite Settlement, there is increase in
demand of goods and services leading to increase in consumer prices.
4) Further due to increased wages and salaries, there is increase in cost of inputs leading to increase in
whole-sale price index.
Ans wer the following questions, based on the above information.
1. The inflation caused by the the information given at point no.3 in the question, is not called as ...... (i)
Core inflation, (ii) Demand Pull inflation (iii) Cost-push inflation
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b
2. The inflation rate of 8%, represented by the whole sale price, is called:
a. Core inflation
b. Headline inflation
c. Demand Pull inflation
d. Cost-push inflation
Ans - b
3. The inflation rate 11% represented by the consumer price, is called:
a. Core inflation
b. Headline inflation
c. Demand Pull inflation
d. Cost-push inflation
Ans - a
4. The inflation caused by the information given at point no.4 in the question, is not called as ...... (i)
Core inflation, (ii) Demand Pull inflation (iii) Cost-push inflation
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....

Population of a town is 100000. The rate of change is 4% per annum. What it will be ater 5 years?
a.129205
b.121665
c.122165
d.121601
Ans – b
Calculating today's output at today's price reflects ...... GDP.
a. real
b. nominal
c. virtual
d. None of these
Ans - b

....

To absorb liquidity from the system, which of the following was introduced by RBI in March 2004?
a. OMO (Open Market Operations)
b. MSS (Market Stabilization Scheme)
c. SCC (Selective Credit Control)
d. None of these
Ans - b

....

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What would be the consequence of increasing repo (repurchase) rate?
a. It would be more expensive for banks to borrow money
b. It would be more cheaper for banks to borrow money
c. No effect on borrowing from RBI
d. None of these
Ans - a

....
A market economy is one...... (i) In which individuals and private firms make the major decisions about
production and consumption, (ii) In which the government makes all important decisions about
production and distribution.
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - a

....
After the introduction of financial sector reforms in capital market, depository system was replaced with
......
a. 14-day settlement cycle
b. Badla system
c. open outcry system
d. dematting of securities
Ans - d

....
The definition 'An organization is the rational coordination of the activities of a number of people for the
achievement of some common explicit purpose or goal, through division of labour and function and
through a hierarchy of authority and responsibility' of an organisation is given by ......
a. AK Rice
b. Abraham Maslow
c. Edgar Schein
d. Peter F Drucker
Ans - c

....

The central bank absorbs excess liquidity from the banks using ......Select the best option.
a. CRR
b. SLR
c. Repo Rate
d. Reverse Repo Rate
Ans - d

....
Pick the incorrect statement.
a. The supply of money, at a given time, is fixed by the monetary authority of the country.
b. The rate of interest in determined by demand for money and supply of money.
c. The money demand curve at a given level of income is downward sloping.
d. Increase in level of money leads to downward shifting of the curve of demand for money (or in short,
money demand curve).
Ans - d

....

Demand Deposits are
a. Paid on demand
b. Not paid on demand
c. Relatively less liquid than time deposits
d. Both b and c
Ans - a

....
If in market money supply increase and interest rate is down the LM curve will ...
a. shift up and to left
b. shift down and to right
c. shift up and to right
d. shift down and to left
Ans - b

....
Market economy is also known as
a. Mixed Economy
b. Capitalistic Economy
c. Command Economy
d. Socialistic Economy
Ans - b

....
What is a scatter diagram ?
a. diagram which scatters all elements of the variable.
b. A graphic representation of the relationship of the variables
c. Helps plot observed values
d. b & c
Ans - d

....
Which is an example of for sinking fund?
a. perpetuity
b. annuity
c. gratuity
d. none of the above
Ans - b

....
If a standard error of a statistic is less than that of another then what is the former is said to be.
a. efficient
b. unbiased
c. consistent
d. sufficient
Ans - a

....
The balance sheet of a firm has shown total asset of Rs 20 lacs . The long term uses are Rs 11 lacs and
current ratio 1.5:1. What is the amount of current liabilities ?
a. Rs 11 lacs
b. Rs 9 lacs
c. Rs 7 lacs
d. Rs 6 lacs
Ans - d

....
What is repayment of entire loan principal at the end of the loan period called ?
a. balloon payment
b. compounded payment
c. annuity
d. term payment
Ans - a

....
What is the rule of 72 ?

a. 12 times table
b. rule for calculating future cash flows
c. rule for compounding present cash flows
d. rule for knowing how quickly money doubles
Ans - d

....
IS curve and Lm curve are relates which of the two variables.
a. Demand and supply
b. Money and market
c. Money and interest rate
d. Income and rate of interest
Ans – d

....
Market equilibrium comes at the price at which quantity demanded equals to quantity
a. Produced
b. Supplied
c. in Inventory
d. in Demand
Ans - b

....

Which of the following is Capitalistic Economy?
a. England
b. China
c. India
d. None of the above
Ans - a

....
X wants to borrow Rs. 25000 immediately and another Rs. 20000 after a period of 2 years @ 10% roi. He
wants to pay it in monthly installments for 5 years. Calculate the amount of monthly payment.
a. 978
b. 987
c. 897
d. 879
Ans - d
Explanation :
Here,
First find PV of 20000 for 2 years @ 10%.
Here, t = 2*12 = 24 months and r = 10% ÷ 12 = 0.00833
PV = P / (1+R)^T
So,
PV = 20000 ÷ (1+0.0083)^24
= 16388.07
So, total amount = 25000 + 16388.07 = 41388.07
Now,
P = 41388.07,
R = 10% ÷ 12 = 0.00833,
T = 5 * 12 = 60 months
EMI = P * R * [(1+R)^T/(1+R)^T-1)]
EMI = (41388.07 * 0.00833) * {(1.0083)^60 ÷ (1.0083)^60 – 1)}
= 879

....

Demand Schedule is the
a. Relationship between demand and quantity bought
b. Relationship between price and quantity bought
c. Relationship between price and demand
d. None of these
Ans - b

....
The evaluation of training consists of the following: Pick the odd one.
a. Reaction level
b. Learning level
c. The behavior level
d. Operation level
Ans - d

....
Knowles explained the following three theories: Pick the odd one.
a. Mechanistic theory
b. Cognitive theory
c. Reconcilation Theory
d. Organismic theory
Ans - c

....
The behavior of an individual is influenced by four factors namely: Pick up the odd one
a. Environmental factor
b. Personal factor
c. Physical factor
d. Organizational factor
Ans - c

....
The ...... parent behavior does not criticize others for their undesirable behavior. (i) caring, (ii) nurturing,
(iii) concerned
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
Mitalee is to receive Rs. 60000 from bank at the end of 3 years, being the maturity value of a term
deposit. How much he is depositing now, if the interest rate is 10%?
a. 40578
b. 45078
c. 47058
d. 48075
Ans - b
Explanation :
PV = FV ÷ (1+r)T
= 60000 ÷ 1.3331
= Rs. 45078

....
In the life stages of adulthood guiding of next generation start up...
a. Adolescence
b. Young Adulthood
c. Adulthood
d. Maturity
Ans - c

....
A fund which is created by companies to make payment of balloon repayment lo**Ans** by regular annual
contributions to have adequate funds at the end of the period, when repayment fails due is called ......
a. reserve fund
b. balloon fund
c. sinking fund
d. repayment fund
Ans - c

....

Nominal GDP is also known as ......
a. GDP at current price
b. GDP at constant price
c. GDP at variable price
d. None of these
Ans - a

....

Calculating today's output at yesterday's price reflects ...... GDP.
a. real
b. nominal
c. virtual
d. None of these
Ans - a

....

As part of the concept of self-development, the self can be categorized into ...... (i) patent self, (ii) explicit self, (iii) inner self
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

....

A bond with Rs. 1000 par value has a Coupon rate of 12%. The required rate of return on the bond is
14% and it is maturing in 8 years. Find the value of the bond.
a. 920
b. 907
c. 913
d. 927
Ans - b

....

86th constitutional amendment has made free and compulsory education to all children upto ......
a. Girls Upto age 14
b. Up to 10th class to girl
c. 6 to 14 yr to all children
d. 6 to 14 yr to all Girls
Ans - c

....

Pick up the wrong one
a. Job description is about the job that an employee has to perform
b. Job specification relates to the requirements in terms of educational qualification, age, experience etc
c. Job evaluation relates to the comparison between similar jobs within the organization or between
organizations or within the industry
d. All the above
Ans - c

....

..........is for learning to prepare the individual for a different but identified job.
a. Training
b. On job training
c. Education
d. Development
Ans - d

....

Knowles(Nadler) categoried adult learning process in different theories. Match the followingsa.
Mechanistic/behaviorist Theories- i) Equate man with his brain.
b. Organicismic/humanistic - ii) Learner is passive in the process of learning.
c. Cognitive theories - iii) freedom to learn
a. a-i b-ii c-iii
b. a-ii b-iii c-i
c. a-iii b-ii c-i
d. a-ii b-i c-iii
Ans - B

....

DER is 3:1, the amount of total assets Rs 20 lac , current ratio is 1.5:1 and owned funds Rs 3 lac. What is
amount of current assets?
a. 3 lac
b. 5 lac
c. 12 lac
d. 15 lac
Ans - c
Owned fund= equity= 3 lac
Since DER = 3:1
i.e Debt: equity = 3:1
Hence Debt = 9 lac
(f we consider debt and equity as long term liabilities then term liability works oyt to 12(9+c. lac)
Here total assets is 20 lac
Now as per balance sheet equation total Assets= total liabilities
Hence here total liabilities will be 20 lac also
Now term liabilities of Rs 12 lac and remaining 8 lac as current liabilities (12+8=20)
Hence CL=8 lac, Since here CR=1.5:1 then
1.5:1=CA:8
i.e CA= 1.5×8=12 lac

....

According to ......, economics is the science which studies human behavior as relationship between ends
and scarce me**Ans** which have alternate uses.
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - b

....

Money is anything which performs the following. Pick up the odd one.
a. A measure of value
b. Medium of exchange
c. A store of value over time
d. Measure of prosperity
Ans - d

....

Which of the following is the amount of Funds borrowed by the government to meet the expenditures?
a. Fiscal Deficit
b. Current account
c. Fiscal policy
d. Public finance
Ans - a

....

Maximum credit limit to Micro & Small Services Sector is Rs ...... Crores

a. 2
b. 3
c. 4
d. 5
Ans - d

....
GNP=GDP+NFIA, NFIA stands for ......
a. Net foreign Income from abroad
b. Net Factor Income From Aboard*
c. Net Factor From America
d. Net foreign Income Account
Ans - b

....
Under MSME, first M stand for ......
a. Medium
b. Micro
c. Manufacturing
d. Either B or C
Ans - b

....
GDP evaluated at current market prices is known as ......
a. NNP
b. NDP
c. Nominal GDP
d. None of the Above
Ans - c

....
The term "Hindu rate of growth" refers to the 3.5% per annum growth rate achieved by the Indian
economy over the first six Five-Year Pl**Ans** . The term was coined by ......
a. Chakravaty
b. J.N. Bhagwati
c. Raj Krishna
d. K.N. Raj
Ans - c

....
Which of the following assumptions is not correct in relation to Hicks' theory of business cycle ?
a. The equilibrium of the economy is influenced by changes in consumption and investment
b. Fall employment is the ceiling of exp**Ans** ion
c. Autonomous investment increases at some constant rate even during depression
d. Accelerator remains operative in all phases of business cycle, but the multiplier stops operating during
depression
Ans - d

....
The graphical representation of the 'demand schedule' is ......
a. Demand curve
b. Demand Elasticity curve
c. Demand supply curve
d. Demand scheduled curve
Ans - a

....
Suppose a population has N items and n items are selected with replacement. Number of all possible
samples will be ......
a. N^n
b. NCn
c. N
d. n

Ans - a
....
In random sampling, the probability of selecting an item from the population is ......
a. Unknown
b. Known
c. Un-decided
d. One
Ans - b

....
Non Sampling error is reduced by ......
a. Increasing Sample Size
b. Decreasing Sample Size
c. Reducing Amount of Data
d. None of these
Ans - d

....
Any numerical value calculated from sample data is called ......
a. Error
b. Statistic
c. Bias
d. Mean
Ans - b

....
Any numerical value computed from population is called ......
a. Statistic
b. Bias
c. Sampling Error
d. Parameter
Ans - d

....

The list of all units in a population is called ......
a. Random sampling
b. Sampling Frame
c. Bias
d. Parameter
Ans - b

....
The difference between statistic and parameter is called ......
a. Random Error
b. Sampling Error
c. Standard Error
d. Error
Ans - d

....
In random sampling, the probability of selecting an item from the population is ......
a. Unknown
b. Known
c. Undecided
d. One
Ans - b

....
When each member of a population has an equally likely chance of being selected, this is called ......
a. A nonrandom sampling method
b. A quota sample
c. A snowball sample
d. An Equal probability selection method
Ans - d
....

Which of the following statements are true?
a. The larger the sample size, the greater the sampling error
b. The more categories or breakdowns you want to make in your data analysis, the larger the sample
needed
c. The fewer categories or breakdowns you want to make in your data analysis, the larger the sample
needed
d. As sample size decreases, so does the size of the confidence interval
Ans - b

....
Which of the following formulae is used to determine how many people to include in the original
sampling?
a. Desired sample size/Desired sample size + 1
b. Proportion likely to respond/desired sample size
c. Proportion likely to respond/population size
d. Desired sample size/Proportion likely to respond
Ans - d

....
Wheat crops badly damaged on account of rains is ......
a. Cyclical movement
b. Random movement
c. Secular trend
d. Seasonal movement
Ans - b

....
The method of moving average is used to find the ......
a. Secular trend
b. Seasonal variation
c. Cyclical variation
d. Irregular variation
Ans - a

....
A complete cycle consists of a period of ......
a. Prosperity and depression
b. Prosperity and recovery
c. Prosperity and recession
d. Recession and recovery
Ans - c

....
The fire in a factory is an example of ......
a. Secular trend
b. Seasonal variation
c. Cyclical variation
d. Irregular variation
Ans - d

....
Damages due to floods, droughts, strikes fires and political disturbances are ......
a. Secular trend
b. Seasonal variation
c. Cyclical variation
d. Irregular variation
Ans - d

....
The general pattern of increase or decrease in economics or social phenomena is shown by ......
a. Secular trend
b. Seasonal variation
c. Cyclical variation
d. Irregular variation

Ans - a

....
Depression in business is ......
a. Secular trend
b. Seasonal variation
c. Cyclical variation
d. Irregular variation
Ans – c

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The point estimator of population mean μ is ......
a. Sample mean
b. Sample variance
c. Sample standard deviation
d. Sample size
Ans - a

....
By decreasing the sample size, the confidence interval becomes ......
a. Narrower
b. Wider
c. Fixed
d. All of the above
Ans - b

....
A function for estimating a parameter is called as ......
a. Estimator
b. Estimate
c. Estimation
d. Level of confidence
Ans - a

....
A sample constant representing a population parameter is known as ......
a. Estimation
b. Estimator
c. Estimate
d. Bias
Ans - c

....
The distance between an estimate and the estimated parameter is called ......
a. Sampling error
b. Error of estimation
c. Bias
d. Standard error
Ans - b

....
Objective of linear programming for an objective function is to ......
a. maximize or minimize
b. subset or proper set modeling
c. row or column modeling
d. adjacent modeling
Ans - a

....
For a linear programming equations, convex set of equations is included in region of ......
a. feasible **Solution** s
b. disposed **Solution** s
c. profit **Solution** s
d. loss **Solution** s
Ans - a

....
In graphical **Solution** s of linear inequalities, **Solution** can be divided into ......
a. one subset
b. two subsets
c. three subsets
d. four subsets
Ans - b

....
Linear programming used to optimize mathematical procedure and is ......
a. subset of mathematical programming
b. dimension of mathematical programming
c. linear mathematical programming
d. all of above
Ans – a

In linear programming, objective function and objective constraints are ......
a. solved
b. linear
c. quadratic
d. adjacent
Ans - b

....
Linear programming model which involves funds allocation of limited investment is classified as ......
a. ordination budgeting model
b. capital budgeting models
c. funds investment models
d. funds origin models
Ans - b

....
In tr**Ans** portation models designed in linear programming, points of demand is classified as ......
a. ordination
b. tr**Ans** portation
c. destinations
d. origins
Ans - c

....
In linear programming, lack of points for a **Solution** set is said to ......
a. have no feasible **Solution**
b. have a feasible **Solution**
c. have single point method
d. have infinte point method
Ans - b

....
Which of these options are the activities that constitute the core of performance management?
a. Performance interview
b. Archiving performance data

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c. Use of appraisal data
d. All of the above
Ans - d

....
Which is the biggest challenge faced while conducting performance appraisal?
a. Evaluating performance of self - managed teams
b. Presence of a formal appeal process

c. Appraisals based on traits are to be avoided
d. None of the above
Ans - a

....
Who was the first person to give the concept of Management by Objectives?
a. Edwards Deming
b. D.W. Cheetham
c. Peter F. Drucker
d. None of the above
Ans - c

....
The focuses of psychological appraisals are on ......
a. Future potential
b. Actual performance
c. Past performance
d. None of the above
Ans - a

....
Degree to which people like or dislike themselves is ......
a. Self-esteem
b. Self-monitoring
c. Locus of control
d. Stereotyping
Ans – a

In Johari Window tr**Ans** actional analysis "I am OK. You are not OK' stands for ......
a. both have value
b. I have value and you do not have value
c. you have value but I do not have value
d. neither person has value
Ans - b

....
In Johari Window tr**Ans** actional analysis "I am not OK. You are not OK' stands for ......
a. both have value
b. I have value and you do not have value
c. you have value but I do not have value
d. neither person has value
Ans - d

....
What is 360° performance appraisal?
a. Feedback about workplace performance
b. Upward feedback subordinates evaluating superior
c. Feedback from customers and external clients
d. All the above
Ans - d

....
Impact of Training in an organisation may be categorised as ......
a. Updating knowledge/Avoiding obsolencence /improving performance/imparting trade specific skills
b. To help to match individual needs, goals and abilities
c. To assist individuals acquire experience in organisational activities
d. Stablishing workforce to withstand the technological change
Ans - a

....
Training serves important purposes of ......
a. To increase the performance level of an employee
b. Constantly develop manpower to meet the current and future needs + (a)
c. Ensure effective utilisation of human resources + (b)

d. To integrate individual goals with organisation + (c)

Ans - d

....

Who has given scarcity definition of economics ?

a. Adam Smith

b. Marshall

c. Robbins

d. Robertson

Ans - c

....

"Economics is a science" the basis of this statement is ......

a. Relation between cause and effect

b. Use of deductive method and inductive method for the formations of laws

c. Experiments

d. All of the above

Ans - d

....

Economics is the Science of Wealth" who gave this definition ?

a. J. K. Mehta

b. Marshall

c. Adam Smith

d. Robbins

Ans - c

....

Whose opinions have revolutionized the scope of macro economics ?

a. Adam Smith

b. J.B. Say

c. J.M. Keynes

d. All of the above

Ans – c

Under law of demand ......

a. Price of commodity is an independent variable

b. Quantity demanded is a dependent variable

c. Reciprocal relationship is found between price and quantity demanded

d. All of the above

Ans - d

....

According to Marshall, the basis of consumer surplus is ......

a. Law of diminishing marginal utility

b. Law of equi-marginal utility

c. Law of proportions

d. All of the above

Ans - a

....

Problem of inflation, unemployment, illiteracy are studied under ...... economics.

a. planned

b. Micro

c. Macro

d. mixed

Ans - c

....

Key Performance Areas me**Ans** ......

a. Areas which are within the responsibility of the role

b. Areas which the management has demarcated to be performed by employee

c. Areas for strengthening of skills and attitudes

d. All above

Ans - a

....

Standard deviation of the distribution of the sample proportions is called ...... Select the best option.

a. standard error of the mean

b. sampling distribution error

c. standard error of the proportion

d. standard error of the statistics

Ans - c

....

The process of capturing the tacit knowledge of people in a systematic manner for future use is not

called as ...... (i) Data entry, (ii) Information technology, (iii) Knowledge management

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - a

....

Ability to control or redirect disruptive impulses and moods and propensity to suspend judgment- to

think before acting comes under which components of emotional intelligence.

a. Self-awareness

b. Self-Regulation

c. Self-motivation

d. Empathy

Ans - b

....

Suppose CR is 4:1. NWC is Rs 30000/- what is the amount of CA ?

a. Rs 20000/-

b. Rs 10000/-

c. Rs 40000/-

d. Rs 60000/-

Ans - c

....

How much money will a student owe at graduation if she borrows Rs. 3000 per year @ 5% interest

during each of her four years of school?

a. 12390

b. 12093

c. 12930

d. 12039

Ans - c

Explanation :

Here,

P = Rs. 300

T = 4 years

R = 5%

$FV = P / R * [(1+R)^T - 1]$

$FV = 3000 \times (1.054 - 1) \div 0.05$

= 12930

....

Which of the following is not an internal factor affecting credit risk?

a. Excessive lending to cyclical industries

b. Low quality of credit appraisal and monitoring

c. Deficiencies in the loan policy of the bank

d. Protectionist policies of other countries

Ans - d

....

Concept of Locus of Control is given by...

a. Schein

b. Leftcourt and Leveson
c. Luft and Ingham
d. Kurt lewin
Ans - b

....
Albert purchased 8%, 3 years bond of Rs. 10 lac, with annual interest payment and face value payable on
maturity. The YTM is assumed@ 6%. Calculate the duration and modified duration.
a. 2.36
b. 2.79
c. 2.63
d. 2.97
Ans - c
Explanation :
Bond's Duration = ΣPV×T ÷ ΣP
ΣP = 1053421
Now, a = 0.943396 and a^t = 0.839619
So, ΣPV×T = 80000 × 16.666 × (0.160381÷0.056604 − 2.518857) + 2518857
= 419370.767 + 25188579
= 2938227.77
So, Duration of the Bond
= 2938227.77 / 1053421
= 2.79 years
& Modified Duration
= Mckauley Duration ÷ (1 + R)
= 2.79 ÷ 1.06
= 2.63

....
Which of the following is not a macro level action for mitigation of credit risk?
a. Periodically reviews of the exposure norms for single and group borrowers
b. Improving appraisal standards of credit proposals
c. Frequent reviews of norms and fixing internal limits for aggregate commitments to specific sectors of
the industry or business
d. Periodic review of total credit portfolio based on quality parameters
Ans - b

....
Target coaching, work planning, mutual goal setting and performance objectives are all terms used to
specify concept called ......
a. behavioral rating approach
b. management by objectives
c. combination method
d. critical incident method
Ans - b

Which of the following is not a micro level action for mitigation of credit risk?
a. Improving sanctioning and delivering process
b. Obtention of collateral security
c. Monitoring and review of individual proposals/categories of proposals
d. Periodical reviews of the exposure limits for business or industry segment
Ans - d

....
Mr. Raj is to invest Rs. 100000 by end of each year for 5 years @ 5% roi. How much amount he will
receive?

a. 556253
b. 553562
c. 552563
d. 555263
Ans - c
Explanation :
Here,
P = 1000000
R = 5% p.a.
T = 5 Y
FV = P / R * [(1+R)^T - 1]
FV, if invested at end of each year, is:
So,
FV = (100000÷0.05) * {{1+0.05}^5 − 1}
= 552563

....
Choose the pair of symbols that doesn't complete this sentence: —is a parameter, whereas – is a
statistic.
a. N, g
b. y, s
c. N, n
d. All of these
Ans - a

....

The central limit theorem
a. Requires some knowledge of the frequency distribution
b. Permits us to use sample statistics to make inferences about population parameters
c. Relates the shape of a sampling distribution of the mean to the man of the sample
d. Requires a sample to contain fewer than 30 observations
Ans - b

....
Mr. Ram wants to have Rs 20000 after a year. How much he should deposit in a bank to get this amount
if the prevailing rate of interest is 9% ?
a. 17896
b. 18104
c. 18224
d. 18348
Ans - d

....
In Random Sampling, we pick up one, keep it away and then pick another from the remaining. This is
called...
a. Sampling with replacement
b. Simple random sampling
c. Sampling without replacement
d. None of the above
Ans - c

....
The standard error of the mean for a sample size of two or more is
a. Always greater than the standard deviation of the population
b. Generally greater than the standard deviation of the population
c. Usually , the standard deviation of the population
d. None of these
Ans - c

....

Who called workers as Vital machines ?
a. Hanery Foyal

b. Peter Duker
c. Elton Mayo
d. Charles Babbage
Ans - b
....
Establishing Training and Development system as part of the HRD efforts doesn't involve...
a. identification of training needs
b. conducting the training
c. evaluation of training
d. None of these
Ans - d
....
Alka borrowed Rs. 65600 for 2 years at 5% p.a., to be returned in 2 equal installments. What is the
amount of installment?
a. 38520
b. 38250
c. 35820
d. 35280
Ans - d
Explanation :
Here,
P = 65600
R = 5% p.a.
T = 2 yrs
EMI = P * R * [(1+R)^T/(1+R)^T-1)]
EMI = 65600 × 0.05 × 1.052 ÷ (1.052 − 1)
= 35280
....

Which of the following is not an unsatisfactory sign in conduct of the account of the borrower?
a. Delay in payment of interest or installments,
b. routing of tr**Ans** actions with some other bank
c. Frequent over drawings
d. High turnover
Ans - d
....
Which of the following is not the purpose credit audit?
a. Improvement in the quality of credit portfolio
b. Review sanction process and compliance status of large lo**Ans**
c. Feedback on regulatory compliance
d. Stock inspection
Ans - d
....
Purpose of appointing bank's nominee on company's board of borrowing company is ......
a. To keep a tab on the important decisions of the board
b. To be a part of the management
c. To guide the company for better working
d. To safeguard the securities charged to the bank
Ans - a
....
Which of the Following k not a risk mentioned in the Basel II Accord
a. Operational risk
b. Market risk
c. Default risk
d. Credit risk
Ans - c
....
Given,

Corporation tax - Rs. 500 Crores
Income tax - Rs. 400 Crores

Other taxes and duties - RS. 200 Crores
Customs - RS. 500 Crores
Union exercise tax - Rs. 400 Crores
Service tax - Rs. 700 Crores
Tax of union territories- Rs. 200 Crores
Interst receipt - Rs. 500 Crores
Devident & profit - Rs. 800 Crores
External grant - Rs. 200 Crores
Other non tax revenue - Rs. 900 Crores
State Share - Rs. 500 Crores
Receipt of union territories - Rs. 700 Crores
Trf to NCCD (National calamity Contingency fund. - Rs. 200 Crores
Calculate Gross Tax Revenue ...
a. Rs 1900 Crores
b. Rs 2200 Crores
c. Rs 2900 Crores
d. Rs 3800 Crores
Ans - c
Solution :
Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + customs + union excise duties +
service Tax + taxes on union territories
= 500+400+200+500+400+700+200
= 2900 Crores
....
Find the price of a zero-Coupon bond maturing in 5 years and has a par value of 1000 and a required
yield of 6%.
a. 733
b. 744
c. 755
d. 766
Ans - b
Explanation :
Using bond's price formula, here Coupon = 0 and hence,
Zero-Coupon Bond's price = Face Value ÷ (1 + R)T = 1000 ÷ 1.065

But, unless otherwise mentioned, the required yield of most zero-Coupon bonds is based on a semiannual
Coupon payment.
So, Price
= 1000 ÷ 1.0310
= 744
....
Which of the following is not a credit risk?
a. Unwillingness of a customer to meet his commitment relating to a financial tr**Ans** action with the bank
b. Inability of the customer to reimburse the bank in case of invocation of a guarantee or devolvement
of an L.C
c. Inability of a customer to meet his commitment relating to a financial tr**Ans** action with the bank
d. Loss to the bank due to fraud
Ans - d
....
Business Cycle is also known as
a. Entrepreneur cycle
b. Economic cycle
c. Vicious circle
d. None of the above

Ans - b
....
For Y = a - b X we say that relationship between Y and X is
a. direct & linear
b. indirect & linear
c. indirect & curvilinear
d. direct & curvilinear
Ans - b
....
A time series of annual data will contain which of the following components
a. secular trend
b. cyclical fluctuation
c. seasonal variation
d. a & b
Ans - d
....
Removing the highest & lowest actual-to-moving average values when computing seasonal index for
annual data reduces
a. extreme cyclical variations
b. secular trend
c. seasonal variations
d. all of these
Ans - a
....
CHIPS is a
a. Net settlement system
b. Gross settlement system
c. settles in forex currency only
d. a & c both
Ans - a
....
Structured Financial Messaging System (SFMS) is for
a. Inter-bank messaging
b. Intra Bank messaging
c. RTGS
d. All of the above
Ans - d
....
Electronically, customers fund can be tr**Ans** mitted across the bank by
a. CENTRALISED BANKING SYSTEM
b. SFMS
c. RTGS
d. ATMS
Ans – c

Pick the correct statement.
a. IS curve tells us what will be various rates of interest at different levels of income, given the
investment demand curve and a family of saving curves at different levels of income.
b. LM curve is obtained from a family of liquidity preference curves corresponding to various income
levels together with the given stock of money supply.
c. LM curve depicts the various combinations of interest and income levels, at which money market is in
equilibrium.
d. All are correct.
Ans - d
....
Narrow Money consists of ......

a. Currency with the public + demand deposits with the banking system + other deposits with the RBI
b. Currency with the public + time deposits + other deposits
c. Time deposits + demand deposits + other deposits with the RBI
d. Currency with the public + Demand Deposits
Ans - a
....
Who gave wealth theory (definition) of economics?
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - c
....
...... is a measure of level of prices of all new, domestically produced final goods and services in an
economy.
a. WPI
b. GDP deflator
c. Price index
d. CPI
Ans - b
....

Shifts in supply me**Ans** ......
a. When changes in factors other than goods own price affect the quantity supplied
b. When changes in goods own price affect the quantity supplied
c. Both a and b
d. None of these
Ans - a
....
The training and development involves the following. Pick up odd one
a. Identification of training needs
b. Conducting the training
c. Duration of training
d. Selection and development of trainers
Ans - c
....
The people component is becoming the key factor to success of strategy ......
a. For survival
b. For growth
c. For achieving excellence.
d. For social status
Ans - d
....
The theories associated with the actual teaching are:
a. Learning in employees in enhanced when the learner is motivated
b. Learning requires feedback
c. Reinforcement increases the likelihood that a learned behavior will be repeated
d. Learning must be non tr**Ans** ferable to the job
Ans - d
....
Demographic advantage is called......
a. preference
b. dividend
c. premium
d. coupon
Ans - b

....
Government of india introduced......policy for raising interest rate to combat inflation.
a. Exp**Ans** ionary policy
b. Monetary policy
c. Fiscal policy
d. Contractionary policy
Ans - d

....
Which is not true?
a. Personnel department is final authority in policy related decisions
b. Line management is the final authority in performance related decisions concerning promotions.
c. HR professionals must have qualifications in HRM.
d. Managing people is a Operational Function
Ans - d

....
Go through the following data and **Ans** wer the questions (all in Indian Rupees in Crores)
1. Consumptions - Rs. 30000
2. Gross investment - Rs. 40000
3. Govt spending - Rs. 20000
4. Export - Rs. 70000
5. Import - Rs. 60000
6. Taxes - Rs. 5000
7. Subsidies(on production and import) - RS. 1000
8. Compensation of employee - Rs. 500
9. Property Income(net receivable from aboard. - Rs. 500
10.Total capital gains from overseas investment - Rs. 1500
11.Income earned by foreign national domestically - Rs. 500
Calculate GNI
a. Rs. 96000
b. Rs. 105000
c. Rs. 110000
d. Rs. 115000
Ans - b
Solution s :
GDP = C+I+G+(X-M)
= 30000+40000+20000+(70000-60000)
= 100000
GNI = GDP+(taxes-subsidies)+Compensation of Employees(Net receivable from abroad)+property
income(Net receivable from abroad)
= 100000+(5000-1000)+500+500
= 105000

....
A 6 year bond with par value Rs. 1000 has a current yield of 7.5% & a Coupon rate of 8%. What is the
bond's price?
a. 1032
b. 1302
c. 1203
d. 1023
Ans - d

....
If a = 2, b = 1, independent variable = 4 then dependent variable for an estimating line is...
a. 2
b. 4
c. 6
d. 7
Ans - c

....
Out of the following, which 3 measures are used in correlation analysis:
a)standard error, b)covariance, c)standard deviation, d)coefficient of correlation, e) coefficient of
determination.
a. a, b, c
b. a, c, e
c. b, d, e
d. b, c, e
Ans - c

....
Correlation coefficient measures the ...... of the linear relationship.
a. ratio
b. strength
c. value
d. none of these
Ans - b

....
The correlation coefficient is denoted by ......
a. y
b. S
c. r
d. x
Ans - c

....
Which of the following is not a purpose of credit monitoring?
a. To ensure end use of the funds by the borrower
b. To detect any deterioration in the security charged to the bank
c. To comply with the guidelines of the RBI
d. To ascertain that the business continues to run on the projected lines
Ans - c

....
Which of the following is not a tool available to check the bank for credit monitoring?
a. Sending regular reminders to the borrower
b. Periodic visits to the business place for inspection
c. Analysis of financial statements
d. Examine conduct of borrower's account
Ans – a

R B I has suggested which of the following earliest date of making application by banks to R B I regarding
implementation of the advanced approaches (Foundation as well as I R b).
a. 1, April 2012
b. 1, April 2013
c. 1, April 2014
d. 1, April 2015
Ans - a

....
If A invests Rupees 100 at 7 percent interest rate for 3 years, what will be the value at the end of 3
years?
a. 125.20
b. 122.50
c. 152.50
d. 120.50
Ans - b

....
A constant flow paid or received at regular time intervals for ever is known as...

a. Annuity
b. Perpetuity
c. Growing annyuity
d. Growing perpetuity
Ans - b

....
What amount you would need to invest in the annuity if you want to get paid Rs. 20,000 a year for 20
years when the roi is 5%?
a. 249244
b. 242944
c. 244299
d. 242499
Ans - a
Explanation :
Here,
20000 is to be get paid each year, so the formula is derived from EMI formula:

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PV = P / R * [(1+R)^T - 1]/(1+R)^T
PV = 20000 × (1.0520 − 1) ÷ (0.05 × 1.0520)
= 249244
....
Which label can be applied for the purpose of facilitating communication, in an individual's preparation
for an identified job in a not-too-distant future ?
a. Training
b. Education
c. Development
d. None of the above
Ans - b

....
When the adult education is organized with the model (for children), it is known as.....
a. Child modeling
b. Andragogy
c. Pedagogy
d. paragogy
Ans - c
....
The value of r2 is 0.49, then coefficient of correlation is
a. 0.49
b. 0.7
c. 0.07
d. cannot be determined
Ans - d
....
In systematic sampling, each ...... does not have an equal chance of being selected.
a. sample
b. element
c. both of these
d. none of these
Ans – a

Floods, wars, etc are examples of ......
a. secular trend
b. cyclical fluctuation
c. seasonal variation
d. irregular variation
Ans - d
....

Statutory corporations are controlled by which act for credit management?
a. Indian contract act
b. Company act
c. Acts that created them
d. Indian partnership act
Ans - c

....
Which one of the following is not a non fund base credit ?
a. Letter of credit
b. Bill discounting
c. Co-acceptance of bills
d. Forward contracts
Ans - b

....
The population is divided into groups and then a random sample of these groups are selected in ......
a. Simple Random Sampling
b. Systematic Sampling
c. Stratified Sampling
d. Cluster Sampling
Ans - d

....
The aim of a rehabilitation programme is ......
a. To make the operations of the enterprise viable again
b. To help in employment generation
c. To comply with R B I guidelines
d. To increase bank's advances
Ans - a

....
In a normal distribution 95.5% of all the sample statistics are within ……. standard errors of the
population parameter
a. ± 5%
b. ± 2.25%
c. ± 3%
d. none of the above
Ans - b

....
Banks enter into compromise with borrowers in case of default, because ......
a. Recovery through legal action is time consuming
b. Adequate security is not available
c. Realization or security may be difficult
d. All the above
Ans - d

....
As per RBI guidelines, Commercial banks are required to lend ...... of priority sector to weaker sections.
a. 10%
b. 18%
c. 25%
d. 32%
Ans - c

....
Given,
Corporation tax - Rs. 1000 Crores
Income tax - Rs. 800 Crores
Other taxes and duties - RS. 600 Crores
Customs - RS. 800 Crores
Union exercise tax - Rs. 600 Crores
Service tax - Rs. 500 Crores
Tax of union territories- Rs. 300 Crores

Interst receipt - Rs. 500 Crores
Devident & profit - Rs. 700 Crores
External grant - Rs. 300 Crores
Other non tax revenue - Rs. 1000 Crores
State Share - Rs. 600 Crores
Receipt of union territories - Rs. 800 Crores
Trf to NCCD (National calamity Contingency fund) - Rs. 300 Crores
Calculate Gross Tax Revenue ...
a. Rs 3800 Crores
b. Rs 4300 Crores
c. Rs 4600 Crores
d. Rs 5600 Crores
Ans - c
Solution :
Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + costoms + customs + union excise duties +
service Tax + taxes on union territories
= 1000+800+600+800+600+500+300
= 4600 Crores
....
Which is a basic element of a job ?
a. Job
b. Task
c. Role
d. Work
Ans – b
....
You have a choice between investing in a corporate bond or a municipal bond with a yield of 8%. If your
marginal tax rate is 28% , what should be the yield on the corporate bond in order to be competitive?
a. 12.36
b. 11.11
c. 14.32
d. 13.34
Ans – b

Demand for a product at Rs. 10 per unit is 400. If the price elasticity of demand is 1, how much the
demand will be at Rs. 16 per unit?
a. 240
b. 200
c. 160
d. 120
Ans - c
Solution :
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
% Change in Quantity Demanded = 400-x/400*100 = (400-x)/4
% Change in Price = 6/10*100 = 60
Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price
1 = ((400-x)/4)/60
60 = (400-x)/4
240 = 400-x
x = 400-240
x = 160
....
When the price of a commodity falls from Rs. 40 per unit to Rs. 32 per unit, the quantity supplied falls by
30%. Calculate the price elasticity of supply.
a. 1
b. 1.5

c. 2
d. 2.5
Ans - b
Solution :
Price Elasticity of Supply = (% change in quantity supplied) / (% change in price)
= 30/(40-32)*100/40
= 30/8*100/40
= 30/20
= 1.5
....

Advances upto 01.04.2013 for purchase and distribution of fertilizers, pesticides, seeds etc. upto Rs....
are covered under priority sector.
a. 25 Lakhs
b. 50 Lakhs
c. 1 Crore
d. 5 Crores
Ans - d
....
Who is called as the founder of scientific management approach ?
a. Charles Babbage
b. Elton Mayo
c. Fredrick tylor
d. Peter Duker
Ans - c
....
The chapter argues that one of the following attributes of potential employees is of heightened interest
to employers when recruiting. Which one is it?
a. The candidate's physical health
b. The candidate's ability to deal with customers
c. The candidate's ability to prepare for and cope with an uncertain future
d. The candidate's organizational abilities
Ans - c
....
The approach which was instilled in the principles of mass production, organization of work, simple work
skills and supervisory managerial skills is termed as.
a. The scientific management approach
b. Craft system
c. Human relations
d. organisational behaviour
Ans - a
....

296
KPA stands for...
a. Key Performance Areas
b. Knowledge, Performance and Attitude
c. Knowledge, potential and Achievement
d. None of the above
Ans - a
....
The education model available for education of children is called
......
a. Andragogy
b. Cognitive
c. Pedagogy
d. Minorology
Ans - c

....
Which label can be applied for the purpose of facilitating communication, to improve the performance
of individual on his present job ?
a. Training
b. Education
c. Development
d. None of the above
Ans - a

....
Which of the following is not a source for meeting working capital requirements?
a. Suppliers' credit
b. Bank finance
c. Other current liabilities
d. Advance payment to suppliers
Ans - d

....
Which theories state that the learner is passive in the process of learning ?
a. Organismic Theories
b. Mechanistic or Behaviourist Theories
c. Cognitive Theories:
d. Humanistic Theories
Ans - b

....
The concept of howthorne studies was given by...
a. Fredrick tylor
b. Charles Bbbage
c. Elton Mayo
d. Peter Duker
Ans - c

....
Which encompasses socio-psychological relationship ?
a. Job
b. Task
c. Role
d. Work
Ans - d

....
A bond is issued with a face value of 1000 that pays a Rs. 25 Coupon semi-annually. Find its Coupon rate.
a. 4
b. 5
c. 6
d. 7
Ans - b
Explanation :
Coupon = Face Value × Coupon Rate
25 = 1000 × CR ÷ 2
So, CR = 5%

....

A card is drawn at random from a deck of cards. Find the probability of getting 3 of diamond.
a. 1/52
b. 1/38
c. 3/56
d. 3/38
Ans - a

....
LIABILITIES :
Equity capital→ 200

Perference capital → 100
Term loan → 600
Bank CC(Hyp) →400
Sundry creditors → 100
ASSETS :
Net fixed assets → 800
Inventory → 300
Receivables → 150
Investment in Gov Sec → 50
Preliminary Expenses → 100
Total outside liabilities/ Total tangible net worth
DER = ?
Tangible net worth = ?
Current ratio= ?
Ans - 5.5, 2:1 , 200 , 1:1

....
Which of the following is an external factor affecting credit risk?
a. Government policies
b. Faulty loan and repayment structuring
c. Overexposure (concentration) of credit to a particular segment
d. Lack of an efficient recovery machinery
Ans - a

....

Which of the following is not an internal factor affecting credit risk?
a. Excessive lending to cyclical industries
b. Low quality of credit appraisal and monitoring
c. Deficiencies in the loan policy of the bank
d. Protectionist policies of other countries
Ans - d

....
Which of the following is not a macro level action for mitigation of credit risk?
a. Periodically reviews of the exposure norms for single and group borrowers
b. Improving appraisal standards of credit proposals
c. Frequent reviews of norms and fixing internal limits for aggregate commitments to specific sectors of
the industry or business
d. Periodic review of total credit portfolio based on quality parameters
Ans - b

....
The current ratio of M/S Krishna & Co. was 2:1 and current assets of Rs 20 lac. Stocks worth Rs 5 lac are
damaged and there is no insurance. What is the new current ratio, if the total assets are Rs 40 lac ?
a. 1.75
b. 1.5
c. 1.33
d. 1.25
Ans - b

....
A firm revalues its land and building from Rs 40 lac to Rs 100 lac. If the current asset before this
revaluation was 1.33:1 with current liabilities of Rs 100 lac. What will be new current ratio ?
a. 1.17
b. 1.25
c. 1.33
d. 1.50
Ans - c

....

The central limit theorem assures us that the sampling distribution of the mean ......
a. Is always normal
b. Is always normal for large sample sizes
c. Approaches normality as sample size increases
d. Appears normal only when N is greater than 1,000
Ans - b
....
...... is a prominent feature of Type B personalities.
a. Doing several things at one time
b. Feeling guilty when relaxing
c. Being aggressive
d. Being patient and methodical
Ans - d
....
...... rate at which the RBI lends short term money to the banks.
a. Reverse Rate
b. Repo rate
c. OMO
d. SLR
Ans - b
....
The term ...... was coined to differentiate adult learning process from that of child learning.
a. Andragogy
b. Cognitive
c. Pedagogy
d. Minorology
Ans - a
....
A firm needs Rs. 170000 to replace its machinery at the end of 5 years. At 12% roi, how much it should
contribute every month?
a. 2802
b. 2082
c. 2820
d. 2028
Ans - b
Explanation :
Here,
FV = 170000
R = 12% p.a. = 0.01% monthly
T = 5 Y = 60 months
(Here, the firm has to contribute monthly, so we have converted rate and time to monthly equivalent
values)
FV, if invested at end of each month / year, is:
FV = P / R * [(1+R)^T - 1]
170000 = P * (1.0160 -1) ÷ 0.01
170000 = P * 81.66967
P = 170000 / 81.66967
= 2082
....
Find Correlation coefficient for X and Y values given below :
X= (1,2,3,4,5)
Y= {11,22,34,43,56}
a. 0.8899
b. 0.9989
c. 1.0899
d. 1.0989
Ans - b

Explanation :
Step 1: Find Mean for X and Y
X=15/5=3
Y=166/5=33.2
Step 2: Calculate Standard Deviation for Y inputs:
σx=
√(1/(N-1)*((x1-xm)2+(x2-xm)2+..+(xn-xm)2))
=√(1/(5-1)((11-33.2)2+(22-33.2)2+(34-33.2)2+(43-33.2)2+(56-33.2)2))
=√(1/4((-22.2)2+(-11.2)2+(0.8)2+(9.8)2+(22.8)2))
=√(1/4((492.84)+(125.44)+(0.64)+(96.04)+(519.84)))
=√(308.7)
=17.5699
Step 3: Standard Deviation for X Inputs:
σx=
√(1/(N-1)*((x1-xm)2+(x2-xm)2+..+(xn-xm)2))
=√(1/(5-1)((1-3)2+(2-3)2+(3-3)2+(4-3)2+(5-3)2))
=√(1/4((-2)2+(-1)2+(0)2+(1)2+(2)2))
=√(1/4((4)+(1)+(0)+(1)+(4)))
=√(2.5)
=1.5811
Σ((X - μx) (Y - μy))
=(1-3)(11-33.2)+(2-3)(22-33.2)+(3-3)(34-33.2)+(4-3)(43-33.2)+(5-3)(56-33.2)
=(-2*-22.2) + (-1*-11.2) + (0* 0.8) + (1 *9.8) + (2* 22.8)
=44.4 + 11.2 + 0 + 9.8 + 45.6
=111
Correlation Coefficient = 111/((5-1)*1.5811*17.5699)
Correlation Coefficient (r) = 0.9989
Hence the correlation coefficient between the two given data set is 0.9989
....
Suppose that, for a certain population, sigma xbar is calculated as 20 when samples of size 25 are taken
and as 10 when samples of size 100 are taken. A quadrupling of sample size, then, only halved sigma
xbar. We can conclude that increasing sample size is ....
a. Always cost-effective
b. Sometimes cost-effective
c. Never Cost-effective
d. None of the above
Ans - d
....
Suppose you are performing stratified sampling on a particular population and have divided it into strata
of different sizes. How can you now make your sample selection? (i) Select at random an equal number
of elements from each stratum, (ii) Draw equal numbers of elements from each stratum and weigh the
results, (iii) Draw numbers of elements from each stratum proportional to their weights in the
population.
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c
....
Factors of production are categorised into ......categories.
a. 2
b. 3
c. 4
d. 5
Ans - c

....
Narrow money is indicated by...
a. M1
b. M2
c. M3
d. M4
Ans - a

....
Which of the following statements is not correct for project appraisal?
a. Examination of technical feasibility is carried out
b. The contribution of promoters forms a part of economic appraisal
c. Promoters' background is part of the management appraisal
d. Capacity of promoters to arrange for additional funds, in case of contingencies, forms a part of
economic appraisal.
Ans - d

....
Which of the following is not a credit risk?
a. Unwillingness of a customer to meet his commitment relating to a financial tr**Ans** action with the bank
b. Inability of the customer to reimburse the bank in case of invocation of a guarantee or devolvement
of an L.C
c. Inability of a customer to meet his commitment relating to a financial tr**Ans** action with the bank
d. Loss to the bank due to fraud
Ans - d

....
Total liabilities of a firm is Rs 100 lac and current Ratio is 1.5:1. If fixed assets and other non current
assets are to the tune of Rs 70 lac and Debt equity ratio being 3:1. What would be the long term
liabilities ?
a. Rs 60 lac
b. Rs 50 lac
c. Rs 40 lac
d. Rs 100 lac
Ans - a

....
Which one is not an economic activity?
a. Investment
b. Production
c. Consumption
d. None of these
Ans - d

....
Time Deposits are
a. Paid on demand
b. Not paid on demand
c. Relatively less liquid than cash and demand deposits
d. Both a and b
Ans - d

....
...... phase of business cycle is referred as "crisis"
a. Recession
b. Depression
c. Recovery
d. Boom
Ans – a

....
Who gave Scarcity theory of economics?

a. Alfred Marshall
b. Lionel Robbions
c. Adam smith
d. None of these
Ans - b

....
Service sector is also referred as ......
a. Primary Sector
b. Secondary Sector
c. Tertiary Sector
d. None of these
Ans - c

....
Demand deposits are ......
a. Paid on demand
b. Not paid on demand
c. Relatively less liquid than cash and demand deposits
d. Both a and b
Ans - a

....

The Fiscal Responsibility and Budget Management Act (FRBM Act), a committee set up in January 2000,
was headed by ......
a. M Narasimham
b. Dr. E A S Sarma
c. Mr R Raghawan
d. Mr A. K. Choudhary
Ans - b

....
The Finance Minister is required to keep the Parliament informed through ...... on the implementation
and to take corrective measures if the reviews show deviations.
a. half yearly reviews
b. annual reviews
c. monthly reviews
d. quarterly reviews
Ans - d

....
The central bank injects liquidity in to the banking system using ...... Select the best option.
a. CRR
b. SLR
c. Repo Rate
d. Reverse Repo Rate
Ans - c

....
Ashwini purchased a bond with face value of Rs. 1000 and Coupon of 8% and maturity of 6 years. If YTM
is increased by 1%, the change in price of bond would be......
a. 48.64
b. 44.86
c. 46.84
d. 46.88
Ans - b
Explanation :
If YTM is 9%, then bond's price
$= [80 \times (1.09^6 - 1) \div 0.09 + 1000] \div 1.09^6$
$= 955.14$
So, change in price of the bond
$= 1000 - 955.14$
$= Rs. 44.86$ decrease

(Since Coupon rate < YTM, so Bond's Value < FV)

....

Human development Index (HDI) is developed by ......

a. RBI

b. Central Bank

c. World Bank

d. SEBI

Ans - c

....

Pick the incorrect statement.

a. IS curve is derived from the classical theory.

b. Intersection of IS and LM curve determines both the interest and income.

c. As income decreases, liquidity preference curve shifts outward and therefore the rate of interest rises.

d. LM curve is derived from Keynes' liquidity preference theory of interest.

Ans - c

....

Which of the following is not correct regarding term lo**Ans** by the banks?

a. Asset liability matching is an important consideration in term financing

b. Installment of term loan, payable within one year is considered as current liability

c. Repayment of a term loan can be in equated monthly instalments

d. Current ratio is the most important ratio in appraisal of a term loan

Ans - d

....

Which of the following is not correct regarding infrastructure project by the banks?

a. Banks are allowed to funds promoters' equity in certain circumstances

b. Exposure norms are relaxed by R B I

c. Asset liability mismatch has been permitted by R B I

d. I D F C provides liquidity support to banks

Ans - c

....

A higher discount rate will lead to...

a. A higher present value of the future cash flow

b. Lower present value of the future cash flow

c. No change in present value of the future cash flow

d. No change

Ans - b

....

A process by which present cash flow are converted into their future value is called.

a. compounding

b. discounting

c. converting

d. finding present value

Ans - a

....

'As the output increases, the productivity per worker increases.' What relationship does it lead to?

a. direct linear relationship

b. curvilinear relationship

c. inverse relationship

d. none of the above

Ans - b

....

What are sampling groups which are very similar within but dissimilar without are called?

a. cluster

b. stratified

c. systematic

d. random

Ans - b

....

If the maturity of a bond is long into the future the interest rate is higher. Why?

a. longer term maturity is more sensitive to price fluctuation than shorterterm

b. the attractiveness of longer termis related to interestonly

c. longer term bonds are generally issued by institutions of lesser rating

d. longer term maturity is less sensitive to fluctuation than shorter term

Ans - a

....

What variation does moving average method eliminate ?

a. seasonal

b. Cyclical

c. Irregular

d. Secular trend

Ans - a

....

Pick odd man out:

a. Rent

b. Interest

c. Wages

d. Money

Ans - d

....

IS curve and Lm curve are related to ...... (i) Demand, (ii) Income, (iii) Rate of interst

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

A D G P is issued by the bank for , by its client.

a. Sale of goods

b. Purchase of goods

c. Sale of capital goods

d. Purchase of capital goods

Ans - d

....

Which of the following is not a source of funds for meeting the cost of fixed assets by an enterprise?

a. Credit by supplier of assets

b. Internal accruals

c. Debentures

d. D P G

Ans - d

....

Which of the following is not included under gross investment?

a. purchase of new machinery

b. purchase of software

c. investments on financial products

d. buying goods and services

Ans - c

....

Which of the following does not include government spending?

a. tr**Ans** fer payments like social security or unemployment benefits

b. salaries of public servants

c. purchase of weapons for the military

d. None of these

Ans - a

....

CPI measures prices at ......

a. Wholesale Level

b. Consumer Level

c. Retail Level

d. None of these

Ans – c

Select the incorrect statement.

a. The higher the level of income, the lower would be the liquidity preference curve.

b. If the rate of interest is lower than the equilibrium rate, there will be excess demand for money.

c. Excess demand for money at an interest rate below the equilibrium leads to the rise in the interest

rate of the equilibrium level.

d. Given the money demand cure or curve of liquidity preference, an increase in quantity of money

brings down the rate of interest.

Ans - a

....

The formula "C + I + G + (X - M)", (where C stands for consumption, I for gross investment, G for

government spending, X for exports and M for imports) is known as ...... method and is used to calculate

......

a. income, GDP

b. expenditure, GNI

c. income, GNP

d. expenditure, GDP

Ans - d

....

Broad money is indicated by ......

a. M1

b. M2

c. M3

d. M4

Ans - c

....

The deposit liabilities that banks have to maintain with the RBI in the form of liquid cash is known as ......

and it is a certain percentage of their ...... demand and time liabilities.

a. CRR, net

b. CRR, total

c. SLR, net

d. SLR, total

Ans – a

....

Which combination is wrong for definition of economics?

a. Alfred Marshall - welfare definition

b. Lionel Robbions - Scarcity definition

c. Adam Smith - wealth definition

d. Alfred Marshall - wealth definition

Ans - d

....

Population of a town is 100000. The rate of change is 4% per annum. What it was 5years ago?

a.82193

b.82257

c.80493

d.82121

Ans - a

....

In demand curve, quantity and prices are ...... related.

a. Directly

b. Inversely

c. Indirectly

d. Market

Ans - b

....

The amount that all banks have to maintain in cash or in the form of gold or approved securities is

known as ...... and it is a certain percentage of their ...... demand and time liabilities.

a. CRR, net

b. CRR, total

c. SLR, net

d. SLR, total

Ans - d

....

Which of the following statements is true about 'Inflation?'

a. A rise in the general level of prices

b. Leads to fall in purchasing power

c. Both a. and b.

d. None of the above

Ans - c

....

In which stage ideal worker are come forward to work on low wages.

a. Recession

b. depression

c. Recovery

d. Boom

Ans - c

....

A sum of Rs. 32800 is borrowed to be paid back in 2 years by two equal annual installments allowing 5%

compound interest. Find the annual payment.

a. 16470

b. 16740

c. 17460

d. 17640

Ans - d

Explanation :

Here,

PV =?

P = Rs. 32800

T = 2 years

R = 5% = 0.05

PV = P / R * [(1+R)^T - 1]/(1+R)^T

32800 = P × (1.052 − 1) ÷ (0.05 × 1.052)

P = 32800 ÷ 1.8594

P = 17640

....

The proportion of the population contained in a sample is the ......

a. stratified sampling

b. standard deviation

c. sample proportion

d. sampling fraction

Ans - d

....

A standard error indicates ......

a. size of the chance error

b. accuracy we are likely to get

c. both of these

d. none of these

Ans - c

....

The standard deviation of the sampling distribution is equal to the ......

a. population standard deviation divided by the square root of the sample size.

b. population standard deviation multiplied by the square root of the sample size.

c. sample size divided by the square root of the population standard deviation.

d. none of these

Ans - a

....

Which of the following is not a micro level action for mitigation of credit risk?

a. Improving sanctioning and delivering process

b. Abstention of collateral security

c. Monitoring and review of individual proposals/categories of proposals

d. Periodical reviews of the exposure limits for business or industry segment

Ans - d

....

Which of the following statements is not true regarding credit derivatives products?

a. These are used to hedge credit risk to the bank

b. The protection buyer is the lending bank

c. The protection seller can be another bank or any other organization

d. The credit asset is tr**Ans** ferred in case of derivatives

Ans - d

....

Credit rating is a system of ......

a. Measuring risk

b. Mitigating risk

c. Migrating risk

d. Credit appraisal

Ans - a

....

Internal rating me**Ans** ......

a. Rating the project

b. Rating the promoters

c. Rating the risk for internal use

d. None of the above

Ans - d

....

For external credit rating, banks depend on ......

a. Rating agencies

b. Experienced staff of the bank

c. Banking consultants

d. None of the above

Ans - a

....

Standard deviation of the distribution of the sample statistic is called ...... Select the best option.

a. standard error of the mean

b. sampling distribution error

c. standard error of the proportion

d. standard error of the statistics

Ans – d

X opened a recurring account with a bank to deposit Rs. 16000 by the end of each year @ 10% roi. How much he would get at the end of 3rd year?

a. 52960

b. 52690

c. 52069

d. 52096

Ans - a

Explanation :

Here,

P = 16000

R = 10% p.a.

T = 3 yrs

$FV = P / R * [(1+R)^T - 1]$

$FV = 16000 * (1.13 - 1) \div 0.1$

= 52960

....

Which of the following statements is true regarding Standardized approach?

a. It has already been adopted by all the banks

b. It has been adopted only the foreign banks operating in India.

c. It has been adopted by the foreign banks operating in India and some of the Indian banks

d. It has to be adopted by the all the banks by March 2010

Ans - a

....

A 2-year bond offers a yield of 6% and a 3-year bond offers a yield of 7.5%. Under the expectation theory, what should be the yield on a 1-year bond in 2 years?

a. 9.85

b. 10.56

c. 10.96

d. 11.06

Ans – b

Explanation :

$(1+7.5\%)^3 = (1+6\%)^2 \times (1+r)^1$

R = 10.56%

....

A process by which present cash flow are converted into their future value is called ......

a. compounding

b. discounting

c. converting

d. finding present value

Ans - a

....

Which of the following is not an approach for assessment of credit risks, laid down under Basel 2 Accord?

a. Standardized approach

b. Foundation Internal Rating Based (I R b. approach

c. Advanced Internal Rating Based (I R b. approach

d. Simplified Internal Rating Based (I R b. approach

Ans - d

....

R B I has suggested which of the following earliest date of making application by banks to R B I regarding

implementation of the advanced approaches (Foundation as well as I R b)
a. 1, April 2012
b. 1, April 2013
c. 1, April 2014
d. 1, April 2015
Ans - a

....
Go through the following data and **Ans** wer the questions (all in Indian Rupees in Crores)
1. Consumptions - Rs. 30000
2. Gross investment - Rs. 40000
3. Govt spending - Rs. 20000
4. Export - Rs. 70000
5. Import - Rs. 60000
6. Taxes - Rs. 5000
7. Subsidies(on production and import) - RS. 1000
8. Compensation of employee - Rs. 500
9. Property Income - Rs. 500
7,8,9 - Net receivable from aboard
10.Total capital gains from overseas investment - Rs. 1500
11.Income earned by foreign national domestically - Rs. 500
Calculate GDP at cost factor
a. Rs. 90000
b. Rs. 94000
c. Rs. 96000
d. Rs. 104000
Ans - c
Solution :
GDP = C+I+G+(X-M)
= 30000+40000+20000+(70000-60000)
= 100000
GDP at factor rate
= GDP-(Indirect taxes-subsidies)
= 100000-(5000-1000)
= 96000

....
A higher discount rate will lead to ......
a. A higher present value of the future cash flow
b. Lower present value of the future cash flow
c. No change in present value of the future cash flow
d. No change
Ans - b

....
Value today of Re. 1 to be received in future is called ......
a. Present value
b. Compounded factor
c. Discount factor
d. Yield factor
Ans - c

....
In Random Sampling, we pick up one, we note it down, put it back with the remaining and pick the next
one. This is called ......
a. Sampling with replacement
b. Simple random sampling
c. Sampling without replacement
d. None of the above
Ans - a

....
Tr**Ans** action analysis does not refer to ...... (i) understanding financial tr**Ans** actions, (ii) understanding

interpersonal relationship and interaction, (iii) understanding tr**Ans** actions relating to business
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - b

....
A loan of Rs. 4641 is to be paid back by 4 equal annual installments. The interest is compounded
annually @ 10%. Find the value of each installment.
a. 1446
b. 1464
c. 1646
d. 1644
Ans - b
Explanation :
Here,
PV =?
P = Rs. 4641
T = 4 years
R = 10% = 0.10%
EMI = P * R * [(1+R)^T/(1+R)^T-1)]
= 4641 × 0.1 × 1.14 ÷ (1.14 − 1)
= 1464

....
Seasonal variation is ......
a. Repetitive
b. Predictable
c. Both a and b
d. None of the above
Ans - c

....
Mr. Raj decided to deposit Rs. 5000 every year (at end of the year) for 10 years. How much amount he
will get if the interest rate is 5% p.a.?
a. Rs.62890
b. Rs.62980
c. Rs.68920
d. Rs.69820
Ans - a

....
In a normally distributed population, the sampling distribution of the mean ......
a. is normally distributed
b. has a mean equal to the population mean
c. has a standard deviation equal to the population standard deviation divided by the square root of the
sample size
d. all of the above
Ans - d

....
If there is a indirect relationship between rainfall & yield of crops then ......
a. yield is higher if rainfall is less
b. yield is lower if rainfall is less
c. yield is higher if rainfall is higher
d. none of the above
Ans - c

....
What is a zero coupon bond?
a. there is gain only in price
b. gain in coupon

c. no gain at all
d. none of these
Ans - a

....
A population having a stated or limited size is called as ......
a. Limited Population
b. Infinite Population
c. Finite Population
d. Unlimited Population
Ans - c

....
Mr. Ram wants to have Rs 20000 after a year. How much he should deposit in a bank to get this amount
if the prevailing rate of interest is 9% ?
a. 17896
b. 18104
c. 18224
d. 18348
Ans - d

....
The central limit theorem ......
a. Requires some knowledge of the frequency distribution
b. Permits us to use sample statistics to make inferences about population parameters
c. Relates the shape of a sampling distribution of the mean to the man of the sample
d. Requires a sample to contain fewer than 30 observations
Ans – b

Xyz purchased machinery of Rs. 100000. The rate of depreciation is 10%. At wdv method, what is the
average rate of depreciation for 4 years?
a. 12.76
b. 13.76
c. 14.76
d. 15.76
Ans - B
Explanation :
Here,
P = 100000
R = 10%
T = 5 yrs
FV = P*(1-R)^T
So,
FV = 100000*(1-0.1)^4
= 65610
So, amount of depreciation
= 100000 – 65610
= 34390
Average rate of depreciation
= (34390 ÷100000) * (4÷10) %
= 13.76%

....
Which of the following is not the basic objective of the System Audit?
a. Safeguarding assets
b. Maintaining process integrity
c. Maintaining data integrity
d. None of these
Ans - d

....
Which of the following functionality can be accomplished by generalized audit software?

a. Evaluating the quality of data
b. Evaluating the quality of system processing
c. Analytical review
d. All of the above
Ans - d

....
Which of the following technique is used for concurrent audit?
a. Integrated Test facility (ITF)
b. System Control Audit Review File (SCARF)
c. Continuous and Intermittent Simulation (CIS)
d. All of the above
Ans - d

....
Amrita obtained a loan of Rs. 92820 @ 10%, which he has to pay in 4 equal annual installments.
Calculate the amount of installment?
a. 22892
b. 22982
c. 28292
d. 29282
Ans - d
Explanation :
Here,
P = 92820
R = 10% p.a.
T = 4 yrs
EMI = P * R * [(1+R)^T/(1+R)^T-1)]
EMI = 92820 × 0.1 × 1.14 ÷ (1.14– 1)
= 29282

....
The compound interest on a sum for 2 years is Rs. 153 and simple interest is 225 for 3 years. What are
the roi & the principal amount?
a. 5 & 1875
b. 4 & 1875
c. 5 & 1785
d. $ & 1785
Ans - b
Explanation :
Let,
principal amount = P,
ROI = R,
simple interest = SI,
compound interest = CI
SI for 3 years = 225, so SI for 2 years = 150
CI for 2 years = 153, so difference of Rs. 3 = interest for Rs. 75 (225-150)
So, R = 3/75 *100 = 4%
P = (SI × 100) ÷ (R×T)
= (225×100) ÷ (4×3)
= 1875

....
X purchased a house and payment terms are - Rs. 10 lac immediately and balance Rs. 7.50 lac after 2
years. The roi is 6% p.a. and to be compounded semi-annually. What is the cash value of the house?
a. 1676370
b. 1656370
c. 1666370
d. 1636570
Ans - c
Explanation :
Here,

PV of Rs. 7.50 lac = 750000 ÷ 1.034 = 666370

So, total cash value = 10 lacs + 666370 = Rs. 16,66,370

....

X had to pay certain amount to z and had 2 options - a) to make payment of lump sum amount of Rs.

120000 immediately or b) to pay Rs. 150000 in 5 years @ 5% p.a. roi (half yearly compounding). Which

option is more beneficial for x?

a. Option a

b. Option b

c. Both are equal

d. None of the above

Ans - b

Explanation :

If X goes with option b, PV = 150000 ÷ 1.0255×2 = 117180 which is < 120000.

So, option b is more beneficial for X.

....

You will be receiving Rs. 204000 at the end of each year for the next 20 years. If the current discount

rate for such a stream of cash is 10%, find the present value of cash flow.

a. 1736767

b. 1737667

c. 1738767

d. 1736767

Ans - d

Explanation :

Here,

Since 204000 is like EMI. So, to find P, we use the formula of EMI

EMI = P * R * [(1+R)^T/(1+R)^T-1)]

204000 = P × 0.1 × 1.1^20 ÷ (1.120 − 1)

204000 = P × 0.1174596

P = 1736767

....

You are receiving Rs. 1000 every year for the next 5 years at the beginning of the period and you invest

each payment @ 5%. How much you would at the end of the 5-year period?

a. 5082

b. 5280

c. 5820

d. 5802

Ans – d

Explanation :

Apply FV formula to get the **Ans** wer = 5802

....

Microeconomics is concerned with the behaviour of

a. Gross domestic product

b. Individual entities

c. Economy as a whole

d. None of the above

Ans - b

....

Equilibrium Price is also called......

a. Optimum Price

b. Market Clearing Price

c. Competitive Price

d. None of these

Ans - b

....

Which combination is wrong for definition of economics.

a. Alfred marshall - welfare definition

b. Lionel Robbions - Scarcity definition

c. Adam smith - wealth definition

d. Alfred marshall - wealth definition

Ans - d

....

Broad money is indicated by...

a. M1

b. M2

c. M3

d. M4

Ans - d

....

If a = 4, b = 2, independent variable = 5, then dependent variable for estimating line is

a. 6

b. 12

c. 14

d. 18

Ans – c

Solution :

The equation we have is Y = a+bx

Here a = 4, b = 2 and independent variable = 5

Now Y = 4+2*5 = 4+10

= 14

....

The yield on a 6-year bond is 12% while that of 4-year bond is 9%. What should be the yield on a 2-year

bond beginning from now?

a. 17

b. 18

c. 19

d. 20

Ans - c

Explanation :

$(1+12\%)^6 = (1+9\%)^4 \times (1+r)^2$

R = 18%

....

Collateral is waived for lo**Ans** up to Rs ...... to MSE units.

a. 1 lakh

b. 2 lakh

c. 3 lakh

d. 5 lakh

Ans - d

....

Which sector is also called tertiary sector in India?

a. Agricultural

b. Industry

c. Services

d. External

Ans – c

If the dependent variable increases with the independent variable then the coeff. of correlation is

a. 0 to -1

b. 0 to − 0.5

c. 0 to -2

d. none of these

Ans - d

....

If sign of r is negative then it indicates

a. direct relationship between X & Y

b. indirect relationship between X & Y
c. inverse relationship between X & Y
d. b or c
Ans - d
....
The role set conflicts take which of the following Inns ...... (i) role ambiguity, (ii) role overload, (iii) role
erosion
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....
Who is considered as father of Modern Economics?
a. Alfred Marshall
b. Lionel Robbions
c. Adam Smith
d. None of these
Ans - c
....
Which of the following is the benchmark for pricing of securities in other markets?
a. Money Market
b. G - Secs Market
c. Foreign Exchange Market
d. Capital Market
Ans - b
....
Credit guarantee for collateral free lo**Ans** to MSE units is provided by Credit Guarantee Trust Fund
administered by ......
a. RBI
b. IDBI
c. SIDBI
d. CCI (Controller of Capital Issues)
Ans - c
....
The method of least squares finds the best fit line that _____ the error between observed &
estimated points on the line
a. maximizes
b. minimizes
c. reduces to zero
d. b & c
Ans - b
....
Which of the following statements are true? (i) Caring boss displays a Nurturing Parent ego state, (ii)
Personality is a sum total of all that a person has learnt, (iii) We have an image of our own & our actions
are consistent with that image
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....
As on end of previous financial year, XYZ Bank has :
Total Advances - Rs. 80,000 Cr
ANBC (Adjusted Net Bank Credit) - Rs. 75000 Cr
Agriculture Advances - Rs. 13500 Cr
MSE Advances - 5000 Cr

Weaker Section Advances - Rs. 8500 Cr
Total Priority Sector Advances - Rs. 29000 Cr
Ans wer the following based of the above information
What is the target for Agriculture Advances in terms of amount?
a. 12500
b. 13000
c. 13500
d. 14000
Ans - c
....
What is the target for MSE Advances in terms of amount?
a. 7500
b. 9000
c. 10500
d. No such target for MSE
Ans - d
....
What is the target for Weaker Section Advances in terms of amount?
a. 7500
b. 9000
c. 10500
d. 12000
Ans – a
....
What is the target for Priority Sector Advances in terms of amount?
a. 15000
b. 22500
c. 30000
d. 37500
Ans – c

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Purchasing and selling government bonds by RBI in the secondary market is performed under ......
a. FRBM
b. MSS
c. OMO
d. TOT
Ans - c
....
ADGP is issued by the bank not for ...... (i) Purchase of capital goods, (ii) Purchase of goods, (iii) Sale of
capital goods
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c
....
The amount of term loan installment is Rs 10000/- per month, monthly average interest on TL is Rs
5000/-. If the amount of depreciation is Rs 30000/- p.a and PAT is Rs 270000/-. What would be the
DSCR?
a. 1.75
b. 2
c. 1.65
d. 1.33
Ans - b
Let me Explain

Since DSCR = (interest + PAT+ Depriciation) / (interest + instalment of TL)

Hence (5000×12 +270000+30000)/(5000×12+10000×12)

i.e 360000/18000

i.e 2

....

Which of the following are source of funds for meeting the cost of fixed assets by an enterprise? (i)

Credit by supplier of assets, (ii) Debentures, (iii) DPG

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - a

....

LM stands for

a. Liquidity Model

b. Liquidity preference and Money supply equilibrium

c. Liquidity and Money Model

d. Liquidity and money

Ans - b

....

I S curve is derived from

a. Classical theory.

b. Keynesian liquidity preference theory of interest

c. Law of diminishing marginal utility

d. Law of equimarginal utility

Ans - a

....

This emphasizes on the pattern of (mutual) expectations.

a. Job

b. Task

c. Role

d. Work

Ans - c

....

The amount of term loan instalment is Rs 15000/- per month, Monthly average interest on TL is Rs

10000/-. If the amount of depreciation is Rs 30000/- p.a and PAT is Rs 300000/-. What would be the

DSCR?

a. 1

b. 1.5

c. 2

d. 2.5

Ans - c

Let me Explain

Since DSCR = (interest + PAT + Depriciation) / (interest + instalment of TL)

= (10000×12 + 300000 + 30000)/(10000×12 + 15000×12)

= (120000 + 330000) / (120000 + 180000)

= 450000/300000

= 1.5

....

Cash = Rs. 100000

Debtors = Rs. 200000

Inventories = Rs. 300000

Current liabilities = Rs. 200000

Total current assets = Rs. 600000

The quick ratio = ?

a. 1.5:1

b. 2.5:1

c. 2:1

d. 3:1

Ans - a

Let me Explain

Since Quick ratio = Quick asset / CL

Here Quick asset = CA - Inventory

Now CA= (Cash + Debtor.....etc) = Rs. 600000

Here inventories = 300000/-

So, Quick Assets = 600000 - 300000 = Rs. 300000

CL = Rs. 200000

Hence QR = 300000/200000

i.e 1.5:1

....

Current ratio of a unit is 3:1 and quick ratio is 1:1. The level of current assets is Rs 15 lac. What is the

amount of quick asset?

a. Rs 3 lac

b. Rs 5 lac

c. Rs 7 lac

d. Rs 9 lac

Ans - b

Let me Explain

Since CR = CA: CL

CR= CA:CL = 3:1

i.e. 15:CL= 3:1

i.e CL = 5 lac

Now QR= 1:1

Since QR= Quick asset/CL (here quick asset is CA-Inventory)

Hence QA= CL ~ 5 lac

....

A form of economy in which decisions regarding production and consumption are taken by individuals

and firms is called:

a. marketing economy

b. capitalistic economy

c. command economy

d. either(a) or (b)

Ans - d

....

There are three fundamental problems of an economy. Two of these are 'what to produce' and 'how to

produce'.The third problem is:

a. for whom to produce

b. choice between producing consumer good and capital goods

c. distribution of income between factors of production

d. either (a) or (c)

Ans - d

....

It is a process by which the management finds how effective it has been in hiring and placing the

employees...

a. Interview

b. Reference check

c. Performance appraisal

d. 360 degree appraisal

Ans - c

....

Who is the author of the book 'General Theory of Employment, Interest and Money'?

a. Adam Smith

b. Alfred Marshall

c. Prof. Amartya Sen

d. J.M.Keynes

Ans - d

....
Money supply refer to the amount of money:
a. with the banks
b. with banks and post offices
c. with banks post offices and primary dealers
d. in circulation in the economy
Ans - d
....
...... is a tool to increase "Self Awareness".
a. Improving analytical ability
b. Jointing Social circles / groups
c. Johari window
d. All of the above
Ans - c
....
To control employee behavior at work place as daydreaming, forgetfulness, absenteeism, tardiness,
sabotage, alcoholism and drug abuse can be analysed through...
a. Through Trait theory
b. Through psychoanalytical studies
c. Through self concept theory
d. Through Social learing theory
Ans – b

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Mandatory feature of a Letter of Credit ......
a. Must have an applicant and a beneficiary
b. Should have an advising bank and a confirming bank
c. Should be confirmed to be operative
d. Must be confirmed by the reimbursing bank
Ans - a
....
Who gave wealth theory of economics?
a. Alfred marshall
b. Lionel Robbions
c. Adam smith
d. None of these
Ans - c
....
In India which is a official inflation index used for policy decisions.
a. Food inflation index
b. Consumer price index
c. Wholesale price index
d. GDP deflator
And - c
....
Shifts in Supply me**Ans**
a. When changes in factors other than goods own price affect the quantity supplied.
b. When changes in goods own price affect the quantity supplied.
c. Both a. and b.
d. None of these
Ans - a
....
The balance sheet of a firm has shown total asset of Rs 20 lacs. The long term uses are Rs 11 lacs and
current ratio 1.5:1. What is the amount of current liabilities ?
a. Rs 11 lacs
b. Rs 9 lacs
c. Rs 7 lacs
d. Rs 6 lacs
Ans - d

....
A person wants to receive Rs. 1250 every quarter for 5 years @ 12% roi. How much he should invest
now?
a. 18975
b. 18795
c. 18579
d. 18597
Ans - d
Explanation :
Here,
P = 1250
R = 12% quarterly = 3% p.a.
T = 5 yrs = 20 quarters
PV = P / R * [(1+R)^T - 1]/(1+R)^T
So, PV = (1250 ÷ 0.03) * (1.0320 – 1) ÷ 1.0320
= 18597

....
Sanctioned limit = Rs 3 lacs , Stocks = Rs 6 lacs, creditors = Rs 2 lacs , Mortgage of property = 50 lacs ,
margin = 30%. Calculate the DP.
a. 3 lacs
b. 5 lacs
c. 2 lacs
d. 4 lacs
Ans - a
....
Which of the following statements is not true regarding credit derivatives products?
a. These are used to hedge credit risk to the bank
b. The protection buyer is the lending bank
c. The protection seller can be another bank or any other organization
d. The credit asset is tr**Ans** ferred in case of derivatives
Ans - d
....
The amount of installment of a term loan is fixed at Rs 10000/- per month and the monthly average
interest on the account is Rs 5000/-. If the amount of depreciation is Rs 30000/- p.a. and profit after tax
Rs 270000/-. What is DSCR ?
a. 1.5
b. 1.75
c. 2
d. 2.5
Ans - c
....
Credit rating is a system of:
a. Measuring risk
b. Mitigating risk
c. Migrating risk
d. Credit appraisal
Ans - a
....
Human behaviour is a complex phenomenon. It is result of many factors including...... (i) biological
process, (ii) psychological process, (iii)social process
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....

Internal rating me**Ans** -
a. Rating the project
b. Rating the promoters
c. Rating the risk for internal use
d. None of the above
Ans - d
....
Who is considered as father of Modern Economics?
a. Alfred marshall
b. Lionel Robbions
c. Adam smith
d. None of these
Ans - c
....
In ......phase of business cycle, unemployment will be widespread.
a. Recession
b. Depression
c. Recovery
d. Boom
Ans - a
....
Economic Sector reforms were started in India in
a. 1983
b. 1985
c. 1991
d. 1981
Ans - c
....
Indices for fuel group will be announced ......
a. Daily
b. Weekly
c. Forth nightly
d. Monthly
Ans – b

...... is a measure of level of prices of all new, domestically produced final goods and services in an
economy.
a. WPI
b. GDP deflator
c. Price index
d. CPI
Ans - b
....
Which one in johari window concept of Luft and Ingham of self-awareness is also known as private?
a. Arena
b. Blind
c. Closed
d. Dark
Ans - C
....
...... was an early advocate of "Division of Labour".
a. Abraham Maslow
b. Peter F Drucker
c. Charles Babbage
d. Eric Berne
Ans – c
....
Which of the following factors do not fall in organizational factors so far the influence on behavior of an

individual is concerned. (i) reward and compensation system (ii) Sex and education, (iii) perception and
attitude
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - c
....
A sack contains 4 black balls 5 red balls. What is probability to draw 1 black ball and 2 red balls in one
draw ?
a. 12/21
b. 9/20
c. 10/21
d. 11/20
Ans – c
Solution :
Out of 9, 3 (1 black & 2 red. are expected to be drawn)
Hence sample space
n(S) = 9c3
= 9!/(6!×3!)
= 362880/4320
= 84
Now out of 4 black ball 1 is expected to be drawn hence
nb. = 4c1
= 4
Same way out of 5 red balls 2 are expected be drawn hence
n(R) = 5c2
= 5!/(3!×2!)
= 120/12
= 10
Then P(B U R) = n(B)×n(R)/n(S)
i.e 4×10/84 = 10/21
....
Pick odd man out
a. Brazil
b. France
c. India
d. Russia
Ans - b
....

Assume that you have a 6% Coupon console bond. The original face value is Rs. 1000 and the interest
rate is 9%. Find the current value of this bond.
a. 567
b. 576
c. 667
d. 676
Ans - c
Explanation :
Current value of console bond
= Coupon ÷ interest rate
= 60 ÷ 0.09
= Rs. 667
....
Suppose you deposit 2000/- each year for the next three years into an account that pays 8%. How much
will you have in 3 years?
a. 6492.80
b. 6758.62

c. 6521

d. 6120.52

Ans – a

Solution :

FV of annuity = A/r ×{(1+r)^n-1}

Now FV = 2000/0.08×{(1+0.08)^3-1}

i.e Rs 6492.80

....

What is the two year discounting factor at a discount rate of 10% per year ?

a. 0.826

b. 1.212

c. 1.124

d. 0.456

Ans – a

Solution :

The formula to solve the said sum is 1/(1+r)^t where r = discount rate and t = period

Here r = 10 and t = 2

Discounting factor= 1/(1+0.10)^2

= 1/ 1.21

= 0.826

....

Calculate Standard Error from the given data : X = 10, 20,30,40,50

a. 6.1071

b. 6.0711

c. 7.1071

d. 7.0711

Ans - d

Explanation :

Total Inputs (N) = (10,20,30,40,50)

Total Inputs (N) =5

First find Mean:

Mean (xm) = (x1+x2+x3...xn)/N

Mean (xm) = 150/5

Mean (xm) = 30

Then find SD:

SD = √(1/(N-1)*((x1-xm)2+(x2-xm)2+..+(xn-xm)2))

= √(1/(5-1)((10-30)2+(20-30)2+(30-30)2+(40-30)2+(50-30)2))

= √(1/4((-20)2+(-10)2+(0)2+(10)2+(20)2))

= √(1/4((400)+(100)+(0)+(100)+(400)))

= √(250)

= 15.811

Then Find Standard Error:

Standard Error=SD / √(N)

= 15.8114/√(5)

= 15.8114/2.2361

= 7.0711

....

The standard error of the mean for a sample size of two or more is ......

a. Always greater than the standard deviation of the population

b. Generally greater than the standard deviation of the population

c. Usually , the standard deviation of the population

d. None of these

Ans - c

....

Suppose you start a rent-a-car business and want to buy an automobile. You have choice of buying the

car cash down for Rs 400,000 or paying Rs. 90,000 a year for five years for the same car. What will be

your choice, if the opportunity cost is 10% ?

a. Pay cash

b. Take the auto loan

c. Data insufficient to **Ans** wer

d. None of these

Ans – 2

Here PV of Rs 90,000 each year for the next 5 years will be..

PV(90000,10%,5) = { 90000×(1.10^5-a. } / 0.10 ×1.1^5

= 341171

Now as the Cash down payment is 400,000 greater than the PV of Rs. 90,000 for next 5 years (Rs.

34117a., you will prefer taking loan.

....

CPI measures prices at......

a. Wholesale Level

b. Consumer Level

c. Retail Level

d. None of these

Ans - c

....

When the price of a commodity falls from Rs. 10 per unit to Rs. 9 per unit, the quantity supplied falls by

20%. Calculate the price elasticity of supply.

a. 1

b. 1.5

c. 2

d. 2.5

Ans - c

Solution :

Price Elasticity of Supply = (% change in quantity supplied. / (% change in price)

= 20/(10-9)*100/10

= 20/1*10

= 20/10

= 2

....

The economy in which the government does not interfere in economic decisions is called......

a. Socialistic ecomomy

b. Mixed economy

c. Market economy

d. Laissez-faire economy

Ans - d

....

Net fiscal deficit is the difference between

a. gross fiscal deficit and net interest payments

b. gross fiscal deficit and interest payments

c. gross fiscal deficit and net lending

d. None of the above

Ans - c

....

Consumption of fixed capital is synonym of ...

a. Wages

b. Depreciation

c. Rent

d. Profit

Ans - b

....

We have six students say A, B, C, D, E, F participating in a quiz contest. Out of six students only two can

reach to the final. What is the probability of reaching to the final of each student ?

a. 1/2

b. 2/3

c. 1/3

d. 1/6

Ans – c

Since out of 6, 2 can reach the final. Hence sample space is

n(S) = 6 c2 = 6!/(6-b.!×2! = 15

Here event of occurrence of probability of each student out of six (A B C D E F) = (AB AC AD AE AF) = n(E)

= 5

Now P(E) = 5/15 = 1/3

....

An bag contains 10 black balls and 5 white balls. 2 balls are drawn from the bag one after other without

replacement. What is the probability that both drawn are black ?

a. 2/7

b. 3/7

c. 4/7

d. 6/7

Ans - 2

Solution :

Let E and F denote respective events that first and second ball drawn are black.

We have to find here P(E), P(E/F) and P(E n F)

Now P(E) = P(Black in first drawn) = 10/15

Also given that the first ball is drawn i.e events E has occurred. Now there are 9 black balls and 5 white

balls left in the urn. Therefore the probability that the second ball drawn is black, given that the ball first

drawn is black nothing but conditional probability of F given that E has occurred already.

Hence P(E/F) = 9/14

Now by the multiplication rule of probability

P(E n F) = P(E) × P(E/F)

= 10/15 × 9/14 = 3/7

....

People work for a variety of reasons i.e. there are a no. of factors that motivate a person to work, which

include ...... (i) money and appreciation, (ii) status, (iii) work satisfaction, self-growth

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

....

Xyz purchased machinery of Rs. 100000. The rate of depreciation is 10%. At wdv method, what is the

amount of depreciation for 4 years?

a. 33940

b. 34390

c. 34930

d. 33490

Ans - B

Explanation :

Here,

P = 100000

R = 10%

T = 5 yrs

FV = P*(1-R)^T

So,

FV = 100000*(1-0.1)^4

= 65610

So, amount of depreciation

= 100000 − 65610

= 34390

....

A jar contains 3 red marbels, 7 green marbels and 10 white marbles. If a marble is drawn at random,

What is the probability that marble drawn is white?

a. 2/5

b. 1/2

c. 3/8

d. 10/13

Ans – 2

Solution :

Here Red = 3

Green = 7

White = 10

Hence total sample space is (3+7+10)= 20

Out of 20 one ball is drawn n(S) = {c(20,a.} = 20

To find the probability of occurrence of one White marble out of 10 white ball

n(R)={c(10,a.} = 10

Hence P(R) = n(R)/n(S)

= 10/20 = 1/2

....

A person wants to borrow Rs. 25000 immediately and another Rs. 20000 after a period of 2 years @ 10%

interest. He wants to pay it in monthly installments for 5 years. Calculate the amount of monthly

payment?

a. 879

b. 897

c. 978

d. 987

Ans - a

Explanation :

Here,

PV of 20000 for 2 years @ 10% = 20000 ÷ 1.0083324 = 16388.07

So, total amount = 25000 + 16388.07 = 41388.07

Now, T = 5 × 12 = 60 months and R = 10% p.a. = 10/1200 = 0.00833

EMI = P * R * [(1+R)^T/(1+R)^T-1)]

EMI = 41528.93 × 0.00833 × 1.0083360 ÷ (1.0083360 – 1)

= 879

....

Factors of production used in the production are categorised into ... categories.

a. 2

b. 3

c. 4

d. 5

Ans - c

....

When pizza prices rise 40%, the quantity of pizzas supplied rises by 26%. Calculate the price elasticity of

supply.

a. 0.50

b. 0.65

c. 0.75

d. 0.85

Ans - b

Solution :

Price Elasticity of Supply = (% change in quantity supplied. / (% change in price)

= 26/40 = 0.65

....

Which of the following statements about inflation is not correct?

a. It is sustained increase in price level over a period.

b. Inflation leads to erosion in purchasing power of money

c. Inflation always has only negative effect on the economy.

d. None of the above

Ans - c

....

Unemployment of men and materials iswidespread during which phase of business cycle?

a. boom

b. recession

c. depression

d. recovery

Ans - c

....

Mr x is to receive Rs. 10000, as interest on bonds by end of each year for 5 years @ 5% roi. Calculate the

present value of the amount he is to receive.

a. 43925

b. 43295

c. 49325

d. 49235

Ans - b

Explanation :

Here,

P = 10000

R = 5% p.a.

T = 5 Y

$PV = P / R * [(1+R)^T - 1]/(1+R)^T$

PV to be received, if the amount invested at end of each year:

So,

$FV = (100000 \div 0.05) * \{(1+0.05)^5 - 1\} \div (1+0.05)^5$

= 43295

....

A company has net worth of Rs 5 lac , term liabilities are Rs 10 lac. Fixed Assets worth Rs 16 lac and

current assets are Rs 25 lac. There is no intangible assets or the non current assets. Calculate it's net

working capital.

a. 1 lac

b. 2 lac

c. 3 lac

d. 4 lac

Ans - a

Here Net worth = capital + reserve = 5 lac

Since capital is a kind of liability hence liability = 5 lac

Liabilities = 10+5 = 15 lac

Assets= 16+25= 41 lac

But as per balance sheet Total assets = Total liabilities

Hence liabilities must be 41 lac also

351

In 41 lac (41-15= 26) i.e 26 lac will be CL

Hence NWC = CA-CL

= 1 lac

....

The value of a statistic tends towards the value of the population as size increases. What is it said to be ?

a. sufficient

b. consistent

c. efficient

d. unbiased

Ans - b

....

Mr. Raj decided to deposit Rs. 5000 every year (at end of the year) for 10 years. How much amt he will

get if the interest rate of is 5% p.a.?

a. Rs.62890

b. Rs.62980

c. Rs.68920

d. Rs.69820

Ans : a

Solution :

Fv=a/r (1+r)n-1

=5000/.05(1.05)10-1

=62890

....

Under career path planning, at each level, the jobs which are comparable in terms of the knowledge,

skill requirement can be identified and

categorized as a group. This is called as ......

a. task group

b. job families

c. work cluster

d. any of the above

Ans - b

....

A company has net worth of Rs. 15 lac, term liabilities are Rs. 10 lac. Fixed Assets worth Rs. 16 lac and

current assets are Rs. 25 lac. There is no intangible assets or the non current assets. Calculate it's net

working capital.

a. 6 lac

b. 7 lac

c. 8 lac

d. 9 lac

Ans - d

Total Assets = Total liabilities

Total Assets = Fixed Assets + current assets

= 16 + 25

= 41

So total liabilites must be 41 lac

Now out of 41 lac, the long term liability is 25 lac (15 + 10)

Hence CL = 41 - 25 = 16 lac

Now we have CA = 25 lac and CL = 16 lac

NWC = 25 - 16

= 9 lac

....

The balance sheet of a firm has shown total asset of Rs 20 lacs. The long term uses are Rs 11 lacs and

current ratio 1.5:1. What is the amount of current liabilities ?

a. Rs 11 lacs

b. Rs 9 lacs

c. Rs 7 lacs

d. Rs 6 lacs

Ans - d

Solution :

Total Assets - long term asset = current Assets

Hence, current assets = 20 - 11 = 9.00 lac

Current ratio 1.5:1

Current ratio = Current Assets / Current Liabilities

1.5:1 = 9 / Current liabilities

Current liabilities = 9/1.5

= 6 lac

..............................……….

The amount of instalment of a term loan is fixed at Rs. 25000/- per month and the monthly average

interest on the account is Rs. 15000/-. If the amount of depreciation is Rs. 60000/- p.a. and profit after

tax Rs. 600000/-. What is DSCR ?

a. 1.5

b. 1.75

c. 2

d. 2.5

Ans - b

DSCR = (Interest + PAT + Depreciation + other non cash expenses) / (interest + instalment on TL)

= (15000×12+600000+60000)/(15000×12+25000×12)

= 840000/480000

= 1.75

..............................……….

Current ratio of a unit is 3:1 and quick ratio is 1:1. The level of current assets is Rs 15 lac. What is the

amount of quick asset?

a. Rs 3 lac

b. Rs 5 lac

c. Rs 7 lac

d. Rs 9 lac

Ans - b

Solution :

CR = CA:CL

CA:CL = 3:1

15:CL= 3:1

CL = 5 lac

Now QR= 1:1

QR= Quick asset/CL

Quick asset/CL = 1:1

QA = CL = 5 lac

..............................……….

Current Assets are Rs. 25 lac and Current ratio is 3:1. If Working capital turn over ratio is 8 and net profit

to sales percent 11%, find the amount of net profit.

a. Rs. 11 lac

b. Rs. 22 lac

c. Rs. 33 lac

d. Rs. 44 lac

Ans - b

Solution :

Current assets are Rs. 25 lac

Now since wc turn over ratio is 8 that me**Ans** the total turn over will be 25 × 8 = 200 lac

Then profit should be 200 × 11% = 22 lac

..............................……….

Cash = Rs. 2,00,000

Debtors = Rs. 5,00,000

Inventories = Rs. 10,00,000

Current liabilities = Rs. 15,00,000

Total current assets = Rs. 25,00,000

The quick ratio = ?

1) 1:1

2) 1.5:1

3) 2:1

4) 2.5:1

Ans - a

Solution :

Quick ratio = Quick asset / CL

Here Quick asset = CA-Inventory

Now CA = Rs. 25,00,000 and inventories = Rs. 10,00,000

So, Quick asset = 2500000 - 1000000 = 1500000

CL = 1500000

Hence Quick Ratio = 1500000/1500000

= 1:1

..............................……….

The balance sheet of a firm has shown total asset of Rs. 35 lacs. If the current ratio 2:1 and the long term

uses are Rs. 20 lacs, What is the amount of current liabilities ?

a. Rs. 6 lacs

b. Rs. 7.5 lacs

c. Rs. 9 lacs

d. Rs. 10.5 lacs

Ans - b

Solution :

Total Assets - long term asset = current Assets

Hence, current assets = 35 - 20 = 15 lac

Current ratio 2:1

Current ratio = Current Assets / Current Liabilities

2:1 = 15 / Current liabilities

Current liabilities = 15/2

= 7.5 lac

..............................……….

Calculate the present value of 6 year bond with 9 per cent coupon rate with FV Rs. 1000/-. Current

interest rate is 12 per cent.

a. Rs.843.83

b. Rs.1025.57

c. Rs.876.66

d. Rs.768.68

Ans - c

Solution

FV = 1000

Coupon Rate (CR) = 0.9%

t = 6 year

R (YTM) = 0.12

Annual interest rate payable=1000*9%=90

Principal repayment at the end of 6 year = Rs. 1000

=90 (PVIFA, 12%,6 years)+1000(PVIF,12%, 6 Years)

PVIFA= ((1+r)^t -1)/ r+ PVIF=1/(1+R)^t

=90(1.12^6-1/0.12*(1.12)^6+1000(1/1.12^6)

=90*1.97382-1/0.12*1.1.97382+1000(1/1.97382)

=90*0.97382/0.12*1.97382+1000*0.0.50663

=90*0.97382/0.23685+506.63

=90*4.11154+506.63

=370.03+506.63

=876.66

..............................……….

Working capital gap is not ...... (i) Current Assets less Current Liabilities, (ii) Current Assets less Current

Liabilities other than Bank Borrowings, (iii) 75% of Current Assets

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

..............................……….

A company has Fixed Assets worth Rs. 20 lac and current assets are Rs. 60 lac, current liabilities are Rs.
40 lac. There is no intangible assets or the non current assets. Calculate it's net working capital.
a. 20 lac
b. 30 lac
c. 40 lac
d. 60 lac
Ans - a
NWC = CA - CL
we have CA = 60 lac and CL = 40 lac
NWC = 60 - 40
= 20 lac

....
The amount of instalment of a term loan is fixed at Rs. 16000/- per month and the monthly average
interest on the account is Rs. 7500/-. If the amount of depreciation is Rs. 33000/- p.a. and profit after tax
Rs. 300000/-. What is DSCR ?
a. 1.5
b. 1.75
c. 2
d. 2.5
Ans – a

DSCR = (Interest + PAT + Depreciation + other non cash expenses) / (interest + instalment on TL)
= (7500×12+300000+33000)/(7500×12+16000×12)
= 423000/282000
= 1.5

....
Current ratio of a unit is 2:1 and quick ratio is 1:1. The level of current assets is Rs. 20 lac. What is the
amount of quick asset?
a. Rs. 5 lac
b. Rs. 10 lac
c. Rs. 15 lac
d. Rs. 20 lac
Ans - b
Solution :
CR = CA:CL
CA:CL = 2:1
20:CL= 2:1
CL = 10 lac
Now QR = 1:1
QR = Quick asset/CL
Quick asset/CL = 1:1
QA = CL = 10 lac

....
No loan related and ad-hoc service charges/inspection charges should be levied on priority sector lo**Ans**
up to ......
a. Rs. 10,000
b. Rs. 25,000
c. Rs. 40,000
d. Rs. 50,000
Ans - b

....
The priority target is mentioned as a percentage of ......
a. Adjusted Net Bank Credit (ANBC)
b. Credit Equivalent Amount of Off-Balance Sheet Exposure (OBE)
c. Whichever is higher as on March 31 of the previous year
d. None of the above

Ans - c
....
The overall priority sector target foreign banks is ......
a. 20%
b. 32%
c. 40%
d. 50%
Ans - c
....
Foreign banks with less than 20 branches have to achieve the priority sector target of 40% in a phased
manner but within ......
a. 2018
b. 2019
c. 2020
d. 2021
Ans - c
....
Bank lo**Ans** up to a limit of Rs.5 crore per borrower for building social infrastructure will be eligible for
categorization as priority sector for following activities ...... (i) health care facilities, (ii) drinking water
facilities, (iii) sanitation facilities
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....
NNP for a given year can be defined as ......
a. Market value of final goods only
b. The market value of all final goods and services
c. The market value of all final services only
d. None of the above
Ans - b
....
Deficit Financing me**Ans** ......
a. Government spends in excess of revenue and capital receipt to that budget deficit in incurred which is
financed by borrowing from the RBI.
b. Difference in borrowing an internal and external resources
c. Capital expenditure on items of public construction, public enterprises and public borrowings.
d. None of the above
Ans - a
....
Temporary control of inflation can be effected by ......
a. Lowering Bank Rate
b. Purchasing of securities by RBI
c. Restraint on the growth of money supply
d. None of these
Ans - c
....
Status symbol goods are ...... (i) Veblen goods, (ii) Exception to law of demand, (iii) Goods of conspicuous
consumption
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d
....

Which of the following is true about Straight bonds? (i) A straight (normal or with interest) bond is one
where the purchaser pays a fixed amount of money (principal) to buy the bond, (ii) At regular periods,
he/she receives an interest payment, called the coupon payment, (iii) The final interest payment and the
principal are paid on date of maturity
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
Price - demand relationship in the case of Giffen goods is ......
a. Inverse
b. Direct
c. Absent
d. None of the above
Ans - b

....
The term "hyper-inflation" is used to denote ......
a. Creeping inflation
b. Step by step inflation
c. A "Runaway" or "galloping" inflationary situation where the monetary unit becomes almost worthless
d. None of these
Ans - c

....
If the interest rate changes, from 8 per cent this year to 10 per cent next year. What is the Future value
of Rupees 100 in 2 years? What is the Present Value of Rupees 100 to be received after 2 years?
a. 81.48
b. 81.84
c. 84.18
d. 84.81
Ans - c
Solution
FV=PV(1+r)*(1+r)
=100*1.08*1.10
=100*1.188
=118.80
PV=FV/(1+r)*(1+r)
=100/1.08*1.10
=100/1.188
=84.178
=84.18

....
Ups and downs in the economy due to trade cycles are called ......
a. cyclical variations
b. seasonal variations
c. secular tends
d. none of the above
Ans - a

....
Which one of the following is the indication of seasonal variation ......
a. improvement in techniques
b. demand of woolen clothes in winter
c. purchase of books during the beginning of the academic sessions
d. none of the above
Ans - b

....
Bond holders are of the business (Bond issuer) ......
a. Creditors
b. Share holders
c. Partners
d. Owners
Ans - a

....
Y = ? in series ......
a. TxS+C+1
b. T-S+C-1
c. T-SxCx1
d. TxSxCx1
Ans – d

It the Coupon rate & the Discount rate (Market based) or the expected rates of return are same ......
a. The bond will be trading at par
b. Bond will trade at a discount
c. Bond will trade at a premium
d. Coupon rate & discount rates have no connection with each other
Ans - a

....
Whose work can be cited as the first instance of defining the perspective of adult learning in the 20th
century?
a. Socrates
b. Confucius
c. Lindeman
d. Aristotle
Ans - c

....
When the rate of inflation increases?
a. purchasing power of money increases
b. purchasing power of money decreases
c. value of money increases
d. amount of money in circulation decreases
Ans - b

....
State true or false 1. Each organization needs competent staff with the necessary qualifications, skills,
knowledge, work experience and aptitude to perform work. 2. Manpower planning is also needed in
order to identify an organizations need to reduce its workforce. Select the correct option
a. 1 is True, 2 is False
b. 1 is False,2 is True
c. 1 is True. 2 is True
d. 1 is False,2 is False
Ans - c

....
In the 360 degree appraisal method, the appraisal of an employee is done by ...... (i) seniors, (ii)
colleagues, (iii) subordinates
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....
Macroeconomics deals with;

a. Gross domestic product
b. Unemployment rate
c. Price indices
d. All the above
Ans - d

....

According to J.M.Keynes rate of interest and bond prices are ...... related
a. Inversely
b. Directly
c. Parallely
d. Horizontally
Ans - a

....

As per RBI latest guidelines, lo**Ans** to cooperative societies of farmers for disposing of the produce of
members upto Rs.... are covered under priority sector.
a. 25 Lakhs
b. 50 Lakhs
c. 1 Crore
d. 5 Crores
Ans - d

....

Keynes explained interest in terms of
a. Real forces
b. Economic forces
c. Monetary forces
d. Social forces
Ans - c

....

X wants to send his daughter to a management school after 5 years and will need onetime payment of
charges amounting to Rs. 7 lac. At 12% roi, how much he should invest annually?
a. 111087
b. 110187
c. 118107
d. 118017
Ans - b
Explanation :
Here,
FV = 7 lac
R = 12% p.a.
T = 5 yrs
FV = P / R * [(1+R)^T - 1]
700000 = P * (1.125 – 1) ÷ 0.12
700000 = P * 6.352847
P = 110187

....

Industries & business enterprises whose turnover for the accounting period exceeds Rs.50 crore has to
submit segment-wise reporting as per ...
a. AS-3
b. AS-7
c. AS-17
d. AS-21
Ans - c

....

The compensation should be adequate which takes into account the following ...... (i) minimum wages,
(ii) living wages, (iii) fair wages
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

No penal interest should be charged to borrowers of loan under priority sector upto Rs.
a. 10000
b. 20000
c. 25000
d. 50000
Ans - c

....

Advances against pledge/hypothecation of agricultural produce sanctioned to farmers on or after
01.04.2013 upto Rs.... are covered under priority sector.
a. 10 Lakhs
b. 15 Lakhs
c. 25 Lakhs
d. 50 Lakhs
Ans - d

....

No collateral security is required for loan under MSME for manufacturing/production and providing or
rendering of services upto Rs.
a. 1 lakh
b. 2 lakhs
c. 5 lakhs
d. 10 lakhs
Ans - C

....

Which one is not a Basic concept used in preparing of financial statements ?
a. Entity concept
b. Money Market concept
c. Going Concern concept
d. Accural concept
Ans - b

....

Which one doesn't come under Liability ?
a. Share capital
b. Reserve & surplus
c. Miscellaneous expenditure
d. current liability & provisions
Ans - c

....

Which accounting standard makes it mandatory for some enterprises to prepare cash Flow Statement
for the accounting period ?
a. AS-1
b. AS-3
c. AS-9
d. AS-17
Ans -b

....

Which one doesn't come under Current liabilities ?
a. Advance payments received
b. pre-paid expenses
c. unclaimed dividend & dividends
d. provisions for taxes
Ans - b

....

...... is known for his concept of "Division of Labour" and "Time and motion studies".
a. Abraham Maslow
b. Frederick Tailor
c. Robert Owen
d. Eric Berne
Ans - b

....
The general feeling of fellowship that prevails in the workgroup atmosphere, prevalence of information
supporting cultural and social groups comes in which type of climate survey?
a. Identity
b. Structure
c. Risk
d. Warmth
Ans - d

....
It is a process by which the management finds how effective it has been in hiring and placing the
employees...
a. Interview
b. Reference check
c. Performance appraisal
d. 360 degree appraisal
Ans - c

....
Which step comes after when the performance standards are communicated to the employees and the
performance appraisal methods.
a. Performance level are compared with benchmark
b. Out comes are than communicated to employees.
c. Measure the performance of employee
d. Initiate corrective action
Ans - c

....
In demand curve, quantity and prices are .... related. (i) Directly, (ii) Inversely
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Neither (i) nor (ii)
Ans - b

....
Z raised a house loan of Rs.10 lac at 12% rate of interest repayable in 10 years. Calculate the EMI?
a.10654
b.10799
c.10987
d.11281
Ans - c

....
The oldest and simple method of performance appraisal where Relative position of each employee is
assessed, is called as?
a. Comparison method
b. Straight ranking method
c. Graphic or linear rating method
d. Grading method
Ans - b

....
It is a tendency to allow one trait or characteristic of an employee to influence the assessment, it rate an
employee either high or low.

a. Similar error tendency
b. Central tendency
c. Halo effect
d. Leniency or strictness tendency
Ans - c

....
Given,
Currency with public - Rs. 90000 Crores
Demand deposit with banking system - Rs. 180000 Crores
Time deposits with banking system - Rs. 220000 Crores
Other deposit with RBI - Rs. 260000 Crores
Savings deposit of post office savings banks - Rs. 60000 Crores
All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores
Calculate M4.
a. Rs. 750000 Crores
b. Rs. 800000 Crores
c. Rs. 810000 Crores
d. Rs. 870000 Crores
Ans - b
Solution :
M4 = M3+All deposit with post office savings bank excluding NSCs
M3 = M1+Time deposit with banking system
M1 = currency with public + demand deposit with the banking system + other deposits with RBI
M1 = 90000+180000+260000
M1 = 530000
So,
M3 = M1+Time deposit with banking system
M3 = 530000+220000
M3 = 750000 Crores
So,
M4 = M3+All deposit with post office savings bank excluding NSCs
M4 = 750000+50000
M4 = 800000 Crores

....
Money is anything which performs ...... (i) A measure of value, (ii) A store of value over time, (iii)
Measure of prosperity
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - a

....
Expand S L R
a. Statutory Leverage Ratio
b. Statutory Liquidity Ratio
c. Statutory Liquidity Rate
d. Static Liquidity Ratio
Ans - b

....
CSO classifies the Industrial Sector in to how many segments?
a. Three
b. Four
c. Six
d. Two
Ans - a

....
Herzberg mentioned six motivational factors. Which is not one among them?
a. Recognition

b. Advancement
c. Responsibility
d. Job security
Ans - d

....
The value a person assign to his desired reward is called......
a. Perk
b. Pay
c. Salary
d. Valence
Ans - d

....
In the relationship between height and educational qualification
a. the height is independent and education is dependent variable
b. the height is dependent and education is independent variable
c. there is inverse relationship between the two
d. none of the above
Ans – d

Tylor believed that workers would be motivated by "Rabble Hypothesis". This assumption of tylor are
based on ......
a. Need for sequrity
b. Social fulfillment
c. Challenging job
d. Need for money
Ans - d

....
In given Qrtly. data the first step in computing seasonal index is calculating
a. 4 qtr moving average
b. discard highest and lowest values
c. 4 qtr. Moving total
d. none of the above
Ans - c

....
For a data of 8 half year periods the code for the 7th half is
a. 2
b. 3
c. 6
d. 5
Ans - d

....
When coding for odd number of periods. The following is done
a. subtract each value from the smallest value
b. subtract each value from the highest value
c. subtract each value from the middlemost term
d. none of the above
Ans - c

....
Given,
Corporation tax - Rs. 500 Crores
Income tax - Rs. 400 Crores
Other taxes and duties - RS. 200 Crores
Customs - RS. 500 Crores
Union exercise tax - Rs. 400 Crores
Service tax - Rs. 700 Crores
Tax of union territories- Rs. 200 Crores
Interst receipt - Rs. 500 Crores
Devident & profit - Rs. 800 Crores
External grant - Rs. 200 Crores
Other non tax revenue - Rs. 900 Crores

State Share - Rs. 500 Crores
Receipt of union territories - Rs. 700 Crores
Trf to NCCD (National calamity Contingency fund. - Rs. 200 Crores
calculate Total Revenue Receipt ...
a. Rs 5100 Crores
b. Rs 5300 Crores
c. Rs 5500 Crores
d. Rs 5700 Crores
Ans - b
Solution :
Total Revenue Receipt = Net Tax Revenue + Total Non Tax Revenue
Let us first calculate Net Tax Revenue,
NTR=GTR-NCCD-State share
Gross Tax revenue = Corporation Tax + Income tax + other tax & duties + customs + union excise duties +
service Tax + taxes on union territories
= 500+400+200+500+400+700+200
= 2900 Crores
Net Tax Revenue = Gross tax revenue - NCCD - state share
= 2900-200-500
= 2200 Crores
Now, let us calculate Total Non Tax Revenue,
Total Non Tax Revenue = Interest Receipt + Dividend & profit + External grants + other Non-Tax revenue
+ Receipt of union territories
= 500+800+200+900+700
= 3100 Crores
So,
Total Revenue Receipt = Net Tax Revenue + Total Non Tax Revenue
Total Revenue Receipt = 2200 + 3100
= 5300 Crores

....
Abhinav brindra won a gold medal in Olympics. By winning ever first gold medal for india he has full
filled his which needs .....
a. Physiological needs
b. Social needs
c. Self esteem needs
d. Self actualization needs
Ans - c

....
Market Demand Curve obeys the ...... (i) Law of downward-sloping demand (ii) Law of upward-sloping
demand
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - a

....
Service Sector is also called as
a. Primary Sector
b. Secondary Sector
c. Tertiary Sector
d. None of the above
Ans - c

....
Given,
Recoveries of loan and advance - Rs. 1200 Crores
Misc capital receipt - Rs. 600 Crores
Market loAns - Rs. 500 Crores

Short term borrowings - Rs. 800 Crores

External assistance (Net) - Rs. 300 Crores

State provident fund - Rs. 400 Crores

Other receipts (Net) - Rs. 800 Crores

Securities issued against small savings - Rs. 300 Crores

Recoveries of short term lo**Ans** and advances from states and lo**Ans** to govt servents - Rs. 600 Crores

Total Non Tax Revenue - Rs. 3000 Crores

Net Tax Revenue - Rs. 1000 Crores

Draw down cash balance - Rs. 2000 Crores

Calculate Capital Receipt ...

a. Rs 2700 Crores

b. Rs 3900 Crores

c. Rs 4300 Crores

d. Rs 5100 Crores

Ans - c

Solution :

Capital Receipt = Non Debt Receipt + Debt Receipt

Let us first calculate Non Debt Receipt,

Non Debt Receipt = Recoveries of loan & advances (deduct recoveries of short term lo**Ans** & advance

from state and lo**Ans** to govt servants) + Misc Capital receipts

= 1200-600+600

= 1200 Crores

Now, let us calculate Debt receipt,

Debt Receipt = Market Lo**Ans** + Short Term Borrowings + External assistance(NET) + Securities issued

against Small savings + State provident fund + other Receipts(Net)

= 500 + 800 + 300 + 300 + 400 + 800

= 3100 Crores

Capital Receipt = Non Debt Receipt + Debt Receipt

= 1200 + 3100

= 4300 Crores

···

Reforms were started in ......

a. 1981

b. 1991

c. 1971

d. 1995

Ans - b

···

The share of services in the national income from the last 10 years is

a. Decreasing

b. Constant

c. Increasing

d. Nominal

Ans - c

···

Expand I T E S.

a. Information Technology and Electronic Services

b. Information Technology and Enabled Services

c. Information Technology and Efficient Services

d. None of the above

Ans - b

···

Twin economic imbalances existed during 1990 are ...

a. Fiscal crisis and external payment crisis

b. Fiscal and monetary crisis

c. Monetary and external payment crisis

d. None of the above

Ans - a

···

A time series of annual data will contain which of the following components

a. secular trend

b. cyclical fluctuation

c. seasonal variation

d. a & b

Ans – d

The seasonal changes are always ......

a. periodic but not regular

b. not periodic

c. periodic and regular

d. none of the above

Ans - c

···

Which is the feature of prosperity ? (i) inflation, (ii) optimism, (iii) high profits

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

···

Given,

Recoveries of loan and advance - Rs. 2000 Crores

Misc capital receipt - Rs. 500 Crores

Market lo**Ans** - Rs. 500 Crores

Short term borrowings - Rs. 1000 Crores

External assistance (Net) - Rs. 300 Crores

State provident fund - Rs. 400 Crores

Other receipts (Net) - Rs. 1000 Crores

Securities issued against small savings - Rs. 500 Crores

Recoveries of short term lo**Ans** and advances from states and lo**Ans** to govt servants - Rs. 800 Crores

Total Non Tax Revenue - Rs. 4000 Crores

Net Tax Revenue - Rs. 1500 Crores

Draw down cash balance - Rs. 3000 Crores

Calculate Capital Receipt ...

a. Rs 3700 Crores

b. Rs 4200 Crores

c. Rs 4700 Crores

d. Rs 5400 Crores

Ans - d

Solution :

Capital Receipt = Non Debt Receipt + Debt Receipt

Let us first calculate Non Debt Receipt,

Non Debt Receipt = Recoveries of loan & advances (duduct recoveries of short term lo**Ans** & advance

from state and lo**Ans** to govt sarvants) + MISC Capital receipts

= 2000-800+500

= 1700 Crores

Now, let us calculate Debt receipt,

Debt Receipt = Market Lo**Ans** + Short Term Borrowings + External assistance(NET) + Securities issued

against Small savings + State provident fund + other Receipts(Net)

= 500 + 1000 + 300 + 500 + 400 + 1000

= 3700 Crores

Capital Receipt = Non Debt Receipt + Debt Receipt

= 1700 + 3700

= 5400 Crores

···

Case Study

A firm has Capital of Rs. 200, Reserve Rs. 230 Term Loan of Rs. 180, Advance from customers Rs. 40,

sundry creditor Rs. 100, Bank CC limit balance Rs. 400, Fixed Assets Rs. 300, Preliminary expenses Rs. 80,

Debit balance of profit and loss account balance Rs. 30, advance tax paid Rs. 20, cash on hand Rs. 20,

Stock Rs. 400 and sundry creditor Rs. 300. on the basis of the above information:

01. Tangible Net worth of the firm

a. Rs. 430

b. Rs. 200

c. Rs. 350

d. Rs. 320

Ans - d

Solution

Tangible Networth= Networth-inttengible assets

Capital+reserve-(preliminary expeses+p&L debit balance)

= 200+230-(80+30)

= 430-110

= 320

....

02. in the above problem, the current ration would be ......

a. 1.25:1

b. 1.28:1

c. 1.33:1

d. 1.37:1

Ans - d

Solution

Current Ratio=Current Assets / Current Liabilities

CA=(20+20+400+300)=740

CL=(40+100+400)=540

= 740/540

= 1.37:1

....

03. in the above problem, the total outside liabilities to tangible networth ......

a. 1:1

b. 1.8:1

c. 2.1:1

d. 2.25:1

Ans - d

Solution

Total outsiders liabilities/Tangible networth

=720/320

=2.25:1

....

04. if the sales are Rs. 2000, stock turnover Ratio is ......

a. 5 times

b. 6 times

c. 3 times

d. 2 times

Ans - a

Solution

Stock turn over ratio= Sales/stock

=2000/400

=5 times

....

05. if the sales are Rs. 3000, the debt collection period and debit turnover ratio would be ......

a. 1 month and 12 times

b. 1.2 month and 10 times

c. 1.5 month and 8 times

d. 2 month and 6 times

Ans - b

Solution

Debt Collection period = No. days or months or Weeks in a year/Debt Turnover Ratio.

12 month in year

=12/10 = 1.2

Debtors Turnover Ratio = Net Credit Sales / Average Debtors.

=3000/300

=10 times

1.2 month and 10 times

....

An increase in the Bank Rate generally indicates that the ......

a.market rate of interest is likely to fall

b.Central Bank is no longer making lo**Ans** to commercial banks

c.Central Bank is following an easy money policy

d.Central Bank is following a tight money policy

Ans -

....

Economic growth is usually coupled with ......

a.Deflation

b.Inflation

c.Stagflation

d.Hyperinflation

Ans - b

....

What would an increase in demand for goods mean ......

a. Increase in inflation

b. Decrease in inflation

c. growth in money supply

d. drop in money supply

Ans - a

....

Which of the following is a cause of high inflation?

a. Good production capacity

b. Drop in demand

c. High money supply

d. low growth

Ans - c

....

Which of the following is included in the money supply measure M4?

a. Currency with Public

b. Money in demand deposit

c. Money in time deposit

d. All the above

Ans - d

....

For what reasons a person will required to pay interest to a bank?

a. if the person uses fund from bank

b. the loan given by the bank contains risk

c. none of the above

d. a and b above

Ans - d

....

What will be the nature of the interest charged on a loan with weak security?

a. interest amount ill be low

b. Interest amount does not depend on the nature of security

c. interest amount will be high

d. none of the above

Ans - c

....
Name of the economist who proposed the theory of liquidity preference, which suggested that
speculative motive is one of the three motive for demand for money.
a. Marshal
b. Robbins
c. Keynes
d. Adam Smith
Ans - c

....
Which sector is the highest growing sector in the Indian economy?
a. Agricularal
b. Industry
c. MSEM
d. Services
Ans - d

....
A study is done to see if there is a linear relationship between the life expectancy of an individual and
the year of birth. The year of birth is the ......
a. Unable to determine
b. dependent variable
c. independent variable
d. None of the above
Ans - c

....
When the ...... is in control, people behave in a thinking, rational, calculating, factual, unemotional
manner.
a. Parent ego state
b. Child ego state
c. Adult Ego State
d. None of the Above
Ans - c

....
What percentages of the indian polulation is employed in the agriculturaal sector?
a. 40
b. 50
c. 52
d. 55
Ans - c

....
MSEs are included in the ...... sector for lending
a. priority
b. weaker
c. agricultyre
d. none of the above
Ans - a

....
Agriculture sector contribute ...... to the indian economy
a. 25%
b. 17%
c. 52%
d. 60%
Ans - b

....
which of the following is not an outcome of the process of privatization?
a. opening of public sector to private bodies
b. entry of private firms in areas reserved for public sector
c. moving away from democracy

d. converting public sector to private sector
Ans - c

....
Which of the following entity does not determine the exchange?
a. Government
b. Market
b. RBI
c. Minister of foreign affairs
Ans - b

....
In linear programming, most popular non-graphical procedure is classified as ......
a. linear procedure
b. non-graphical procedure
c. graphical procedure
d. simplex method
Ans - d

....
Most effective behavior, human relations and performance comes from ......
a. Parent ego state
b. Child ego state
c. Adult ego state
d. Either parent ego state or adult ego state
Ans - c

....
Which is not relate Emotional Intelligence, Pick odd one
a. Self motivation
b. Self regulation
c. Emotion
d. Empathy
Ans - c

....
In linear programming, term which states value of objective function improvement is classified as ......
a. stated function
b. improvement function
c. better programmed
d. best
Ans - c

....
Non basic variable which is used to replace basic variable is variable which has ......
a. most positive column
b. most negative column
c. most negative row
d. most positive row
Ans - c

....
In linear programming problems, set of basic variables which are appeared in linear problem consists of
......
a. slack and real variables
b. slack and artificial variables
c. departing basic variable
d. departing non basic variable
Ans - b

....
Small and Medium Enterprises sector contributing ...... growth of Indian economy
a. 17%
b. 45%

c. 19%

d. 64%

Ans - b

....

The Fiscal Responsibility and Budget Management (FRBM) Act aimed for ......

1. Eliminating both revenue deficit and fiscal deficit

2. Giving flexibility to RBI for inflation management

Which of the statements given above is/are correct ?

a. 1 only

b. 2 only

c. Both 1 and 2

d. Neither 1 nor 2

Ans - b

....

Service sector contrubute ...... to the indian economy

a. 19%

b. 64%

c. 17%

d. 45%

Ans - b

....

All banks are mandated to lend to priority sector. Which of the following would come under Priority

Sector Lending (PSL) ?

1. lo**Ans** to corporations

2. lo**Ans** to Self Help Groups

3. lo**Ans** to small and marginal farmers

4. lo**Ans** to state government

Select the correct **Ans** wer using the codes given below.

a. 1 and 2 only

b. 1 and 3 only

c. 2 and 3 only

d. 2,3 and 4 only

Ans - c

....

If indirect taxes in an economy are increased, then which of the following can occur ?

1. GDP at factor cost increases

2. GDP at factor cost decreases

3. GDP at market price increases

4. GDP at market price decreases

Select the correct **Ans** wer using the codes given below.

a. 1 only

b. 2 and 3 only

c. 3 only

d. 4 only

Ans - c

....

Consider the following statements about Index of Industrial Production (IIP)

1. It is released monthly by Central Statistical Organisation (CSO)

2. It shows the volume of industrial activity.

Which of the statements given above is/are correct ?

a. 1 only

b. 2 only

c. Both 1 and 2

d. Neither 1 nor 2

Ans - a

....

An economy pursuing an exp**Ans** ionary fiscal policy can witness :

1. increase in fiscal deficit

2. increase in wages of labour

3. increase in rate of income tax

Select the correct **Ans** wer using the codes given below.

a. 1 only

b. 1 and 2 only

c. 1 and 3 only

d. 1,2 and 3

Ans - a

....

Per Capita Income is obtained by dividing National Income By

a. Total population of the country

b. Total Working population

c. Area of the country

d. Volume of the capital used

Ans - a

....

Consider the following data:

1. Revenue deficit (RD) = 3% of GDP |

2. Grants for capital formation = 1.8% of GDP

3. Primary deficit (PD) = 1.2%

4. Non-plan expenditure = 1.5%

In the above scenario, effective revenue deficit (ERD) will be:

a. 1.2%

b. 1.5%

c. 1.8%

d. cannot be calculated

Ans - a

Solution

ERD = RD – Grants for capital formation

=3% – 1.8%

= 1.2%

....

Gross capital formation will increase if:

1. gross domestic savings increases

2. gross domestic consumption increases

3. GDP increases

Select the correct **Ans** wer using the codes given below.

a. 1 only

b. 1 and 2 only

c. 1 and 3 only

d. None of the above

Ans - d

....

CSO classifies the Industrial Sector in to how many segments?

a. Three

b. Four

c. Six

d. Two

Ans - a

....

Consider the following statements:

1. India's GDP is more than its GNP.

2. Net Factor Income from Abroad (NFIA) is positive for India.

Which of the statements given above is/are correct?

a.1 only

b. 2 only

c. Both 1 and 2

d. Neither 1 nor 2

Ans - a

....
In a laissez-faire economy ......
a. The customers take all the decisions regarding production of all the commodities
b. The Government does not interfere in the free functioning of demand and supply forces in the market
c. The private sector takes all the decisions for price-determination of various commodities produced
d. The Government controls the allocation of all the factors of production
Ans - b

....
Gross Domestic Product is defined as the value of all ......
a. Goods produced in an economy in a year
b. Goods and services produced in an economy in a year
c. Final goods produced in an economy in a year
d. Final goods and services produced in an economy in a year
Ans - d

....
In India, inflation is measured by ......
a. wholesale price index number
b. consumer price index for urban non-manual workers
c. consumer price index for agricultural workers
d. national income deflation
Ans - d

....

If a standard error of a statistic is less than that of another then the former is said to be ......
a. efficient
b. unbiased
c. consistent
d. sufficient
Ans - a

....
If the maturity of a bond is long into the future the interest rate is higher. Why?
a. longer term maturity is more sensitive to price fluctuation than shorter term
b. the attractiveness of longer term is related to interestonly
c. longer term bonds are generally issued by institutions of lesser rating
d. longer term maturity is less sensitive to fluctuation than shorter term
Ans - a

....
If prices double, what happens to real value of rupee?
a. remains same
b. doubles
c. halves
d. changes in unlike proportions
Ans - c

....
A form of economy in which decisions regarding production and consumption are taken by individuals
and firms is called : (i) Marketing economy, (ii) capitalistic economy
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Both (i) and (ii)
Ans - d

....
What sector is called as Primary Sector in India?

a. Industrial Sector
b. Service Sector
c. External Sector
d. Agricultural Sector
Ans - d

....
Some times an individual may not be clear about the various expections that people have from his role
and this causes......
a. Role stagnation
b. Inter-role distance
c. Role ambiguity
d. Role-set conflicts
Ans - c

....
A fund which is created by companies to make payment of balloon repayment lo**Ans** by regular annual
contributions to have adequate funds at the end of the period, when repayment fails due is called...
a. reserve fund
b. balloon fund
c. sinking fund
d. repayment fund
Ans - c

....
Which of the following is not a method of selecting samples from a population?
a. Judgement sampling
b. Random sampling
c. Probability sampling
d. Cluster Sampling
Ans - c

....
Present value is Rs.20000. Interest rate is 12 % per annum. Interest is compounded on quarterly basis.
What will be the cash flow at the end of first year?
a. 25210
b. 22150
c. 22510
d. 21520
Ans - c
Solution :
Now there are 4 quarters (as compounding is quarterly) Interest rate per quarter is 3 per cent. So,
$C4 = PV(1+i/100)^4$
$= 10000(1.03)^4$
$= 10000*1.125509$
$= 22510$

....
If payments are made/received at the beginning of the period, this Annuity is called as ...
a. Perpetual Annuity
b. Annuity Ordinary
c. Annuity Due
d. Advance Annuity
Ans - c

....
In case of compound Interest, if compounding is done half yearly, then t is multiplied by ...
a. 2
b. 3
c. 4
d. 6

Ans - a

....

If you want to get Rs. 50000 after 1 year, how much you should invest at the interest rate of 10% ?

a. 45545
b. 45454
c. 44554
d. 44454

Ans – b

Solution :

FV = PV (1+r)^n

50000 = PV (1+10/100)^1

50000 = PV (1+0.1)

50000 = PV (1.1)

PV = 50000/1.1

= 45454

....

A bond that has no matuarity and pays a fixed coupon (or rate of interest) is called ...

a. Long term bond
b. Perpetual bonds
c. Console bonds
d. Non-repayable bonds

Ans - C

....

Given,

Recoveries of loan and advance - Rs. 1200 Crores

Misc capital receipt - Rs. 600 Crores

Market lo**Ans** - Rs. 500 Crores

Short term borrowings - Rs. 800 Crores

External assistance (Net) - Rs. 300 Crores

State provident fund - Rs. 400 Crores

Other receipts (Net) - Rs. 800 Crores

Securities issued against small savings - Rs. 300 Crores

Recoveries of short term lo**Ans** and advances from states and lo**Ans** to govt servents - Rs. 600 Crores

Total Non Tax Revenue - Rs. 3000 Crores

Net Tax Revenue - Rs. 1000 Crores

Draw down cash balance - Rs. 2000 Crores

Calculate Total Receipt ...

a. Rs 5700 Crores
b. Rs 9900 Crores
c. Rs 10300 Crores
d. Rs 11700 Crores

Ans – c

Solution :

Total Receipt = Total Revenue Receipt + Capital Receipt + Draw down cash balance

Let us first calculate Total Revenue Receipt,

Total Revenue Receipt=Net Tax Revenue + Total Non Tax Revenue

= 1000 + 3000

= 4000 Crores

Now, let us calculate Capital Receipt,

Capital Receipt = Non Debt Receipt + Debt Receipt

Let us first calculate Non Debt Receipt,

Non Debt Receipt = Recoveries of loan & advances (deduct recoveries of short term lo**Ans** & advance

from state and lo**Ans** to govt servants) +

MISC

Capital receipts

= 1200-600+600

= 1200 Crores

Now, let us calculate Debt receipt,

Debt Receipt = Market Lo**Ans** + Short Term Borrowings + External assistance (NET) + Securities issued

against Small savings + State provident fund + other Receipts(Net)

= 500 + 800 + 300 + 300 + 400 + 800

= 3100 Crores

Capital Receipt = Non Debt Receipt + Debt Receipt

= 1200 + 3100

= 4300 Crores

So,

Total Recepipt = Total Revenue Receipt + Capital Receipt + Draw down cash balance

= 4000 + 4300 + 2000

= 10300 Crores

....

Expand BPLRs

a. Benchmark Prime Lending Rates
b. Benchmark Prime Loan Rates
c. Benchmark Process Lending Rates
d. None of the above

Ans - a

....

When the price of a product increases by 20%, the demand for the product decreases for 800 to 600.

What is the price elasticity of demand for the product?

a. 1
b. 1.25
c. 1.5
d. 1.75

Ans - b

Solution :

Price Elasticity of Demand = % Change in Quantity Demanded / % Change in Price

% Change in Quantity Demanded = 200/800*100 = 25

% Change in Price = 20

Price Elasticity of Demand = 25/20 = 1.25

....

Given,

Currency with public - Rs. 120000 Crores

Demand deposit with banking system - Rs. 200000 Crores

Time deposits with banking system - Rs. 250000 Crores

Other deposit with RBI - Rs. 300000 Crores

Savings deposit of post office savings banks - Rs. 100000 Crores

All deposit with post office savings bank excluding NSCs - Rs. 50000 Crores

Calculate M2.

a. Rs. 570000 Crores
b. Rs. 620000 Crores
c. Rs. 670000 Crores
d. Rs. 720000 Crores

Ans – d

Solution

M1 = currency with public + demand deposit with the banking system + other deposits with RBI

M1 = 120000+200000+300000

M1 = 620000

M2 = M1+Savings deposit of post office savings banks

So,

M2 = 620000+100000

M2 = 720000 Crores

....

If you wish an annuity to grow to Rs. 17000 over 5 years so that you can replace your car, what monthly

deposit would be required if you could invest @ 12% compounded monthly?

a. 208
b. 280
c. 204
d. 240

Ans - a

Explanation :

Here,

FV = 17000

T = 5 years = 60 months

R = 12% yearly = 0.01% monthly

P =?

FV = P / R * [(1+R)^T - 1]

17000 = P × (1.01^60 − 1) ÷ 0.01

17000 = P × 81.6697

So,

P = 17000 / 81.6697 = 208

....

Factors of Production are : (i) Land, (ii) Capital, (iii) Entrepreneur

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - c

....

In Vroom's theory, motivation is a product of ......

a. expectancy
b. instrumentality
c. valence
d. All of above

Ans - d

....

According to the Personality Job Fit theory, the six personality type are:Realistic,Investigative,Social, ...
Enterprising and Artistic.

a. Jovial
b. Empathetic
c. Conventional
d. Timid

Ans - c

....

The MCLR will comprise of ...... (i) Marginal cost of funds, (ii) Negative carry on account of CRR, (iii)
Operating costs & Tenor premium.

a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)

Ans - d

....

Banks shall review and publish their Marginal Cost of Funds based Lending Rate (MCLR) of different
maturities every ......

a. week
b. month
c. quarter
d. year

Ans - b

....

The minimum average maturity is ...... for ECB up to USD 50 million or its equivalent.

a. 2 years
b. 3 years
c. 4 years
d. 5 years

Ans - b

....

The minimum average maturity is ...... for ECB beyond USD 50 million or its equivalent.

a. 2 years
b. 3 years
c. 4 years
d. 5 years

Ans - d

....

ABC & co's balance sheet included the following accounts:

Cash: 10,000

Accounts Receivable: 5,000

Inventory: 5,000

Stock Investments: 1,000

Prepaid taxes: 500

Current Liabilities: 15,000

Find the Quick Ratio

a. 1.02
b. 1.05
c. 1.07
d. 1.09

Ans - c

Solution :

Quick Ratio = Cash + Cash Equivalents + Short Term Investments + Marketable Securities + Accounts
Receivable) / Current Liabilities

= (10000+5000+1000) / 15000

= 16000 / 15000

= 1.07

....

ABC & co's balance sheet included the following accounts:

Inventory : 5,000

Prepaid taxes : 500

Total Current Assets : 21,500

Current Liabilities : 15,000

Find the Quick Ratio

a. 1.02
b. 1.05
c. 1.07
d. 1.09

Ans - c

Solution :

Quick Ratio = (Current assets – Inventory - Advances - Prepayments Current Liabilities) / Current
Liabilities

= (21500 - 5000 - 500) / 15000

= 16000 / 15000

= 1.07

....

Go through the following data and **Ans** wer the question.

1. Consumptions - Rs. 100000 Cr

2. Gross investment - Rs. 75000 Cr

3. Govt spending - Rs. 25000 Cr

4. Export - Rs. 100000 Cr

5. Import - Rs. 75000 Cr

6. Indirect Taxes - Rs. 15000 Cr

7. Subsidies(on production and import) - RS. 10000 Cr

8. Compensation of employee - Rs. 500 Cr

9. Property Income - Rs. 500 Cr

7,8,9 - Net receivable from aboard

10.Total capital gains from overseas investment - Rs. 20000 Cr

11.Income earned by foreign national domestically - Rs. 10000 Cr

Calculate GDP

a. Rs. 220000 Cr

b. Rs. 225000 Cr

c. Rs. 230000 Cr

d. Rs. 235000 Cr

Ans - b

Solution :

GDP = Consumption + Gross investment + Government spending + (Exports - Imports)

GDP = C+I+G+(X-M)

= 100000+75000+25000+(100000-75000)

= 225000

....

The theory of distribution refers to ...... (i) The distribution of income among various factors of the

production, (ii) The distribution of income among different individuals in the economy.

a. Only (i)

b. Only (ii)

c. Either (i) or (ii)

d. Both (i) and (ii)

Ans - a

....

Which of the following is not a seiective credit control measure? (i) Rationalizing of Credit, (ii) Open

market observations, 9iii) Changes in the statutory liquidity ratio

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - b

....

Essential services owned and controlled by government is called ...... (i) Public monopoly, (ii) Public

utility, (iii) Public Sector

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

....

National Income is based on ...... (i) Total Production x prices, (ii) Rent + wages + Interest + Profit, (iii)

Domestic Income + NFI

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

....

Which of the following is included in the calculation of gross domestic product? (i) Personal

consumption expenditure, (ii) Gross domestic investment, (iii) Purchase by the government

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - d

....

Which of the following circumstances would be likely to bring about a change in the demand schedule

for a product? (i) A fall in the price of the product, (ii) An increase in the number of potential consumers,

(iii) A new method of producing the product

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - a

....

Gross National Product is greater than gross domestic product when ......

a. NFI (from abroad) > 0

b. NFI < 0

c. NFI = 0

d. NFI = -1

Ans - a

....

The utility of a commodity is ......

a. Its expected social value

b. Its relative scarcity

c. The extent of its practical use

d. The degree of its fashion

Ans - b

....

Marginal utility curve of a given consumer is also his ......

a. Indifference curve

b. Demand curve

c. Supply curve

d. Total utility curve

Ans - b

....

Which of the following statements is correct? (i) Micro-economics is primarily concerned with the

problem of what, how and for whom to produce, (ii) Micro-economics is primarily concerned with the

behaviour of individual decision making units when at equilibrium, (iii) MiCro-economics is primarily

concerned with the time path and process by which one equilibrium position evolves into another

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i), (ii) and (iii)

Ans - c

....

Economic laws may be described as ......

a. Principles derived froman analysis of price and output determination.

b. Generations concerning the economic behaviour of individuals and institutions.

c. Forecasts in quantitative terms of the economic development of society.

d. Expression of the basic features of competition.

Ans - b

....

The total utility is maximum when ......

a. MU is zero

b. AU is the highest

c. MU is the highest

d. MU is equal to AU
Ans - a

....

To convert an annual trend equation to a monthly basis, when original data are given as totals ......

'a' is divided by 12 and 'b' by 144
b. 'a' is divided by 12 and 'b' by 12
c. 'a' is divided by 144 and 'b' by 12
d. 'a' is divided by 144 and 'b' by 144
Ans - a

....

Changes that have taken place as a result of such forces that could not be predictel !Ilse floods etc. are
known as ......
a. seasonal variations
b. erratic variation
c. cyclical variation
d. none of the above
Ans - b

....

Seasonal variations repeat during a period of ......
4: 12 months
b. 24 months
c. 36 months
d. 46 months
Ans – a

The law of diminishing marginal utility states that ......
a. As more of a commodity is consumed total satisfaction diminishes.
b. The more you have of a particular commodity the less you want more of it.
c. As more units of a commodity are produced the price of the commodity will fall
d. The consumption of further units of a commodity will bring a steady increase in the amount of
satisfaction obtained.
Ans - b

....

Bonds may be ...... (i) Secured by Fixed charges on assets, (ii) Floating charge on assets, (iii) Unsecured
debentures can also be issued
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

Debentures are ...... (i) Normal types of bonds issued by Corporates, (ii) It is unsecured debt, backed only
by the name and goodwill of the Company, (iii) In the event of the liquidation of the corporation, holders
of debentures are repaid before stockholders, but after other secured creditors
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

Based upon the concept of present value, a bond that paid a "below market" rate of interest (say 3%),
would sell at ......
a. A price above its maturity value

b. A price equal to its maturity value
c. A price below as maturity value
d. None of the above.
Ans - c

....

The most important factors covering Magna' variations are ...... (i) growth of population, (ii)
technological improvements, (iii) weather
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

The general movement persisting over long period Is called ......
a. secular trend
b. seasonal trend
c. trend value
d. none of the above
Ans - a

....

The Value of a bond is ......
a. Its Face Value
b. Present value of its future Cash flows
c. Market Price
a. Issue price
Ans - b

....

The most widely used method of measuring seasonal variations Is ......
a. ratio to moving averages method
b. ratio to trend method
c. link relative method
d. method of simple averages
Ans - a

....

Irregular variations are caused by ...... (i) floods, (ii) strikes, (iii) wars
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

....

An increase in the price of a commodity, other things remaining same, results in ......
a. Increase in price
b. Increases in quantity supplied
c. Increase in demand
d. Taxes
Ans - b

....

"Free Trade Area" denotes ......
a. Free Exports
b. A group of countries which have decided to impose no duties of any kind on imports from other
members of the group
c. Free Exports & Imports
d. All the above
Ans - b

....

Which of the following are among the major determinants of the interest rate in the Keynesian theory?
a. People's desire to hold money and to keep their wealth in liquid form
b. The available stock of money
c. The intensity of speculation on the stock exchange
d. The value of gold and silver on the world's markets
Ans - c

………………………………………

A fall in the price of a commodity whose demand curve is a rectangular hyperbola causes total
expenditure on the commodity to ......
a. Remain unchanged
b. Increase
c. Decrease
d. Any of the above
Ans - a

………………………………………

Supply remaining constant, if demand increases, price will ......
a. Rise
b. Remains constant
c. Fluctuate
d. Fall
Ans - a

………………………………………

A time series Is a set of observations taken at specified time, usually at ......
a. equal Intervals
b. unequal intervals
c. only at short-term intervals
d. none Of the above
Ans - a

………………………………………

Which one of the following is a component of time series ? (i) secular trend, (ii) seasonal variations, (iii)
cyclical variations
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans - d

………………………………………

We find irregular variations due to ...... (i) lock outs, (ii) tr**Ans** port bottlenecks (iii) floods
a. Only (i) and (ii)
b. Only (i) and (iii)
c. Only (ii) and (iii)
d. (i), (ii) and (iii)
Ans – d

How can we remove seasonal variations ? (i) reducing prices in seasons, (ii) introducing different
products having different seasons
a. Only (i)
b. Only (ii)
c. Either (i) or (ii)
d. Neither (i) nor (ii)
Ans - d

………………………………………

Coupon rate me**Ans** ......
a. Market rate of return of a bond / Debentt ire
b. The rate at which the bond would pay interest at stipulated periods

c. The total amount (Principal+ Interest) that a bond would pay
d. Yield to maturity of the bond
Ans - b

………………………………………

What is the sequence of the following phases in business (i) depression, ii) prosperity, iii) recovery, iv)
recession
a. ii, iv, i, iii
b. iv, ii, I, iii
c. iv, i, if, iii
d. iii, II, iv, I
Ans - a

………………………………………

A stage when a person attempts to achieve ego integrity by examining whether life has been meaningful
or satisfying, in the context of career planning, is called ......
a. adolescence
b. young adulthood
c. adulthood
d. maturity
Ans - d

………………………………………

D * YTM/1 + YTM gives: (D me**Ans** duration and YTM me**Ans** yield to maturity)
a. duration of the bond
b. bond price elasticity
c. yield to maturity of the bond
d. interest rate elasticity
Ans - d

………………………………………

Vroom's Expectancy Theory of motivation consists of ...... elements
a. 2
b. 3
c. 4
d. 5
Ans - b

………………………………………

According to Vroom's Expectancy Theory of motivation, Valence is ......
a. the individual,s belief that the accomplishment of a given task will result in the attainment of some
valued reward
b. the strength of an individuas perference for obtaining some particular outcome
c. the confidence that individual may have in themselves in accomplishing a certain task
d. None of the above
Ans - c

………………………………………

With a view to make the job more interesting, meaningful and challenging, this process of building
several positive, intrinsic inducements and attractions is referred to ......
a. Job Rotation
b. Job enrichment
c. Job enlargement
d. Job Design
Ans - b

………………………………………

Which of the following is not element in Vroom's expectancy of motivation ?
a. valence
b. operant conditioning

c. Expectency
d. Intrumentality
Ans - b

....
Theory X and Theory Y Proposed by ......
a. Maslow
b. McGregor
c. Vroom
D. Jucius
Ans - b

....
Hawthrone studies have underlined the importance of which of the following?
a. Contingency approach to management
b. Scientific approach to management
c. Modern approach to management
d. Human relations approach to management
Ans - d

....
Job evaluation is used for ......
a. Determining wage rate differentials
b. Study of job evaluation
c. Rating of employee merit
d. Determining production cost
Ans - a

....
Within Maslow's hierarchy of needs, the need for belonging is associated with ......
a. physiological needs
b. safety needs
c. social needs
d. esteem needs
Ans - c

....
According to Maslow, an employee who has a need for more self-respect has unmet ......
a. physiological needs
b. safety needs
c. social needs
d. esteem needs
Ans - d

....
McGregor assumed that people who were lazy would normally be viewed through ......
a. Theory X
b. Theory Y
c. Social Needs Theory
d. Physical Needs Theory
Ans - a

....
If A invests Rupees 100 at 7 per cent interest rate for 3 years, what will be the value at the end of 3
years?
a. 121.50
b. 122.50
c. 123.50
d. 124.50
Ans - b
Solution
$FV=PV*(1+r)^n$
$= 100(1+0.07)^3$
$= 100*1.2250$
$= 122.5$

or
$A = P(1+r/n)^t$
$= 100(1.07)^3$
$= 100 X 1.2250$
$= 122.50$

....
A quarterly repayments of a loan carry an interest rate of 8per cent per annum. What is the effective
annual interest rate?
a. 7.24
b. 7.29
c. 8.24
d. 8.29
Ans - c
Solution
Effective int rate=$(1+r/n)^n-1$
ROI =08/4=2
here quarterly $(1.02/4)^4-1$
=1.0824-1
=0824/100
=8.24

....
My grandfather, starts giving me gifts of Rupees 1 lakh for the next 4 years. If the interest rate is 10 per
cent pa, how much will I get at the end of 4 years?
a. 414600
b. 416400
c. 461400
d. 464100
Ans - d
Solution
$FV=P/R \{(1+r)^n-1\}$
$=100000/0.10\{(1+.1)^4-1\}$
$=1000000 (1.4641-1)$
$=1000000*0.4641$
$=464100$

....

Important Formulas
-
Some of these Formulas may not be applicable for ABM, but I request all of you to go through all of
them to understand the concepts clear for both ABM and BFM.
1. Raw material Turnover Ratio = Cost of RM used / Average stock of R M
2. SIP Turnover = Cost of Goods manufactured / Average stock of SIP
3. Debt Collection period = No. days or months or Weeks in a year/Debt Turnover Ratio.
4. Average Payment Period = No. days or months or Weeks in a year/Creditors Turnover Ratio.
5. Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.
6. Debtors Turnover Ratio = Net Credit Sales / Average Debtors.
7. Creditors Turnover Ratio = Net Credit Purchases / Average Credits.
8. Defensive Interval Ratio = Liquid Assets / Projected Daily Cash Requirement
9. Projected daily cash requirement = Projected operating cash expenses / 365.
10. Debt Equity Ratio = Long Term Debt / Equity.
11. Debt Equity Ratio = Total outside Liability / Tangible Net Worth.
12. Debt to Total Capital Ratio = Total Debts or Total Assets/(Permanent Capital + Current Liabilities)

13. Interest Coverage Ratio = EBIT / Interest.

14. Dividend Coverage Ratio = N. P. after Interest & Tax / Preferential dividend

15. Gross Profit Margin = Gross Profit / Net Sales * 100

16. Net Profit Margin = Net Profit / Net Sales * 100

17. Cost of Goods Sold Ratio = Cost of Goods Sold / Net Sales * 100.

18. Operating Profit Ratio = Earnings Before Interest Tax / Net Sales * 100

19. Expenses Ratio or Operating Ratio = Expenses / Net Sales * 100

20. Net Profit Ratio = Net Profit After interest and Tax / Net Sales * 100

21. Operating Expenses Ratio = (Administrative + Selling expenses) / Net Sales * 100

22. Administrative Expenses Ratio =(Administrative Expenses / Net Sales) * 100

23. Selling Expenses Ratio =(Selling Expenses / Net Sales) * 100

24. Financial Expenses Ratio = (Financial Expenses / Net Sales) * 100

25. Return on Assets = Net Profit After Tax / Total Assets.

26. Total Assets = Net Fixed Assets + Net Working Capital.

27. Net Fixed Assets = Total Fixed Assets – Accumulated Depreciation.

28. Net Working Capital = (CA –CL) – (Intangible Assets + Fictitious Assets + Idle Stock + Bad Debts)

29. Return on Capital Employed = Net Profit Before Interest and Tax / Average Capital Employed.

30. Average Capital employed = Equity Capital + Long Term Funds provided by Owners & Creditors at the

beginning & at the end of the accounting period divided by two.

31. Return on Ordinary Share Holders Equity = (NPAT – Preferential Dividends) / Average Ordinary Share

Holders Equity or Net Worth.

32. Earnings Per Share = Net Profit After Taxes and Preferential dividends / Number of Equity Share.

33. Dividend per Share = Net Profit After Taxes and distributable dividend / Number of Equity Shares.

34. Dividend Pay Out Ratio = Dividend per Equity Share / Earnings per Equity Share.

35. Dividend Pay Out Ratio = Dividend paid to Equity Share holders / Net Profit available for Equity

Share Holders.

36. Price Earning Ratio = Market Price per equity Share / Earning per Share.

37. Total Asset Turnover = Cost of Goods Sold / Average Total Assets.

38. Fixed Asset Turnover = Cost of Goods Sold / Average Fixed Assets.

39. Capital Turnover = Cost of Goods Sold / Average Capital employed.

40. Current Asset Turnover = Cost of Goods Sold / Average Current Assets.

41. Working Capital Turnover = Cost of Goods Sold / Net Working Capital.

42. Return on Net Worth = (Net Profit / Net Worth) * 100

43. DSCR = Profit after Tax & Depreciation + Int. on T L & Differed Credit + Lease Rentals if any divided by

Repayment of Interest & Installments on T L & Differed Credits + Lease Rentals if any.

44. Factory Cost = Prime cost + Production Overheads.

45. Cost of Goods Sold = Factory Cost + Selling, distribution & administrative overheads

46. Contribution = Sales – Marginal Costs.

47. Percentage of contribution to sales = (Contribution / Sales) * 100

48. Break Even Analysis = F / (1 – VC / S)

F = Fixed costs, VC = Total variable operating costs & S = Total sales revenue

49. Break Even Margin or Margin of Safety = Sales – Break Even Point / Sales.

50. Cash Break Even = F – N / P – R or F – N / 1 – (VC / S)

51. BEP = Fixed Costs / Contribution per unit.

52. Sales volume requires = Fixed cost + Required profit / Contribution per unit.

53. BEP in Sales = (Fixed Costs / Contribution per unit) * Price per unit.

54. Contribution Sales Ratio = (Contribution per unit / Sale price per unit) * 100

55. Level of sales to result in target profit after Tax = (Target Profit) / (1 – Tax rate / Contribution per

unit)

56. Level of sales to result in target profit = (Fixed Cost + Target profit) * sales price per unit Contribution

per unit.

57. Net Present Value = - Co + C1 / (1 + r)

58. Future expected value of a present cash flow = Cash Flow (1 + r) ^ t

59. Present value of a simple future cash flow = Cash Flow / (1 + r) ^ t

60. The Discount Factor = 1 / (1 + r) ^ t

61. Notation used internationally for PV of an annuity is PV(A, r, n)

62. Notation used internationally for FV of an annuity is FV(A, r, n)

63. The effective annual rate = (1 + r) ^ t – 1 or (1 + (r / N)) – 1)

N = Number of times compounding in a year

64. PV of end of period Annuity = A { (1- (1 / (1+r) ^ n) / r

65. CR = CA : CL

66. Net Worth = CA - CL

67. DER = TL/TNW or debt/equity or TL/equity

68. Price Elasticity of Supply = (% change in quantity supplied/(% change in price)

69. PV = P / R * [(1+R)^T - 1]/(1+R)^T

70. PV = P / (1+R)^T

71. FV = P * (1 + R)^T

72. FV = P*(1-R)^T

73. FV = P / R * [(1+R)^T - 1]

74. FV = P / R * [(1+R)^T - 1] * (1+R)

75. EMI = P * R * [(1+R)^T/(1+R)^T-1)]

76. FV of annuity = A/r ×{(1+r)^n-1}

77. Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)

..........................…………

ALL THE VERY BEST FOR YOUR EXAMS
SAMPLE QUESTIONS FOR
CAIIB
ADVANCED BANK MANAGEMENT

Though we had taken enough care to go through the questions, we request everyone to update

yourself with the latest information through RBI website and other authenticated sources. In

case you find any incorrect/doubtful information, kindly update us also (along with the source

link/reference for the correct information).

ravvalasanthosh@gmail.com

ALL THE VERY BEST FOR YOUR EXAMS
SHORT NOTES FOR CAIIB
ADVANCED BANK MANAGEMENT

Creation of these short notes is the efforts of so many persons. First of all we thank all of them for

their valuable contribution. Though we had taken enough care to go through the notes provided

here, we request everyone to go through the Macmillan book and update yourself with the latest

information through RBI website and other authenticated sources. In case you find any

incorrect/doubtful information, kindly update us also (along with the source link/reference for the

correct information).

MODULE - A - ECONOMIC ANALYSIS

UNIT - 1 - Fundamentals of Economics, Microeconomics & Macro Economics and Types of

Economies

1) Economics is "The science which studies human behavior as a relationship between ends and

scarce means which have alternative uses. "

2) The essence of Economics is to acknowledge the reality of scarcity and then figure out how to

organize society in a way which produces the most efficient use of resources.

3) Adam Smith is the Father of Modern Economics.

4) An Enquiry into the Nature and Causes of the Wealth of Nations (published in 1776) is written by

Adam Smith.

5) Economics is the study of how wealth is produced and consumed.

6) Smith's definition is known as Wealth Definition. It gave more importance to wealth than to man

for whose use wealth is produced.

7) Welfare Definition is coined by Prof. Alfred Marshal. He described Economics as a science of

human welfare.

8) Scarcity Definition is coined by Prof. Lionel Robbins.

9) Prof. Lionel Robbins defines Economics as study of "means" and "Ends".

a. Man has unlimited wants

b. The means to satisfy human wants are limited

c. Resources are not only limited but have alternative uses

d. Man has to make a choice.

10) Adam Smith is considered to be the Founder of the field Micro Economics.

11) Micro Economics is concerned with the behaviour of individual entities such as markets, firms,

and households.

12) Macro Economics is a branch of Economics that deals with the performance, structure and

behaviour of a national or regional economy as a whole and concerned with the overall performance

of the Economy.

13) Founder of the field of Macro Economics is John Maynard Kenes.

14) John Maynard Kenes wrote the book "General Theory of Employment, Interest and Money".

15) An analysis of causes of Business cycles is developed by Mr. Kenes.

16) A market Economy/ Capitalistic Economy is one in which individuals and private firms make the

major decisions about production and consumption. E.g.: **UNIT**ed Kingdom.

17) A Command Economy/Socialistic Economy is one in which the government makes all important

decisions about production and distribution.

18) Mixed Economy is where public sector, private sector and joint sector coexist and complement

each other. E.g.: India

19) Laissez – faire Economy is the extreme case of a Market Economy.

……
………………………

UNIT – 2 : SUPPLY & DEMAND

1) Theory of Supply and Demand shows how consumer preferences determine consumer demand

for commodities, while business costs determine the supply of commodities.

2) The relationship that exists between price and quantity bought is called as the Demand Schedule

or the Demand Curve. The quantity demanded increases with the fall in price.

3) Quantity and Price are inversely related.

4) The graphical representation of the demand schedule is called as the Demand Curve.

5) Law of Downward – sloping demand: When the Price of a commodity is raised (and other things

being constant), buyers tend to buy less of the commodity. Similarly, when the price is lowered, other

things being constant, quantity demanded increases.

6) Market Demand curve obey the Law of Downward- Slopping demand

7) A Down ward slopping Demand Curve relates Quantity Demanded to Price

8) Factors influences the Demand Curve

- Average levels of income - The size of market/population

- The prices and availability of related goods - Tastes or Preferences - Special Influences

9) The Supply Schedule relates the quantity supplied of a good to its market price, other things being

constant.

10) Shifts in Supply Means when changes in factors other than goods own price affect the quantity

supplied.

11) The Supply Schedule (or Supply Curve) for a commodity shows the relationship between its

market price and the amount of that commodity those producers is willing to produce and sell,

other things being constant.

12) Forces behind the supply Curve:

- Cost of Production - Prices of inputs and technological advances - Government Policy

- Prices of related goods - Special Factors like weather influence on farming and agro-industry

13) Supply increases (or Decreases) when the amount supplied increases (or Decreases) at each

market price.

14) Supply and demand interacts to produce equilibrium price and quantity or market equilibrium.

15) The Market Equilibrium comes at that price and quantity where the forces of supply and demand

are in balance.

16) At the Equilibrium price, the amount that buyers want to buy is just equal to the amount that

sellers want to sell.

17) A Market equilibrium comes at the price at which quantity demanded equals quantity supplied.

18) The Equilibrium Price is also called as the Market Clearing Price.

……
……………

UNIT – 3 : MONEY SUPPLY & INFLATION

1) Money is anything which performs the following four functions:

- Medium of Exchange - A measure of value

- A store of value over time - Standard for deferred payments

2) Medium of Exchange: Individual goods and services and other physical assets, are "priced" in

terms of money and are exchanged using money.

3) A Measure of Value: Money is used to measure and record the value of goods or services.

4) A Store of value over time: Money can be held over a period of time and used to finance future

payments.

5) Standard for Deferred Payments: Money is used as an agreed measure of future receipts and

payments in contracts.

6) Money supply refers to the stock of money in circulation in the economy at a given point of time.

This is partly exogenous (Decided by the Govt and the RBI) and partly endogenous.

7) There are four common measures of Money supply, commonly used in India:

- Narrow Money (M1)= Currency with Public Demand Deposits with Banking System + 'Other"

Deposits with the RBI

- M2 = M1+ Savings deposits of Post Office Savings Banks

- M3 = M1+ Time Deposits with the Banking System

- M4 = M3+ All Deposits with post office savings banks (Excluding NSCs)

8) Currency with Public = Currency in circulation - Cash held by banks.

9) Demand Deposits = All liabilities which are payable on demand and they include current Deposits,

demand liabilities portion of saving Banks Deposits, margins held Against LC/BG, Balance in OD FDs,

Cash Certificates and Cumulative/RDs etc.

10) "Time Deposits"= which are payable otherwise than on demand and they include fixed Deposits,

Cash Certificates, Cumulative and recurring Deposits, time Liabilities portion of savings bank deposits,

etc.

11) The concept of Inflation refers to a sustained rise in the general level of prices of goods and

services in an economy over a period of time.

12) Inflation leads to fall in purchasing power.

13) Causes of Inflation:

- Demand-pull inflation - Cost – Push Inflation

14) Demand – pull Inflation is a rise in general prices caused by increasing aggregate demand for

goods and services.

15) Cost- Push Inflation is a type of inflation caused by substantial increases in the cost of production

of important goods of services, where no suitable alternative is available.

16) Measure of Inflation: - Calculating inflation with Price Indexes

17) Inflation = (Price Index in Current Year–Price index in Base Year) X 100/Price index in Base Year

18) There are 4 Important Price Indexes

- Wholesale Price Index (WPI) - Food Inflation Index (FII)

- Consumer Price Index (CPI) - GDP Deflator

19) Wholesale Price Index: The WPI reflects the change in the level of prices of a basket of goods at

the wholesale level. WPI focuses on the price of goods traded between corporations at the wholesale

stage, rather than goods bought by consumers.

20) In India WPI (Headline Inflation) is the official inflation index used for policy decisions.

21) WPI announced in Monthly frequency.

22) The different components along with their weightage in Wholesale Price Index (WPI).

Primary Articles

Food Articles 15.4025

Non Food Articles 6.1381

Minerals 0.4847

Sub Total 22.0253

Fuel, Power, Light & Lubricants

Coal Mining 1.7529

Mineral Oils 6.9896

Electricity 5.4837

Sub Total 14.2262

Manufactured Products

Food Products 11.5378

Beverages, Tobacco and Tobacco Products 1.3391

Textiles 9.7999

Wood and Wood Products 0.1731

Paper and Paper Products 2.0440

Leather and Leather Products 1.0193

Rubber and Plastic Products 2.3882

Chemicals and Chemical Products 11.9312

Non-Metallic Mineral Products 2.5159

Machinery and Machine Tools 8.3633

Transport Equipment and Parts 4.2948

Basic Metals and Alloys 8.3419

Sub Total 63.7485

Grand Total 100.00

23) The Base year for WPI is 1993-94.

24) From August 2010 onwards, Base Year for WPI is changed to 2004-05. And the weightage are as

follows: (Source: Business Line 15-09-10)

25) The Indices for the Food Group and fuel group will be announced on weekly basis.

26) Consumer Price Index (CPI): The CPI reflects the change in the level of prices of a basket of Goods

and services purchased/consumed by the households.

27) CPI is the cost of living index popularly known as Core Inflation.

28) There are four measures of CPI,

- The CPI for Industrial Workers (IW) has a broader coverage than the others

- The CPIs for Agricultural Labourers (AL),

- Rural Labourers (RL) - And Urban Non-Manual Employees (UNME).

29) In the organized sector, CPI-IW is used as a cost of living index.

30) Among the four measures of CPI, the CPI for Industrial Workers (IW) has a broader coverage

than the others.

31) Why do the WPI and the CPIs differ?

They differ in terms of their weighting pattern. First, food has a larger weight in CPIs - ranging from

46 per cent in CPI-IW to 69 per cent in CPI-AL, whereas it has a weight of only 27 per cent in the

WPI. The CPIs are, therefore, more sensitive to changes in prices of food items.

32) CPI in India is released by Labour Bureau, Ministry of Labour and Employment, Government of

India.

33) Since 1943 the Central Government took upon itself the job of compilation and maintenance of

Consumer Price Index Numbers in pursuance of the recommendations of the Rau Court of Enquiry.

34) The Consumer Price Index Numbers for Industrial Workers (CPI-IW) for 50 centers and All-India

weighted index on base 1960=100 was started on the basis of the Weighting Diagram drawn by

conducting the Family Living Survey (FLS) in 1958-59.

35) The current series (1982=100) replaced the old (1960=100) series with effect from October, 88.

36) GDP Deflator: it is measure of the level of prices of all new, domestically produced, final Goods

and services in an economy.

37) GDP deflator is not based in a fixed basket of Goods and services

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UNIT – 4 : Theories of Interest

1) Interest is a payment made by a borrower for the use of a sum of money for a period of time.

2) Three elements can be distinguished in interest:

- Payment for the risk involved in making the loan

- Payment for the trouble involved

- Pure interest, i.e. a payment for the use of money.

3) J M Keynes in his book "The General Theory of Employment, Interest and Money" views that the

rate of interest is purely monetary phenomenon and is determined by Demand for money and

supply of money.

4) J M Keynes theory is known as "Liquidity Preference Theory"

5) Rate of interest and bond prices are inversely related.

6) Money Demand curve follows from above that quantity of money demanded increases with the

fall in the rate of interest or with the increase in level of nominal income.

7) The rate of interest is determined by demand for money (Liquidity Preference) and supply of

money – JM Kenes.

8) The position of money demand curve depends upon two factors: 1) The level of nominal income

and 2) the expectation about the changes in bond prices in the future which implies change in rate

of interest in future.

9) IS and LM curves Theory promulgated by Sir Hon Richard Hicks and Alvin Hansen.

10) The IS curve and the LM curve relate the two variables a) Income and b) the rate of interest. The

intersection point of the two curves is the equilibrium rate of interest.

11) LM= Liquidity preference and Money supply equilibrium. LM curve is derived from Kenes

Liquidity preference theory of interest.

12) IS = Classical Theory

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UNIT – 5 : Business Cycles

1) The term Business cycle refers to economy-wide fluctuations in production or economic activity

over several months or years.

2) Business Cycle is also known as Economic Cycle.

3) Business Cycle simply means the whole course of business activity which passes through the

phases of prosperity and depression.

4) A business Cycle is not a regular, predictable, or repetitive phenomenon like the swing of the

pendulum of a clock. Its timing is random and, to a large degree, unpredictable.

5) Characteristics of a Business Cycle:

i. A business cycle is synchronic ii. A business cycle show a wave like movement

iii. Cyclical fluctuations are recurring in nature

iv. There can be no indefinite depression or eternal boom period

v. Business cycles are pervasive in their effects. vi. The up and down movements are not symmetrical

6) Phases of Business Cycle:

Boom Recession Depression Recovery

7) Boom:

- During the Boom phase production capacity is fully utilized and also products fetch an above normal

price which gives higher profit.

- In Boom period, consumption will be decreased as prices are going up.

- The Demand is more or less stagnant or it even decreases.

8) Recession:

- A downward tendency in demand is observed. The supply exceeds demand

- Desire for liquidity increases all around.

- Producers are compelled to reduce price so that they can find money to meet their obligations.

- This Phase of the business cycle is known as the Crisis.

9) Depression:

- Underemployment of both men and materials is a characteristic of this phase. General Demand falls

faster than production

- Volume of Production will be reduced.

- The demand for the bank credit is at its lowest which results in idle funds.

- The interest rates are decline regime.

10) Recovery:

- Depression phase done not continue indefinitely.

- Wages will be paid low.

- Prices are at the lowest, the consumers, who postponed their consumption expecting a still further

fall in price, now start consuming.

- As demand increases, the stocks of goods become insufficient.

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UNIT – 6 : Indian Economy and Various Sectors of the Economy

1) The average growth rate of the Indian Economy over a period of 25 Years since 1980-81 was about

6.00%.

2) During 2000-01 to 2007-08, the growth rate is 7.20% when compared with 2003-04 to 2007-08.

3) Various sectors of Indian economy:

i. Agriculture ii. Industry

iii. Micro and Small Enterprises (MSEs) iv. Services

4) The average growth rate of the Indian Economy over a period of 25 Years since 1980-81 was about

6.00%.

5) Agriculture Sector is one of the most important sectors of Indian economy.

6) Agriculture Sector accounted for 17% of GDP in 2008-09.

7) Industry Sector accounts for 19% of GDP in 2008-09. About 1/3rd of the industrial labour force is

engaged in simple household manufacturing only.

8) Central Statistical Organisation (CSO) classifies the industrial sector into 3 segments

i. Mining and Quarrying ii. Manufacturing and Electricity iii. Gas and Water Supply.

9) The Sector of MSME is accounted for around 39 % of total industrial production, 34% of the

exports in the industrial sector and around 35% if total Employment among *UNIT*s engaged in

manufacturing and services.

10) The MSMED Act, 2006 classifies enterprises broadly into two categories

i. Manufacturing enterprises ii) Service Enterprises.

11) These broad categories are further classified into Micro Enterprises, Small Enterprises and

medium enterprises, depending up on the level of investment in plant and machinery and

equipment as the case may be.

12) The Service Sector accounts for about 2/3rd of India's GDP i.e. 64% in 2008-09.

13) Service Sector is also called as Tertiary Sector.

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UNIT – 7 : Economic Reforms

1) The economic Reforms started in 1991.

2) Real Sector Policy measures mainly focused on the manufacturing sector in the early stages of

reform process.

3) MRTP Act Monopolies and Restrictive Trade Practices Act, 1969

4) APMC Act (Agricultural Produce Market Committee Act)

5) The primary objective of The APMC Act in each state of India requires all agricultural products to

be sold only in government - regulated markets. This was amended and permitting the farmers to

bypass the mandatory requirement of regulated market.

6) Essential Commodities Act, 1955

7) Financial Sector reforms have been arrived out in accordance with the recommendations made by

basically three committees:

i. Narasimham Committee report on financial sector Reforms (1992)

ii. Narasimham Committee report on Banking sector Reforms (1998)

iii. S H Khan Report (1998) of the working group for harmonize the role and operations of

Development Financial Institutions and Banks reforms in financial Sector

8) IRS- Interest Rate Swaps

9) FRA - Forward Rate Agreements

10) Collateralized Borrowings and Lending Obligation – CBLO

11) CDs (Certificate of Deposits) are short-term borrowings in the form of Usance Promissory Notes

having a maturity of not less than 15 days up to a maximum of one year.

12) Commercial Paper (CP) is an unsecured money market instrument issued in the form of a

promissory note.

13) Who can issue Commercial Paper (CP)?

a. Highly rated corporate borrowers, primary dealers (PDs) and satellite dealers (SDs) and all-India

financial institutions (FIs)

14) Futures and options represent two of the most common form of "Derivatives".

15) Derivatives are financial instruments that derive their value from an 'underlying'. The underlying

can be a stock issued by a company, a currency, Gold etc.

16) The derivative instrument can be traded independently of the underlying asset.

17) The value of the derivative instrument changes according to the changes in the value of the

underlying.

18) Derivatives are of two types –

i. Exchange traded and

ii. Over the counter.

19) Exchange traded derivatives, as the name signifies are traded through organized exchanges

around the world. These instruments can be bought and sold through these exchanges, just like the

stock market.

20) Some of the common exchange traded derivative instruments are futures and options.

21) Over the counter (popularly known as OTC) derivatives are not traded through the exchanges.

They are not standardized and have varied features.

22) Some of the popular OTC instruments are forwards, swaps, swaptions etc.

23) Futures

24) A 'Future' is a contract to buy or sell the underlying asset for a specific price at a predetermined

time. If you buy a futures contract, it means that you promise to pay the price of the asset at a

specified time. If you sell a future, you effectively make a promise to transfer the asset to the buyer

of the future at a specified price at a particular time. Every futures contract has the following

features:

- Buyer - Seller - Price - Expiry

25) Some of the most popular assets on which futures contracts are available are equity stocks,

indices, commodities and currency.

26) The difference between the price of the underlying asset in the spot market and the futures

market is called 'Basis'. (As 'spot market' is a market for immediate delivery)

27) Options

Options contracts are instruments that give the holder of the instrument the right to buy or sell the

underlying asset at a predetermined price.

28) An option can be a 'call' option or a 'put' option.

29) A call option gives the buyer, the right to buy the asset at a given price. This 'given price' is called

'strike price'. It should be noted that while the holder of the call option has a right to demand sale of

asset from the seller, the seller has only the obligation and not the right. For e.g.: if the buyer wants

to buy the asset, the seller has to sell it. He does not have a right.

30) A 'put' option gives the buyer a right to sell the asset at the 'strike price' to the buyer. Here the

buyer has the right to sell and the seller has the obligation to buy.

31) The Payment and Settlement Systems Act, 2007 empowering the RBI to regulate and supervise

payments and settlement system.

32) Cheque Truncation System(CTS)has been introduced in cheque clearing July 08 in New Delhi.

33) G Sec is market auction related instruments and they are paid by Ways and Means Advances,

automatic monetization.

34) Foreign investment is of two kinds – (i) Foreign Direct Investment (FDI) and (ii) Foreign Portfolio

Investment.

35) 'FDI' means investment by non-resident entity/person resident outside India in the capital of the

Indian company under Schedule 1 of FEM (Transfer or Issue of Security by a Person Resident outside

India) Regulations 2000.

36) Portfolio investment in both primary and secondary market by FII was opened up in 1992

37) ECB:

i. Source of funds for corporate from abroad with advantage of

ii. lower rates of interest prevailing in the international financial markets

iii. longer maturity period

iv. for financing expansion of existing capacity as well as for fresh investment

38) ECB is Defined as to include commercial loans *in the form of bank loans, buyers' credit, suppliers'

credit, securitized instruments (e.g. floating rate notes and fixed rate bonds, CP)] availed from nonresident

lenders with minimum average maturity of 3 years

39) Poverty is measured by Gini Coefficient, a standard measure of Income/Expenditure in equality

40) The Gini coefficient, invented by the Italian statistician Corado Gini, is a number between zero

and one that measures the degree of inequality in the distribution of income in a given society. The

coefficient would register zero (0.0 = minimum inequality) for a society in which each member

received exactly the same income and it would register a coefficient of one (1.0= maximum

inequality) if one member got all the income and the rest got nothing

41) Human Development Index (HDI) a widely used indicator of Socio- Economic Conditions has

place India at 132 out of 189 countries in the world in the year 2006.

42) The Human Development Index (HDI) is a comparative measure of life expectancy, literacy,

education and standards of living for countries worldwide. It is a standard means of measuring wellbeing,

especially child welfare. It is used to distinguish whether the country is a developed, a

developing or an under-developed country, and also to measure the impact of economic policies on

quality of life. The index was developed in 1990 by Pakistani economist Mahbub ul Haq and Indian

economist Amartya Sen.

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UNIT – 8 : Monetary Policy and Fiscal Policy

1) Monetary Policy is the process by which the Government, Central Bank controls

i. The money supply ii. Availability of money and iii. Cost of money or rate of interest

In order to attain a set of objective oriented towards the growth and stability of the economy.

2) Monetary policy is referred to as either being expansionary policy or a contractionary policy.

3) An expansionary policy increases the total supply of money in the economy. This is used to

combat unemployment in a recession by lowering interest rates.

4) A contractionary policy decreases the total money supply. This is used to combat inflation by

raising the interest rates.

5) Tools of Monetary policy:

i. Bank Rate ii. Cash Reserve Ratio iii. Statutory Liquidity Ratio

iv. Market Stabilization Scheme v. Repo Rate vi. Reverse Repo Rate

vii. Open Market Operations

6) Bank Rate: It is also referred as Discount rate, is the rate of interest which a central bank charges

on the loans and advances that it extends to commercial banks and other financial intermediaries.

7) Changes in the Bank Rate are often used by Central bank to control the money supply.

8) The structure of interest rates is administered by RBI.

9) Cash Reserve Ratio (CRR): The present banking system is called a "Fractional Reserve Banking

System, as the banks are required to keep only a fraction of their deposit liabilities in the form of

liquid cash with the central bank for ensuring Safety and liquidity of deposits.

10) CRR was introduced in 1950 primarily as a measure to ensure safety and liquidity of bank

deposits.

11) Statutory Liquidity Ration (SLR): SLR refers to the amount that all banks requires maintaining in

cash or in the form of Gold or approved securities.

12) Approved securities mean dated securities, government bonds, and share of different

companies.

13) The SLR is determined as % of Total Demand and Time Liabilities

14) Demand Liabilities

Demand Liabilities' include all liabilities which are payable on demand and they include current

deposits, demand liabilities portion of savings bank deposits, margins held against letters of

credit/guarantees, balances in overdue fixed deposits, cash certificates and cumulative/recurring

deposits, outstanding Telegraphic Transfers (TTs), Mail Transfer (MTs), Demand Drafts (DDs),

unclaimed deposits, credit balances in the Cash Credit account and deposits held as security for

advances which are payable on demand. Money at Call and Short Notice from outside the Banking

System should be shown against liability to others.

15) Time Liabilities.

Time Liabilities are those which are payable otherwise than on demand and they include fixed

deposits, cash certificates, cumulative and recurring deposits, time liabilities portion of savings bank

deposits, staff security deposits, margin held against letters of credit if not payable on demand,

deposits held as securities for advances which are not payable on demand and Gold Deposits.

16) Market Stabilization Scheme:

RBI introduced Market Stabilization Scheme after consulting GOI for mopping up liquidity of a more

enduring nature. Under this scheme, the GOI issue existing instrument, such as Treasury Bills/ and or

dated securities by way of auctions under the MSS, in addition to the normal borrowing

requirements, for absorbing liquidity form the system.

17) Repo Rate :

Repo (Repurchase) rate is the rate at which RBI lends short-term money to the banks. Bank lending

rates are determined by the movement of Repo Rate.

18) Reverse Repo Rate :

Reverse Repo Rate is the rate at which banks park their short term excess liquidity with the RBI. The

RBI uses this tool when it feels there is too much money floating in the Banking System.

19) An Increase in Reverse Repo means that the RBI will borrow money from the Banks at a higher

rate of interest, so banks would prefer to keep their money with the RBI.

20) Open Market Operations :

Under this, RBI buys or sells government bonds in the secondary market.

21) By absorbing bonds, it drives up bond yields and injects money into the market. When it sells

the bonds, it done so to such the money out of the system.

22) RBI's monetary policy 's objectives:

- Monitor the global and domestic economic conditions and respond swiftly as required.

- Ensure higher bank credit expansion to achieve higher growth but at the same time protect the

credit quality

- Maintain price stability and financial stability

- Give thrust on Interest Rate Management, Inflation Management and Liquidity Management.

23) Fiscal Policy :

Fiscal Policy is the use of government spending and revenue collection the economy.

Fiscal Policy refers to the overall effect of the budget outcome on economic activity.

24) FRMB Act : Fiscal Responsibility and Budget Management Act – 2003

25) Dr E A S Sharma Committee January, 2000 recommended draft legislation on fiscal responsibility.

26) FRBM requirements are

- The Government to place before Parliament 3 statement each year along with Budgets, Covering

Medium Term Fiscal Policy, Fiscal Policy Strategy and Macroeconomic Framework

- Center to reduce the fiscal deficit (Generally 3% of GDP) and more categorically to "Eliminate

revenue deficit' by 31-03-2008. Government to set a ceiling on guarantee (0.5% o GDP)

- Act prohibits the Center form borrowing from the RBI, i.e. it bans 'Deficit financing' through money

creation. The RBI is also barred from subscribing to primary issues of Central Government Securities.

- The Finance Minister is required to keep Parliament informed through quarterly review on the

implementation, and to take corrective measure.

- The main theme of the FRBM Act is to reduce the dependence of the Government on borrowings

and help to reduce the fiscal deficit in a phased manner.

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UNIT – 9 : GDP Concepts

1) Gross Domestic Product (GDP): It is the total market value of all the final goods and services

produced within the territorial boundary of a country, using domestic resources, during a given

period of time, usually 1 year.

2) Gross national Income at Market Price = GDP at Market Price + Taxes less subsidies on production

and imports (net receivable from abroad + Compensation of Employees (Net Receivables from

abroad) + Property income (Net receivables from abroad)

3) Gross National Product (GNP) = GDP + Total Capital gains from overseas investment (-) income

earned by foreign nationals domestically

4) According to the National Income Accounting, there are three ways to complete GDP:

i. Expenditure wise ii. Income wise iii. Product wise

5) Expenditure Method : GDP= Consumption + Gross Investment + Government Spending +

(Exports- Imports) GDP = C+I+G+(X-M)

a. Consumption : This included personal expenditures pertaining to food, households, medical

expenses, rent, etc

b. Gross Investment : Business Investment as capital which includes construction of a new mine,

purchase of machinery and equipments for a factory, purchase of software, expenditure on new

houses, buying goods and services but investments on financial products is not included as it falls

under savings.

c. Government spending: It is the sum of government expenditures on final goods and services.

d. Exports: This includes all goods and services produced for overseas consumptions.

e. Imports: This includes any goods or services imported for consumption and it should be deducted

to prevent from calculating foreign supply as domestic supply.

6) Income Approach : GDP from the income is the sum of the following major components:

i. Compensation of employees ii. Property income iii. Production taxes and depreciation on capital

7) Compensation of Employees: It represents wages, salaries and other employee supplements

8) Property Income: It constitutes corporate profits, proprietor's income, interests and rents

9) GDP at market price measures the value of output at market prices after adjusting for the effect of

indirect taxes and subsidies on the prices.

10) Market price is the economic price for which a good or service is offered in the market place.

11) GDP at factor cost measures the value of output in terms of the price of factors used in its

production.

12) GDP at factor cost = GDP at Market Price – (Indirect taxes – Subsidies)

13) Product Approach

In India we have getting GDP product wise belongs to 8 sectors.

14) Real GDP or GDP at constant price: It means the value of today's output at yesterday price. Real

GDP is calculated by tracking the volume or quantity of production after removing the influence of

changing prices or inflation.

15) Normal GDP or GDP at Current prices: It represents the total money value of final goods and

services produced in a given year, where the values are expressed in terms of the market prices of

each year.

16) Factors of production are : Land, Labour, Capital and Entrepreneur

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UNIT – 10 : Union Budget

1) Net Tax Revenue = Gross Tax Revenue (-) NCCD transferred to the National Calamity Contingency

fund (-) States' share

2) Total Revenue Receipts = Net Tax Revenue + Total Non- Tax revenue

3) Capital Receipts = Non- debt receipts + Debt Receipts

4) Total Receipts = Total Revenue Receipts + Capital Receipts+ Drawdown of Cash Balance

5) Financing of Fiscal Deficit : Debt Receipts + Draw-down of cash balance

6) Non- Plan Expenditure = Revenue Non- Plan Expenditure + Capital Non-plan Expenditure

7) Plan Expenditure = Revenue Expenditure + Capital Expenditure

8) Total Expenditure = Total Non-plan Expenditure + Total Plan Expenditure

9) Revenue Deficit = Revenue expenditure (-) Revenue receipts

10) Gross Fiscal Deficit is the excess of total expenditure including loans, net of recoveries over

revenue receipts (including external grants) and non- debt receipts

11) Net Fiscal deficit = The gross fiscal deficit (-) interest payments

12) Net Primary deficit = Net fiscal deficit (–) net interest payments

13) NCCD: National Council on Crime and Delinquency.

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UNIT – 11 : Challenges Facing Indian Economy

1) Unique features of Indian Economy:

a. India's growth is driven by domestic demand – both consumption and investment.

b. Twin Deficit – Fiscal & Current Account

c. Supply constrained economy

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MODULE - B - BUSINESS MATHEMATICS

UNIT – 12 : Time Value of Money

Present Value

Present value describes how much a future sum of money is worth today. Three most influential

components of present value are : time, expected rate of return, and the size of the future cash

flow. The concept of present value is one of the most fundamental and pervasive in the world of

finance. It is the basis for stock pricing, bond pricing, financial modeling, banking, insurance,

pension fund valuation. It accounts for the fact that money we receive today can be invested

today to earn a return. In other words, present value accounts for the time value of money.

The formula for present value is:

$PV = CF/(1+r)n$

Where:

CF = cash flow in future period

r = the periodic rate of return or interest (also called the discount rate or the required rate of

return)

n = number of periods

Example :

Assume that you would like to put money in an account today to make sure your child has enough

money in 10 years to buy a car. If you would like to give your child 10,00,000 in 10 years, and you

know you can get 5% interest per year from a savings account during that time, how much should

you put in the account now?

$PV = 10,00,000/ (1 + .05)10 = 6,13,913/-$

Thus, 6,13,913 will be worth 10,00,000 in 10 years if you can earn 5% each year. In other words,

the present value of 10,00,000 in this scenario is 6,13,913.

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Future Value

The value of an asset or cash at a specified date in the future that is equivalent in value to a

specified sum today. It refers to a method of calculating how much the present value (PV) of

an asset or cash will be worth at a specific time in the future. There are two ways to calculate FV:

1) For an asset with simple annual interest: = Original Investment x (1+(interest rate*number of

years))

2) For an asset with interest compounded annually: = Original Investment x ((1+interest

rate)^number of years)

Example:

1) 10,000 invested for 5 years with simple annual interest of 10% would have a future value of

FV = 10000(1+(0.10*5))

= 10000(1+0.50)

= 10000*1.5

= 15000

2) 10,000 invested for 5 years at 10%, compounded annually has a future value of :

FV = 10000(1+0.10)^5

= 10000(1.10)^5

= 10000*1.61051

= 16105.10

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Annuities

Annuities are essentially a series of fixed payments required from you or paid to you at a specified

frequency over the course of a fixed time period. The most common payment frequencies are

yearly, semi-annually (twice a year), quarterly and monthly. There are two basic types of

annuities: ordinary annuities and annuities due.

Ordinary Annuity: Payments are required at the end of each period. For example, straight bonds

usually pay coupon payments at the end of every six months until the bond's maturity date.

Annuity Due: Payments are required at the beginning of each period. Rent is an example of

annuity due. You are usually required to pay rent when you first move in at the beginning of the

month, and then on the first of each month thereafter.

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Present Value of an Annuity

The present value an annuity is the sum of the periodic payments each discounted at the given

rate of interest to reflect the time value of money.

PV of an Ordinary Annuity = R (1 − (1 + i)^-n)/i

PV of an Annuity Due = R (1 − (1 + i)^-n)/i × (1 + i)

Where,

i is the interest rate per compounding period;

n are the number of compounding periods; and

R is the fixed periodic payment.

Example :

1. Calculate the present value on Jan 1, 2015 of an annuity of 5,000 paid at the end of each month

of the calendar year 2015. The annual interest rate is 12%.

Solution

We have,

Periodic Payment R = 5,000

Number of Periods n = 12

Interest Rate i = 12%/12 = 1%

Present Value

PV = 5000 × (1-(1+1%)^(-12))/1%

= 5000 × (1-1.01^-12)/1%

= 5000 × (1-0.88745)/1%

= 5000 × 0.11255/1%

= 5000 × 11.255

= 56,275.40

2. A certain amount was invested on Jan 1, 2015 such that it generated a periodic payment of

10,000 at the beginning of each month of the calendar year 2015. The interest rate on the

investment was 13.2%. Calculate the original investment and the interest earned.

Solution

Periodic Payment R = 10,000

Number of Periods n = 12

Interest Rate i = 13.2%/12 = 1.1%

Original Investment = PV of annuity due on Jan 1, 2015

= 10,000 × (1-(1+1.1%)^(-12))/1.1% × (1+1.1%)

= 10,000 × (1-1.011^-12)/0.011 × 1.011

= 10,000 × (1-0.876973)/0.011 × 1.011

= 10,000 × 0.123027/0.011 × 1.011

= 10,000 × 11.184289 × 1.011

= 1,13,073.20

Interest Earned = 10,000 × 12 − 1,13,073.20

= 1,20,000 − 1,13,073.20

= 6926.80

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Net Present Value

Net present value is the difference between the present value of cash inflows and the present value

of cash outflows that occur as a result of undertaking an investment project. It may be positive, zero

or negative. These three possibilities of net present value are briefly explained below:

Positive NPV:

If present value of cash inflows is greater than the present value of the cash outflows, the net present

value is said to be positive and the investment proposal is considered to be acceptable.

Zero NPV:

If present value of cash inflow is equal to present value of cash outflow, the net present value is said

to be zero and the investment proposal is considered to be acceptable.

Negative NPV:

If present value of cash inflow is less than present value of cash outflow, the net present value is said

to be negative and the investment proposal is rejected.

Net present value method (also known as discounted cash flow method) is a popular capital

budgeting technique that takes into account the time value of money. It uses net present value of

the investment project as the base to accept or reject a proposed investment in projects like

purchase of new equipment, purchase of inventory, expansion or addition of existing plant assets and

the installation of new plants etc.

To be at Net Present Value you also need to subtract money that went out (the money you invested

or spent):

Add the Present Values you receive

Subtract the Present Values you pay

1. Company A is considering a new piece of equipment. It will cost Rs. 6,000 and will produce a cash

flow of Rs. 1,000 every year for the next 12 years (the first cash flow will be exactly one year from

today).

(a) What is the NPV if the appropriate discount rate is 10%?

You can either discount each individual cash flow or recognise that the Rs. 1,000 cash flows are just a

twelve year annuity. So,

$PV = a/i[l -1/(1 +i)n]$

$PV= 1,000/0.1 [1 - 1/(1.1)12]$

PV = Rs. 6,814

Adding this to the original investment gives an NPV of

NPV = Rs. 6,814 - Rs. 6,000

NPV =Rs. 814

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(b) What is the NPV if the appropriate discount rate is 12%?

$PV= 1,000/0.12 [1 -1/(1.12)12]$

PV = Rs. 6,194

Adding this to the original investment gives an NPV of

NPV = Rs. 6,194-Rs. 6,000

NPV=Rs. 194

(c) What is the NPV if the appropriate discount rate is 15%?

$PV= 1,000/0.15 [1-1/(1.15)12]$

PV = Rs. 5,421

Adding this to the original investment gives an NPV of

NPV = Rs. 5,421-Rs. 6,000

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UNIT -13 : Sampling Methods

Sampling

A process used in statistical analysis in which a predetermined number of observations will be

taken from a larger population. When taking a sample from a larger population, it is important to

consider how the sample will be drawn. To get a representative sample, the sample must be

drawn randomly and encompass the entire population.

For example, a lottery system could be used to determine the average age of students in a

University by sampling 10% of the student body, taking an equal number of students from each

faculty.

There are three types of sampling:

1. Probability sampling: it is the one in which each sample has the same probability of being

chosen.

2. Purposive sampling: it is the one in which the person who is selecting the sample is who tries to

make the sample representative, depending on his opinion or purpose, thus being the

representation subjective.

3. No-rule sampling: we take a sample without any rule, being the sample representative if the

population is homogeneous and we have no selection bias.

We will always make probability sampling, because in case we choose the appropriate technique,

it assures us that the sample is representative and we can estimate the errors for the sampling.

There are different types of probability sampling:

• Random sampling with and without replacement.

• Systematic sampling.

• Stratified sampling.

• Cluster sampling.

• Other types of sampling techniques

Random sampling with and without replacement

When a certain element is selected and we have measured the variables needed in a certain study

and it can be selected again, we say that we make sampling with replacement. This sampling

technique is usually called simple random sampling.

In the case that the element cannot be selected again after being selected once, we say that we

have obtained the sample through a random sampling without replacement.

Systematic Sampling

In systematic sampling, elements are selected from the population at a uniform level that is

measured in time, order, or space. If we wanted to interview every twentieth student on a college

campus, we would choose a random starting point in the first twenty names in the student

directory and then pick every twentieth name thereafter.

Stratified Sampling

To use stratified sampling, we divide the population into relatively homogenous groups, called

strata. Then we use one of two approaches. Either we select at random from each stratum a

specified number of elements corresponding to the proportion of that stratum in the population

as a whole or we draw an equal number of elements from each stratum and give weight to the

results according to the stratum's proportion of total population.

Cluster Sampling

In cluster sampling, we divide the population into groups or clusters and then select a random

sample of these clusters. We assume that these individual clusters are representative of the

population as a whole. If a market Research team is attempting to determine by sampling the

average number of television sets per household in a large city, they could use a city map and

divide the territory into blocks and then choose a certain number of blocks (clusters) for

interviewing. Every household in each of these blocks would be interviewed. A well designed

cluster sampling procedure can produce a more precise sample at considerably less cost than that

of simple random sampling.

Sampling distribution

Sampling distribution is the distribution of all possible values of a statistic from all possible

samples of a particular size drawn from the population.

Standard Error

Standard deviation of the distribution of the sample means is called the standard error of the

mean.

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Numerical on Sampling

A jar contains 3 red marbles, 7 green marbles and 10 white marbles. If a marble is drawn at

random, what is the probability that marble drawn is white?

a. 2/5

b. 1/2

c. 3/8

d. 10/13

Ans – b

Solution :

Here Red = 3

Green = 7

White = 10

Hence total sample space is (3+7+10)= 20

Out of 20 one ball is drawn n(S) = {c(20,a.} = 20

To find the probability of occurrence of one White marble out of 10 white ball

n(R)={c(10,a.} = 10

Hence P(R) = n(R)/n(S)

= 10/20 = 1/2

....

A sack contains 4 black balls 5 red balls. What is probability to draw 1 black ball and 2 red balls in

one draw?

a. 12/21

b. 9/20

c. 10/21

d. 11/20

Ans – c

Solution :

Out of 9, 3 (1 black & 2 red) are expected to be drawn)

Hence sample space

n(S) = 9c3

= 9!/(6!×3!)

= 362880/4320

= 84

Now out of 4 black ball 1 is expected to be drawn hence

n(B) = 4c1

= 4

Same way out of 5 red balls 2 are expected be drawn hence

n(R) = 5c2

= 5!/(3!×2!)

= 120/12

= 10

Then P(B U R) = n(B)×n(R)/n(S)

i.e 4×10/84 = 10/21

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UNIT - **14 : Correlation and Regression**

Correlation - Regression :

• Regression and correlation analyses show us how to determine both the nature and

strength of the relationship between the two variables. Through this method we will learn to

predict, with some accuracy, the value of the unknown variable based on past observation and

other factors.

• Correlation analysis is the statistical tool to describe the degree to which one variable is

linearly related to other.

Correlation is a relationship or dependency that exists between two variables.

If a correlation exists, it is said that the variables are correlated or there is a correlation between them.

The linear correlation coefficient is the ratio between the covariance and the product of

standard deviations of both variables.

The linear correlation coefficient is denoted by the letter r.

The regression line is the line that best fits or represents the data on the scatter plot.

Line of Regression of Y on X

The regression line of y on x is used to estimate the values of y from x.

The slope of the line is the quotient between the covariance and variance of the variable X.

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UNIT - 15 : Time Series

Time Series:

*4 Types of variation in Time series:

*Secular Trend – Over a long period of time - Consumer price Index

*Cyclical Fluctuation – Business cycle

*Seasonal variation – Doctor – Seasons (changes within a year)

*Irregular variation – Unpredictable, Earth Quake, war etc.

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UNIT - 16 : Estimation

Estimation refers to the process by which one makes inferences about a population, based on

information obtained from a sample.

Point Estimate vs. Interval Estimate

Statisticians use sample statistics to estimate population parameters. For example, sample means are

used to estimate population means; sample proportions, to estimate population proportions.

An estimate of a population parameter may be expressed in two ways:

⦿ Point estimate. A point estimate of a population parameter is a single value of a statistic. For

example, the sample mean x is a point estimate of the population mean μ. Similarly, the

sample proportion p is a point estimate of the population proportion P.

⦿ Interval estimate. An interval estimate is defined by two numbers, between which a

population parameter is said to lie. For example, a < x < b is an interval estimate of the

population mean μ. It indicates that the population mean is greater than a but less than b.

Confidence Intervals

Statisticians use a confidence interval to express the precision and uncertainty associated with a

particular sampling method. A confidence interval consists of three parts.

⦿ A confidence level.

⦿ A statistic.

⦿ A margin of error.

The confidence level describes the uncertainty of a sampling method. The statistic and the margin of

error define an interval estimate that describes the precision of the method. The interval estimate of

a confidence interval is defined by the sample statistic + margin of error.

For example, suppose we compute an interval estimate of a population parameter. We might

describe this interval estimate as a 95% confidence interval. This means that if we used the same

sampling method to select different samples and compute different interval estimates, the true

population parameter would fall within a range defined by the sample statistic + margin of error 95%

of the time.

Confidence intervals are preferred to point estimates, because confidence intervals indicate (a) the

precision of the estimate and (b) the uncertainty of the estimate.

Confidence Level

The probability part of a confidence interval is called a confidence level. The confidence level

describes the likelihood that a particular sampling method will produce a confidence interval that

includes the true population parameter.

Here is how to interpret a confidence level. Suppose we collected all possible samples from a given

population, and computed confidence intervals for each sample. Some confidence intervals would

include the true population parameter; others would not. A 95% confidence level means that 95% of

the intervals contain the true population parameter; a 90% confidence level means that 90% of the

intervals contain the population parameter; and so on.

Margin of Error

In a confidence interval, the range of values above and below the sample statistic is called the margin

of error.

For example, suppose the local newspaper conducts an election survey and reports that the

independent candidate will receive 30% of the vote. The newspaper states that the survey had a 5%

margin of error and a confidence level of 95%. These findings result in the following confidence

interval: We are 95% confident that the independent candidate will receive between 25% and 35% of

the vote.

Note: Many public opinion surveys report interval estimates, but not confidence intervals. They

provide the margin of error, but not the confidence level. To clearly interpret survey results you need

to know both! We are much more likely to accept survey findings if the confidence level is high (say,

95%) than if it is low (say, 50%).

Consider the following results of 10 tosses of a coin: H, T, T, T, T, H, T, H, T, T a) Estimate the

probability of head (H) for this coin. b) Estimate the standard error of your estimate.

Let X denote the toss of a single coin. Further, let X = 1 if a head results, and X = 0 if a tail results.

This X is a Bernoulli (p) random variable, where p denotes the probability of head. Let $\hat{p}$ denote the

estimator of p.

a) The estimated value of p is $\hat{p}$ = (1 + 0 + 0 + . . . + 1 + 0 + 0)/10 = 0.3.

b) The estimated standard error of $\hat{p}$ is $\sqrt{\hat{p}(1 - \hat{p})/n}$ = $\sqrt{0.3(0.7)/10}$ = 0.14.

Suppose the following data shows the number of the problems from the Practice Problems Set

attempted in the past week by 10 randomly selected students: 2, 4, 0, 7, 1, 2, 0, 3, 2, 1.

a) Find the sample mean.

b) Find the sample variance.

c) Estimate the mean number of practice problems attempted by a student in the past week.

d) Estimate the standard error of the estimated mean.

a) $X = \sum_{i=1}^{n} X_i/n$ = (2 + 4 + . . . + 2 + 1)/10 = 2.2

b) $S^2 = \sum_{i=1}^{n} (X_i - X)^2/(n - 1)$ = (2 − 2.2)^2 + (4 − 2.2)^2 + . . . + (2 − 2.2)^2 + (1 − 2.2)^2/(10−1)

= 4.4

c) The estimate is X = 2.2

d) Estimated standard error of X is $S/\sqrt{n}$ = $\sqrt{4.4/10}$ = 0.66

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UNIT - 17 : Bond Investment

Debt

DEBT means a sum of money due by certain and expresses agreement. In a less technical sense, it

means a claim for money. Loans from banks or financial institutions are one of the popular forms

of debt.

Bonds

Debt capital consists of mainly bonds and debentures. The holder of debt capital does not receive

a share of ownership of the company when they provide funds to the firm. Rather, when a

company first issues debt capital, the providers of debt capital purchase a debenture, which

involves lending money to the firm. In return for loaning this money, bond holders have a right to

certain guaranteed payments during the life of the bond.

For example : a company issued a bond of a face value of Rs. 100 carrying a coupon rate of 10 per

cent for ten years. This entitles the bondholder to receive Rs. 10 (10 per cent of Rs. 100) for ten

years as interest. At the end of tenth year, the bondholder is also entitled to receive back the

invested amount of Rs. 100. Irrespective of the level of profits or losses, which company makes

during that period of ten years, the bondholder is entitled to receive the coupon interest during

that period.

Face Value: Also known as the par value and stated on the face of the bond. It represents the

amount borrowed by the firm, which it promises to repay after a specified period.

Coupon rate: A bond carries a specific rate of interest, which is also called as the coupon rate.

Maturity: A bond is issued for a specified period. It is to be repaid on maturity.

Redemption Value: The value, which the bondholder gets on maturity, is called the redemption

value. A bond is generally issued at a discount (less than par value) and redeemed at par.

Market Value: A bond may be traded on a stock exchange. Market value is the price at which the

bond is usually bought or sold in the market.

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Bond Value

A bond, whose par value is Rs. 1,000, bears a coupon rate of 12 per cent and has a maturity period

of 3 years. The required rate of return on the bond is 10 per cent. What is the value of this bond?

Solution

Annual interest payable = 1,000 * 12% = 120

Principal repayment at the end of 3 years = Rs. 1,000

The value of the bond

= 120 (PVIFA 10%, 3 yrs) + Rs. 1,000 (PVIF 10%, 3 yrs)

= 120 (2.487)+1,000 (0.751)

= 298.44 + 751

= Rs. 1,049.44

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A bond, whose par value is Rs. 1000, bears a coupon rate of 12 per cent payable semi-annually

and has a maturity period of 3 years. The required rate of return on bond is 10 per cent. What is

the value of this bond?

Solution

Semi-annual interest payable = 1,000 x 12 per cent/2= 60

Principal repayment at the end of 3 years = Rs. 1,000

The value of the bond

= 60 (PVIFA 10%/2, 6 pds) + Rs. 1,000 (PVIF 10%/2, 6 pds) =

60 (5.0746) + 1,000 (0.746) = 304.48 + 746 = 1,050.48

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The face value of the bond is Rs. 1,000, coupon rate is 11 per cent, years to maturity is seven

years. The required rate of return is 13 per cent, and then the present value of the bond is

110 x PVIFA (13 per cent, 7) + 1,000 (PVIF 13 per cent, 7)

110(4.423)+1,000 (0.425) = 911.53

One year from now, when the maturity period will be six years, the present value of the bond will

be

110 x PVIFA (13 per cent, 6) + 1,000 (PVIF 13 per cent, 6)

110 (3.998) + 1,000 (0.480) = 919.78

Similarly, when maturity period is 5, 4, 3, 2, 1 the Bond value will become 929.87, 940.14, 952.71,

966.48, 982.35, respectively.

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CURRENT YIELD ON BOND

It measures the rate of return earned on a bond, if it is purchased at its current market price and if

the coupon interest is received.

Current yield = Coupon interest/current market price

If a bond of face value Rs. 1,000, carrying a coupon interest rate of 8 per cent, is quoted in the

market at Rs. 800, then the

Current yield of the bond is = 8 per cent * 1,000/800 = 10 per cent

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YIELD-TO-MATURITY OF BOND

It is the rate of return earned by an investor, who purchases a bond and holds it until the

maturity.

Numerical problems on YTM

Consider a Rs. 1,000 par value bond, whose current market price is Rs. 850/-. The bond carries a

coupon rate of 8 per cent and has the maturity period of nine years. What would be the rate of

return that an investor earns if he purchases the bond and holds until maturity?

Solution

If kd is the yield to maturity then,

850 = 80 (PVIFA kd per cent, 9 yrs) + 1,000 (PVIF kd, 9 yrs)

To calculate the value of kd, we have to try several values:

= 80 (PVIFA 12 per cent, 9) + 1,000 (PVIF 12 per cent, 9)

= 80x 5.328+ 1,000 x (0.361)

= 426.24 + 361 =787.24

Since, the above value is less than 850, we have to try with value less than 12 per cent. Let us try

with

kd =10 per cent

= 80 (PVIFA 10 per cent, 9) + 1,000 (PVIF 10 per cent, 9) = 80

x 5.759 + 1.000 * 0.424 = 884.72

From the above it is clear that kd lies between 10% and 12%. Now we have to use linear

interpolation in the range of 10% and 12%. Using it, we find that kd is equal to the following:

(884.72-850) / (884.72-787.24)

34.72 / 97.48 = 10%.+

.71=10.71%

Therefore, the yield to maturity is 10.71%

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UNIT - 18 : Linear Programming

Linear Programming – Decision Making:

*This can be solved either 'graphical' or 'simplex' method.

*Linear Programming refers to several related mathematical techniques that are

used to allocate limited resources among completing demands in an optimum way.

*Some examples of resource and marketing constraints:

*Bank may stipulate certain working capital requirements.

*Market may not absorb the whole output

*Capacity constraints

*Labor availability

*Raw Material availability

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UNIT - 19 : Simulation

*Simulation is a way of studying effects of changes in the real system through models. We

manipulate a model of the system so that we came to know the end results, without

having to go through the problems in reality.

*Queuing problems have been extensively studied through simulation.

*Simulation is useful in training managers and workers in how the real system operates, in

demonstrating the effects of changes in system variables and real time control.

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MODULE - C – Human Resource Management

UNIT - 20 : Fundamentals of Human Resource Management

The Perspective

An organisation is primarily a ramification of the fact that there is an interdependency implied in the

satisfaction of needs of individuals alongside with the achievement of organisational objectives

•Formal or Informal

•Two streams of thoughts:

*How to organise the activities most systematically and analytically so that specificity in the

work processes and operations can be brought about

*How to understand an individual's relation to a given activity now recognised as 'work'

•Robert Owen (1771-1858): Advocate of better working conditions for 'vital machines'

•Charles Babbage (1792-1871): Division of labour

•Frederick Taylor (1856-1915): Scientific Management Approach

*Conducted 'Division of Labour' and 'Time and Motion' studies

•Elton Mayo: Howthorne Studies 1924-33

*Pointed to various dimensions of human behaviour that were not considered to be of any

significance in the restricted approach taken earlier

•Followed by Human relations movement that replaced 'rational-economic man' by 'social man'

perspective

•Later researchers like Chris Argyris, Abraham Maslow, Douglas McGregor and Frederick Herzberg

pointed out that individuals are motivated by other than monetary factors too

•Line managers are the delivery points

Development of People Management Functions

•A distinct managerial function since end of nineteenth century

*Few organisations had the post of welfare secretary(also referred to as social secretaries)

•Experiment on group behaviour by Prof A K Rice in Ahmedabad Rice Mills in 1952

•The term personnel officer was perhaps first used in the chemical and pharmaceutical industries in

1960s

•The concern for human element did not occur until the socio-psychological upheavels in the late

1920s and early 1930s

•Two major traditions or trends:

*Hard headed, profit minded approach to utilisation of human resources

*Social welfare viewpoint

RELATIONSHIP BETWEEN HRM & HRD AND THEIR STRUCTURES AND FUNCTIONS

Labour and Welfare Department

Personnel Department

HR Department

Classification of HRM Activities

Administration and Maintenance (Personnel)

*Conventional component of people management

*Administration

*Systems related to acquisition, promotion & evaluation, administration, salary and long term

benefits

*Maintenance Systems

*Traditional labour management, grievances and discipline management activities

Human Resource Development

*Developmental systems such as induction and socialisation of the individuals, development

and growth, performance appraisal and counseling, career planning

*Organisational interventions for climate development, employee and organisational

development

ROLE OF HR PROFESSIONALS

Supportive Role

*Developing systems that deal with people, their problems and organisational dynamics

Systems Development and Research

*Planning Future manpower, Recruiting, Utilizing by placement, Motivating, Retaining,

Integrating people and their role, Performance and potential assessment, Planning growth of

individuals etc

Managerial Role

*Technical, managerial, helping, coping and processing competence

Developing Competence

*Creating necessary culture and values in the organisation, diagnosing the problem at

organisational level and taking corrective steps

Process Role

*Creating necessary culture and values in the organisation, diagnosing the problem at

organisational level and taking corrective steps

Critical Attributes

Technical

Knowledge of -

*Performance Appraisal Systems and their functioning

*Potential appraisal and mechanism of developing a system

*Various tests and measurements of behaviour

*Personnel and management

*Behavioural Sciences

*Career planning processes and practices

*Counselling

*Behavioural research techniques

*Ability to design and coordinate training programmes at worker, supervisor and managerial

levels

*Understanding of overall organisational culture

*Counselling skills

Managerial

*Organizing Ability

*Systems Development Skills

Personality

*Initiative

*Faith in human beings and their capabilities

*Positive attitude to others

*Imagination and creativity

*Concern for excellence

*Concern for people and their development

*Friendly, sociable and affable

*Attitude for research and development work

*Interest in learning new things

*Ability to work as a team member

Competencies for HR Heads

Behavioural

*Communication

*Initiative

*Drive

*Creativity

*Self-confidence

*Teamwork

*Influencing Ability

*Problem Solving

*Inter Personal Skills

Functional

*Business Knowledge

*Change Management

*Diversity Management

*Service Orientation

*Execution Excellence

*Financial perspective

*Building expertise

*Personal credibility

*Relationship management

*Strategic Thinking and Alignment

Strategic Role in the Future

*To become a partner with senior and line managers in strategy execution, helping to move

planning from conference room to the market place

*To become an expert in the way work is organized and executed, delivering administrative

efficiency to ensure that costs are reduced while quality is maintained

*To become a champion for employees, vigorously representing their concerns to senior

management and at the same time, working to increase employee contribution

*To become an agent of continuous transformation, shaping processes and a culture that

together improve an organisation's capacity for change

Development of HR functions in India

*During the British raj, the ripples of whatever happened were felt in India

*Labour Welfare Officers under the Factories Act

*By 1950s the provisions of the Industrial Disputes Act, 1947 began to percolate down

*By 1960s demand for personnel professionals with specific knowledge about people

management systems and laws rose

*Institutes were setup:

~Indian Institute of Personnel Management (IIPM), 1947

~National Institute of Labour Management

~National Institute of personnel Management (NIPM), 1982: Formed upon merger of the

above two institutes

~Indian Society for Training and Development , 1970

*MNCs gave more attention to personnel issues based on home country experience

*In India TISCO took proactive measures in the field

*Govt. enacted legislations related to employment and employee welfare:

~Article 16(1) of the Indian Constitution: Equal opport*UNIT*y for employment

~Apprentices Act, 1961: Training linked to employment

~Child Labour Act, 1986

~Bonded Labour System Act, 1976

~Interstate Migrant Workmen Act, 1979

*Next major transformation in 1980s with the onset of the HRD era

*Establishment of National HRD network in 1985

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UNIT - **21 : Development of Human Resources**

HRD and its subsystems

*Organized learning experience in a definite time period to increase the possibility of improving

job performance growth

*A process by which employees of an organisation are helped in a continuous and planned way

to:

~Acquire or sharpen capabilities required to perform various functions associated with their

present or expected future jobs

~Develop their general capabilities as individuals and discover and exploit their own inner

potential for their own and/or organisational development purpose

~Develop an organisational culture in which supervisor-subordinate relationships,

teamwork and collaboration among sub*UNIT*s are strong and contribute to the professional

well-being, motivation and pride of employees

Goals of HRD

To develop:

*Capabilities of each employee as an individual

*Capabilities of each individual in relation to his or her present role

*Capabilities of each employee in relation to his or her expected future role(s)

*Dyadic relationship between each employee and his/her supervisor

*Team spirit and functioning in every organisational *UNIT* (department, group etc)

*Collaboration among different *UNIT*s of the organisation

*Organisation's overall health and self-renewing capabilities, which, in turn increase the

enabling capabilities of individuals, dyad teams, and the entire organisation

Job/Role Analysis

Job Description

*List of requirements: Skills, Qualifications etc. for performing the job

Job Specifications

*Used to compare two jobs within an organisation or between organisations or even an

industry

Job Evaluation

*Used to compare two jobs within an organisation or between organisations or even an

industry

Task

*Complex system of tasks

*Requires a person to achieve an overall product

*The relationship is irrelevant

Job

*Puts an individual in a hierarchical position

Position

*Emphasises on the pattern of mutual expectations

Role

*Goes a step further to encompass socio-psychological relationship

Work

*Goes a step further to encompass socio-psychological relationship

Training and Development – Role and Impact of Training

Involves:

*Identification of Training Needs

*Conducting the training

*Evaluation of Training

*Selection and development of trainers

Purpose of Training and Development

Training

*Improved performance of individual on his present job

*Learning related to present job

Education

*His preparation for an identified job in a not too distant future

*Learning to prepare the individual for a different but identified job

*General Learning

Development

*His general growth (development) not related to any specific job

*Learning for growth of the individual not related to a specific present or future job

*Futuristic Learning

Importance of clarity of purpose

*Purpose will determine the choice as shown earlier

*It will make the expected outcomes clear to both the parties

*Helps in identifying who is responsible for what activity

Imperatives of Adult Learning

*Andragogy – Adult learning process. Analogous to pedagogy

*A cooperative venture in non-authoritarian, informal learning, the chief purpose of which is to

discover the meaning of experience, a quest of mind which digs down to the roots of the

preconceptions which formulate our conduct; a technique of learning for adults which makes

education coterminous with life and hence elevates living itself to the level of adventurous

experiment.

Learning Theories

Mechanistic (or Behaviorist) Theories

*Hold that learner is passive in the learning process

*Every input/stimulus will get a predetermined response

*Learning occurs when a learner is conditioned to give the 'right' response to a given stimulus

*Mechanistic (or Behaviorist) Theories

Cognitive Theories

*Equate man with his brain – humans are capable of critical thinking and problem solving

*Purpose of learning is to teach the brain to engage in such critical thinking and problem

solving

Cognitive Theories

*Organismic (or Humanistic) Theories

*Learning occurs when learners have 'freedom to learn' what is particularly relevant to their

personal life situation

*Purpose of learning is to encourage each individual to develop his or her full, unique potential

Variables associated with actual Teaching-Learning situation

*Learning is enhanced when learner is motivated

*Learning requires feedback

*Reinforcement increases the likelihood that a learned behaviour will be repeated

*Practice increases a learner's performance

*Learning must be transferable to the job

Systematic Approach to Learning (SAT)

*Will the training be done internally or externally?

*How much and what kind of training will be done externally and is this also an essential part?

*Who are the functionaries responsible for administering the training system?

SAT – The process

*Training Need Analysis(TNA) and Identification of Training Needs

*Preparation of a Training Plan

*Conduct of the Training

(including designing the programme)

*Evaluation of the Training Programme and the plan

(Reaction Level, Learning Level, Behaviour Level and Functioning Level)

*Selection and Development of Trainers

Support systems for Training and Development

*Performance Appraisal System

*Human Resource Information System

*Organisational Culture

Attitude Development

*Persistent tendency to feel and behave in a particular way towards some object

*Characteristics:

~Tends to persist unless something is done to change it

~Can fall anywhere in the continuum from very favourable to very unfavourable or positive

to negative

~Directed towards some object about which a person has perception, feelings and beliefs,

which may result in emotionally charged opinion and prejudices

Components of Attitudes

Emotional Component

*Person's feelings or their effect – positive, neutral or negative – about an object

*Expression of emotions, whether positive or negative, is important to work behaviour

Information Component

*Beliefs and information that an individual has about an object

*Usually founded on insufficient observations or opinions which may not be empirically

correct

Behavioural Component

*Person's tendency to behave in a particular way towards the object

Significance of Attitude at Workplace

Adjustment Function

*Help people adjust to their work environment

Ego-defensive Function

*Help people defend their self-image

Value-Expression Function

*Provide people a basis for expressing their values

*Helps to subscribe to the ethics

Knowledge Function

*Help supply standards and frames of reference that allow people to organise and explain

the world around them

*Regardless of how accurate a person's view of reality is, attitudes toward people, event

and objects impact the sense the individual makes out of what is going on.

Changing Attitudes

Barriers to attitude change:

*Prior commitment to a particular thing

*Insufficient information

Overcoming the Barriers to attitude change:

*Use of Fear

*Provide New Information

*Resolving discrepancies between attitude and behaviour

*Influence of peers, friends and opinion leaders Co-Opting – Getting the dissatisfied people

involved in improvement process

Career Path Planning

The idea behind Career Path Planning

*Individuals desire and expect change at certain stages in life

*There is a (predictable) pattern in these changes

*There is a feeling of frustration if things do not happen as desired or expected

Life (Adulthood) Stages

Adolescence

*Individual's development is to achieve an ego identity

*A reconciliation process of what he perceives himself to be, what he thinks others perceive

him to be and make an adjusted assessment to form his identity

Young Adulthood

*Starts developing relationship with individuals, groups (interest group or work group) or

occupation.

Adulthood

*Guiding the next generation

*Passing on the knowledge, values or sponsoring the younger colleagues

Maturity

*Person attempts to achieve ego integrity by examining whether life has been meaningful

or satisfying

Career Roles

Apprentice

*Beginning of the career

*Does routine work under the supervision of the mentor

*Needs to accommodate himself to a certain level of dependency

Colleague

*Beginning of making independent contribution

*Less dependence on superiors for advice and direction

Mentors

*Beginning of complex functions

*Individual develops ideas, manages others and must learn to assume responsibility for

subordinates' work

Sponsors

*Needs to broaden perspective and think long term

*Needs to define the direction in which the entire organisation or atleast a major segment

would develop

*Needs to develop the capability to choose the right people in the organisation who can

support the process of influencing

Career Concepts

Linear Career Concept

*Plan for upward movement within the same profession using organisational hierarchy

Steady State Career

*Individuals choose a profession, acquire higher skills, but do not choose to go higher up in

the hierarchy

Transitory Pattern

*Individuals shift from one job to another not necessarily related to the previous one

Spiral Career

*Individuals take on a new job, work hard, perform well, move up in the status and rank,

then move on to another type of work and follow the same pattern of development and

performance

Plateau Career

*Reaching a level higher than where one started but then continuing on the same level

Career Path

*When these movements are predetermined in a logical sequence to enable an individual to

have knowledge of all activities of the organisation (horizontal movement), different

perspectives of management (field and controlling) and different levels of management

(heirarchial) it could be said that the organisation has developed a career path

*With an established Career Path Planning Subsystem the organisation can have a continuous

supply of individuals with required capabilities for future roles

Components of Career Anchors

*Self perception of talents and abilities based on one's performance

*Self perceived motives and needs based on self diagnosis and feedback

*Self perceived attitudes and values based on interactions with the norms and values implicit in

the organisation

Schein's Career Anchors

Technical/Functional Competence

*'in love' with a particular field or function

Managerial Competence

*Early experiences indicate an individual will be able to rise in the management hierarchy

Security

*Secure work environment and career

Creativity

*Desire to create something new

Autonomy

*Some find organisational life unpleasant or difficult. Prefer to maintain their freedom

Career Path Planning System

Main responsibilities of the organisation while developing and implementing a career plan are:

*The policy of career planning is made explicit. It lays down the benchmarks for performance at

critical stages which the employees must attain

*It is made clear that the career path is a facility for growth and not a right for advancement

*The career path – a sequence of job assignments, training requirements and promotion to

higher level – is made known to the employees from the time of entry. Performance feedback

is a part of the career path

*The career path is followed uniformly for all employees without any bias/prejudices

*It should be flexible to accommodate variations which may be needed to deal with the given

circumstances

Career Path Planning Process

*Define the career stages (Role) in relation to the organisational levels

*Identify the core jobs at each level

*Define and spell out the criteria for each successive level

*Placement in the next career role

Multiple Careers in one organisation

*In flatter organisations hierarchy is neither desired, nor available

*What is needed is to develop expertise in different areas

*The concept of spiral careers is becoming an ideal one in this situation

……

Self Development

Self development essentially refers to developing a mature personality who can handle different

tasks and situations with comparative ease. Process of discovering and utilising the tremendous

potential within one's individual personality

Patent Self

*External self comprising individual's identity and physical features

Inner Self

*Signifies the behavior patterns, values and other psychological factors including strengths and

weaknesses

Aspects of Self Development in relation to an organisation
Individual Level

Individual Level

*Motivational Pattern

*Locus of Control

*Power Bases

Interpersonal Level

*Interpersonal Needs

*Transactional Analysis

Group Level

*Being effective member in the work group

Locus of Control

*Belief of an individual about who is responsible for what happens in life

*Types:

~External: Believe that events are determined by external forces like other influential

persons in society, luck, destiny and so on

~Internal: Believe individuals can determine events

*Motivation has to come from within for real growth. Internal locus of control ensures growth

Power Bases

*Power: A person's potential to get others to do what he or she wants them to do, as well as

avoid being forced to do what he or she does not want to do

*Types:

~Coercive Bases: Organisational position, punishment, charisma, personal relationship,

closeness to a source of power, withholding information on resources

~Persuasive Bases: Expertise, competence and modelling

Interpersonal interactions: Dyadic relationship

*In organisations most of the situations imply interacting with and influencing others

*Dyad: Two individuals maintaining a sociologically significant relationship - Interpersonal

relationship

*Underlying concepts:

~Interpersonal Needs

~Interpersonal Interactions (Transactional Analysis)

Interpersonal Needs

Need for Inclusion

*To establish and maintain a satisfactory relationship with people with respect to

interaction and association

Need to Control

*To establish and maintain satisfactory relationship including:

*Psychologically comfortable relationship in controlling all behaviour of other people

*Eliciting behaviour from them which controls one's own behaviour

Need for Affection

Transactional Analysis (TA)

*Ego states: 'consistent pattern of feeling and experience directly related to a

corresponding consistent pattern of behaviour'

Parent

*Regulates behaviour and nurtures it

*Ethical, conscientious behaviour

*Influenced by preaching's from parents and elders

Adult

*Collects information and processes it

*Analytical, rational and practical orientation

Child

*Concerned with creativity, curiosity, reactions to others and adjusting behaviour (Little

Professor)

*Instinctive behaviour with motive of enjoyment

TA - Types of Transactions

*Complementary (Most Desirable)

*Crossed (Not Desirable)

*Angular

*Duplex

TA - Life Positions

*I AM OK YOU ARE OK (Ideal Situation)

*I AM OK YOU ARE NOT OK

*I AM NOT OK YOU ARE OK

*I AM NOT OK YOU ARE NOT OK

*I AM OK YOU ARE OK THEY ARE NOT OK

Working in Teams

*Team: A group of people with high degree of interdependence geared towards the

achievement of a goal or the completion of task

*Group Dynamics:

~Internal nature of groups

~How they form

~Their structure and processes

~How they function and affect individuals and organisation

Stages in Group Formation and Behaviour

*Forming (Awareness) Members with varied awareness get acquainted, understand the team's

goal and its role

*Storming (Conflict) Conflict among the members helps the team in defining itself

*Norming (Cooperation) How the task will be accomplished? Rules and regulations of the

team?

*Conforming (Adjustment) Adjusting one with the team expectations and norms

*Performing (Productivity) Members behave in mature fashion and focus on accomplishing

their goal. Full energy dedicated to work.

Self-Awareness

*Understanding self helps in the process of self-development

*Johari Window by Luft and Ingham

*The more one knows oneself, the better equipped he is to face challenges

KNOWN TO SELF NOT KNOWN TO SELF

KNOWN TO OTHERS ARENA BLIND

NOT KNOWN TO OTHERS CLOSED DARK

Emotional Intelligence

*Abilities such as being able to motivate oneself and persist in the face of frustration, to control

impulse and delay gratification, to regulate one's moods and keep away distress from

swamping the ability to think, to empathise and to hope.

*Unlike IQ, EQ grows throughout adulthood

Five components of Emotional Intelligence

Self Awareness

*Ability to recognize, understand one's mood, emotions and drives, as well as their effects

on others

Self-Regulation

*Ability to control or redirect disruptive impulses and moods and propensity to suspend

judgement – to think before acting

Self-Motivation

*Passion to work for reasons that go beyond money or status and propensity to pursue

goals with energy and persistence

Empathy

*Ability to understand the emotional make up of others and skill to treat people according

to their emotional reactions

Social Skills

*Proficiency in managing relationships and building networks and ability to find common

ground and build rapport

Morale

*The morale denotes a spirit as of dedication to a common goal that *UNIT*es a group

*Displays the emotional or mental condition w.r.t. cheerfulness, confidence, zeal etc

*High morale translates into positive motivation, increased productivity, exceeding

expectations for performance and happy employees

Employee Morale Boosters

*Welcome Ideas

*Keep Score

*Inspect Thank You Notes

*Huddle

*Open Up

*Have Fun

*Show Charity

*Add Perks

*Fire Staff

*Measure It

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UNIT - 22 : Human Implications of Organizations

HUMAN BEHAVIOUR AND INDIVIDUAL DIFFERENCES

The behaviour of an individual is influenced by several factors. These can be grouped

under the following heads:

1. Environmental Factors: (a) Economic, (b) Social (norms and cultural values), and (c)

Political;

2. Personal Factors: (a) Age, (b) Sex, (c) Education, (d) Abilities, (e) Marital Status, (f) No. of

dependants;

3. Organizational Factors: (a) Physical Facilities, (b) Organization Structure and Design,

(c) Leadership, (d) Compensation and Reward System; and

4. Psychological Factors: (a) Personality, (b) Perception, (c) Attitudes, (d) Values. (e) Learning.

EMPLOYEES BEHAVIOUR AT WORK

There are some basic assumptions about human behaviour at work:

1. There are differences between individuals.

2. Concept of a whole person.

3. Behaviour of an individual is caused.

4. An individual has dignity.

5. Organizations are social systems.

6. There is mutuality of interest among organizational members.

7. Organization behaviour is holistic.

While the first four concepts centred around people, the next two are concerned with organizations.

The last one is a combination of the first six assumptions.

Persons differ and again, there are certain 'commonalities' in the persons. Every person is, in certain

respects,

1. like all other persons,

2. like some other persons, and

3. like no other person.

By understanding certain dimensions of personality and behaviour, managers can, to a great extent,

predict the likely behaviour in terms of actions and outcomes of actions in respect of employees.

There are several theories to explain the concept of personality. One dimension of personality which

is getting attention both from organizational as well as medical researchers is the Type A and Type B

behaviour profiles.

A person exhibiting Type A behaviour is generally restless, impatient with a desire for quick

achievement and perfectionism.

Type 'B' personality people are much more easy going, relaxed about time pressure, less competitive

and more philosophical in nature.

Friedman, Meyer and Ray Roseman have mentioned the following characteristics of Type A

personality:

1. Restless by nature, so that he always moves, walks and eats rapidly.

2. Is impatient with the pace of things, dislikes waiting and is impatient with those who are

not impatient.

3. Multitasker – does several things at once.

4. Tries to schedule more and more in less and less time, irrespective of whether

everything is done or not.

5. Usually does not complete one thing before starting on another.

6. Often displays nervous gestures such as clenched fist and banging on a table.

7. Does not have time to relax and enjoy life.

Type B personality exhibits just the opposite characteristics and is more relaxed, sociable and has a

balanced outlook on life.

Erikson has identified eight developmental stages in explaining the personality. These stages which

are based on a person's state of mind at a given point of time are mentioned below:

Stage 1: Trust versus Mistrust

Stage 2: Autonomy versus Shame and Doubt

Stage 3: Initiative versus Guilt

Stale 4: Industry versus Inferiority

Stage 5: Identity versus Role Diffusion

Stage 6: Intimacy versus Isolation

Stage 7: Growth versus Stagnation

Stage 8: Integrity versus Despair

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THEORIES OF MOTIVATION AND THEIR PRACTICAL IMPLICATIONS

What is Motivation?

Motivation in an organizational context is referred as 'the extent of willingness of an

employee to respond to the organizational requirements'. Motivation is generally directed,

consciously or unconsciously, towards satisfaction of needs (motives). Motivation as a behavioural

concept is of great interest to the executives and managers in organizations today.

Theories of Motivation

The various theories of motivation are:

1. Scientific Management or Rational Economic View

2. Human Relations Model

3. Abraham Maslow's Need Hierarchy Theory

4. Frederick Herzberg's Two-Factor Theory

5. Clayton Alderfer's ERG Theory

6. Achievement Motivation Theory

7. Victor H Vroom's Expectancy Model

8. James Stacy Adams' Equity Theory

9. Lyman W. Porter and Edward E Lawler - Performance Satisfaction Model.

10. Reinforcement Theory

(Go through all the 10 theories)

Motivation and Behaviour

Behaviour of an individual is generally motivated by a desire to achieve some goal. Behaviour

is either an 'activity' or, 'a series of activities'. Each activity is supported by motivation. Individuals

differ not only in their ability to do but also in their will to do, or motivation. Motives are sometimes

defined as needs, wants, drives, or impulses within the individual. These are directed towards goals,

which may be conscious or subconscious. Goals are outside an individual. Goals are sometimes

referred to as 'hoped for' rewards towards which motives are directed.

Motivation to Work

Manager should also know specific ways and techniques to motivate employees in the work

situation. Most of these techniques are practical in nature and can be adopted by him in the normal

course. Some of the frequently used common incentives in organizations are :

Money, appreciation, job enlargement, job enrichment, job rotation, participative management, and

quality of work.

Factors contribute to the quality of work life:

1. Adequate and fair compensation.

2. A safe and healthy environment.

3. Jobs aimed at developing and using employee's skills and abilities.

4. Growth and security; jobs aimed at expanding employees' capabilities rather than leading

to their obsolescence.

5. An environment in which employees develop self-esteem and a sense of identity.

6. Protection and respect for employee's rights to privacy, dissent, equity. etc.

7. A sensible integration of job career and family life and leisure time.

Role Set Conflicts

The role set consists of important persons who have different expectations from the role

that an individual occupies. The conflicts arise due to incompatibility among the expectations of

significant others and the individual himself. These role set conflicts take the following forms:

1. Role ambiguity

2. Role Expectation Conflict

3. Role Overload

4. Role Erosion

5. Resource Inadequacy

6. Personal Inadequacy

7. Role Isolation

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UNIT - 23 : Employees' Feedback and Reward System

Feedback Through Climate Surveys

Organizations used to measuring employees' perceptions of the prevailing climate in an organization

are called climate surveys. The coverage of a typical survey can be as follows:

1. Structure: The feeling that employees have about the constraints on the groups, rules,

regulations, procedures, communications channels (layers in decision making), delegation and

authority, etc.

2. Responsibility: The feeling of being your own boss, clarity of role and responsibility vis-a-vis

superior, subordinates and peers, etc.

3. Reward: The feeling of being rewarded for a job done well, perception about reward and

punishment system, perception about pay and promotion, etc.

4. Risk: The sense of riskiness and challenge in the job and in the organization, and any

emphasis on taking calculated risk (risk taking is encouraged and bona fide errors are

protected) or playing safe is encouraged and accepted.

5. Warmth: The general feeling of fellowship that prevails in the workgroup atmosphere, the

prevalence of informal supporting culture and social groups.

6. Support: The perception about helpfulness of managers and other employees in the group,

emphasis on mutual support from above and below in the heirarchy.

7. Standards: The perceived importance of implicit and explicit goals and performance

standards, the emphasis on doing a good job, the challenge represented in personal and

group goals.

8. Conflict: The feeling that the managers and other workers want to hear different opinions,

the process of conflict resolution, opport*UNIT*y to express the views, etc.

9. Identity: The feeling of belonging to the organization and perceived value in the

organization and work group, etc.

REWARD AND COMPENSATION SYSTEM

The wages in the form of compensation is viewed as the main attraction to join or change a

job. The compensation should not be so meager that employees do not feel motivated to put in their

best. the compensation should be such that it continually attracts talent, it is a major source of

retention of the existing manpower and has an edge which motivates them to give their best.

Types of Compensations

Compensation is expressed in terms of money. It would thus include: wages or salary, bonus,

cash allowances and benefits such as accident, health insurance cover, employer's contribution to the

retirement funds, provision of accommodation, etc. The jobs are broadly classified in four groups and

the compensation for them is commonly referred to as shown below:

1. Managerial (top, middle, junior) ... remuneration

2. Supervisory ... salary

3. Clerical or Administrative ... salary

4. Unskilled, semi-skilled, skilled and highly skilled ... wages

Compensation Base

Compensation policy is an important element in personnel management. What is the basis or

factors on which compensation gets decided? It could be:

1. Company objectives

2. Market situation or prevailing market rate

3. Internal and external pressures.

A good compensation package should cover factors like adequacy, societal considerations,

supply and demand position, fairness, equal pay for equal work and job evaluation.

The administration is bound to protect the workforce from irrationally low wages. Taking this

as the prime objective the Indian Government has enacted:

1. The Payment of Wages Act, 1936,

2. The Minimum Wages Act, 1948

3. The Payment of Bonus Act, 1965, and

4. The Equal Remuneration Act, 1976.

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UNIT - 24 : Performance Management - Part 1

performance appraisal is an important tool by which the organizations review employee

performance, take corrective steps through training, interventions or placement decisions, reward

good performance and attempt to take the employee performance to a higher level.

Objectives of Performance Appraisal System

1. Judgemental - for salary increases, transfers and promotions;

2. Developmental - telling an employee how is he doing and suggesting changes in his skills,

attitudes, behaviour;

3. Counseling by superior - for giving feedback and understanding problems for poor

performance.

Uses of Performance Appraisal

1. It rates all the employees in a unified manner by using the same rating scales and thus

making them comparable on a common footing.

2. It provides information which could be critical while deciding on promotion, pay increases,

transfers, training, etc.

3. It provides information about the areas of weaknesses of the employee to enable initiation

of corrective steps.

4. It improves the quality of supervision as the supervisor becomes a keen observer.

5. The system, if implemented with openness and trust, ensures better interpersonal relations

between the employee and his supervisor.

Performance Appraisal Methods

Traditional Methods

1. Free Form Essay Method

2. Straight Ranking Method

3. Comparison Method

4. Grading Method

5. Graphic or Linear Rating Scales

6. Forced Choice Description Method

7. Forced Distribution Method

8. Group Appraisal Method

Modern Methods

1. Assessment Centre Workshops

2. Management by Objectives

3. Human Asset Accounting Method

4. Behaviourally Anchored Rating Scales

5. 360 Degree Appraisal Method

Performance Appraisal versus Confidential Report

In a large number of organizations the annual performance appraisal exercise is carried out as

a confidential activity. In fact, the form in which the performance of the employee is evaluated and

reported is called confidential report.

Merits and Demerits of performance appraisal system

The merits are:

1. It reveals a concern for performance and creates an atmosphere of openness and trust in

the organization.

2. Gives feedback to the employee and ensures that corrective steps are taken in time.

3. It raises the general motivation level of the employees if implemented properly.

The demerits are:

1. The halo effect — a tendency to allow one trait or characteristic of an employee to

influence the assessment. The halo is to rate an employee consistently high or low.

2. The leniency or strictness tendency of the superior interferes with the appraisal and

accordingly the assessment gets influenced. The superior is unable to come out of these

tendencies.

3. The central tendency problem refers to assigning average ratings to all the employees

without properly evaluating each aspect of appraisal carefully and fearlessly.

4. Similar error is the tendency of comparing the employee with oneself on various traits and

parameters. Those who show the similar characteristics are normally rated high.

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UNIT - 24 : Performance Management - Part 2

DO's and DON'Ts of the appraisal interview and giving of feedback can be easily summarized:

Do's

1. allow the employee to do the maximum talking,

2. encourage him to describe his success and failure,

3. create an atmosphere where he will open up.

4. praise him for his achievements.

5. tell him honestly what you think where he could have done well,

6. ask him what kind of help he expects from you.

7. extend to him all that you can do for him.

Don'ts

1. arrange a meeting when you are unable to devote time undisturbed.

2. allow any kind of disturbance once the meeting starts,

3. adopt judgmental role,

4. criticize him for his failures.

Counselling skills:

1. It is essential to follow the stages mentioned earlier in respect of appraisal interview and

feedback session. It helps in creating conducive atmosphere. The appraiser should realize that

it is a common human tendency to react negatively to the feedback process, and particularly

to the counselling process.

2. The process should start by communicating the purpose of the counselling.

3. The appraiser should be specific and descriptive when he is evaluating the performance.

4. Appraiser should avoid commenting on the person and centre his discussion on the issues

related to performance.

5. His intention should be to assist the employee to overcome his problems. With this prime

objective, even when he is criticizing the behaviour (and not the person) he should do it

carefully. Criticizing without crippling should be the motto.

6. He should listen to the employee and try to help him.

7. He should offer workable solutions and act where the appraises can initiate improvement.

8. Appraiser should not have any prejudice about the employee and try to evaluate the

employee's version objectively.

9. Successful counselling is effective listening.

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UNIT - 25 : HRM and Information Technology

Globalisation has removed all the physical, and national boundaries by linking organizations from all

parts of the world, by use of IT. HRM as a function has dual responsibility to respond to the

developments having taken place in the area of information technology (IT), for transformation of the

mind set of all individuals across the organization and also use of IT in day to day decision process.

The banking sector has absorbed maximum technology for their operations. IT has offered a variety

of delivery channels to support customers' needs in an efficient and effective manner.

Role of IT in HRM

There is lot of scope for use of IT in whole range of HRM functions i.e. recruitment, training,

placement, appraisal and reward system, organizational development initiatives etc. The need for use

of IT can be seen through the following: i. Basic information about employee used within the

organization. New dimensions have been added to employee data such as training, competencies,

skills, expectations etc. Updation of employees data HRD decisions are data-based now and IT

provides that data. Adherence to statutory requirements. As per Nadler: i. Massive influx of

technology into workplace presents great challenge in keeping the workforce's v.-crk and knowledge

base current and avoid workforce obsolescence New tools disrupt traditional work patterns and can

have demoralizing effect. HRD effort must align to the corporate planning. HRD efforts would be

examined in terms of contributing to high performance work *UNIT* and demonstrating results.

HR Information and Database Management

Computer based data can enhance the quality of decision making. A typical HR information system

includes the following types of data: The need for use of IT can be seen through the following: i. Biodata,

Educational qualification, Professional qualification Organisational history (entry level,

promotion, placements, training, performance appraisal, competencies, Salary & allowances.

The above type of data, requires few changes over a time period. But the data base provides lot of

information as input for decision making.

HR Research : Research in HRM can be undertaken to understand: trends of existing systems like

recruitment, promotion, training, appraisal system etc. to understand the workforce in terms of

motivation, commitment, expectation, frustration etc. to remain sensitive to internal environment,

regular opinion surveys, benchmarking, climate studies etc. can be conducted.

KnowledgeManagement (KM) : KM refers to process of (a) creating, (b) storing (c) distributing and

(d) pooling the knowledge (as per Wilcox-1997).The people in a system are the sources of creating

knowledge while storing and distributing the information is the responsibility of the information

technology machinery of the organization. Hence management of 'knowledge worker' is very critical

issue and cannot be done by traditional, bureaucratic process. Knowledge management has gained

prominence in the light of the uncertainty that the employee who has created the knowledge, will

continue with the organization or not, particularly where the attritions le77els are higher.

Use of technology in training : The technology offers an opport*UNIT*y in designing training

interventions to suit the individual learners. Important features are :

a. Mass learning user friendly material can be produces at low cost.

b. Trainers and trainees can be physically separated.

c. Trainee has the option to choose time and date and place and convenience form for learning.

Technology based training methods help in distance learning.

Advantages of E-Learning :

a. Trainee can choose his own time and place to learn.

b. Trainee can learn at his own pace.

c. Trainee can check his understanding It is highly cost effective.

Disadvantages of E-Learning :

a. Inflexible as program is pre-produced.

b. It needs greater self discipline.

c. It can produce a sense of isolation If turnover is low.

d. It can prove expensive due to high cost of hardware and software

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MODULE - D

UNIT - 26 : Overview of Credit Management

Bank's loan policies, and other aspects of credit management, are influenced to a great extent by

these unwritten principles, which are as under:

1. safety of funds

2. purpose

4. liquidity

3. profitability

5. security

6. risk spread

A borrower can be:

1. An individual

2. Sole proprietary firm

3. Partnership firm and joint ventures

4. Hindu undivided family

5. Companies

6. Statutory corporations

7. Trusts and co-operative Societies

The laws applicable to all these different kinds of borrowers are different.

Type of Borrower - Applicable Law

Individuals - Indian Contract Act

Partnership firms - Indian Partnership Act

Hindu undivided family - Customary laws pertaining to Hindus

Companies - Companies Act

Statutory corporations - Acts that created them

Trusts - Indian Trusts Act, Public Trusts Act, Religious

and Charitable Endowments Act, Wakf Act

Co-operative Societies - Co-operative Societies Act or Societies Registration Act.

Types of Credit

Fund Based Non-Fund Based

Actual transfer of money from the bank to the

borrower

there is no transfer of money, but the

commitment by the bank on behalf of the client,

may result in future transfer of money to the

beneficiary of such a commitment

Can be divided into short term credit or long

term credit

Example - bank guarantee, letters of credit, coacceptance

of bills, forward contracts, and

derivatives

Working Capital, Project Finance, Export Finance, Crop Loan

BUSINESS SEGMENTS

- Treasury

- Corporate/wholesale banking

- Retail banking

- Other banking business

Components of Credit Management

Loan Policy of the Bank

- Influenced by market conditions, policies of other banks, own SWOT analysis, RBI guidelines

- Exposure limits-single borrower/group

- Exposure limits for sectors

- Discretionary powers

Credit Appraisal

- Five Cs - Character, Capacity, Capital, Conditions and Collaterals

- Credit delivery-documentation, creation of charges

- Control and Monitoring

- Rehabilitation and Recovery

- Risk management-identification,

- Measurement & Evaluation

Delivery

Control and Monitoring

Rehabilitation and Recovery

Credit Risk Management

Refinance

RBI Guidelines

- End use of funds

- Priority sector 40%(agr 18%),weaker sector 10% foreign banks 32%, small enterprises 10%,

export credit 12% of ANBC/off balance sheet expo, whichever is higher. Agr, MSE, housing(20

lacs), Education(10 lacs/20 lacs abroad), Export credit, SHG, KVI, Retail

- Weaker sec. –small/marginal farmers, artisans, SGSY, SC/ST, DRI, SJSRY, SLRS, SHG

- Micro, small and medium enterprises

- Mfg sec: Micro upto 25 lacs, Small 25 lacs to 5 crs, Medium 5 crs to 10 crs

- Service : Rs 10 lacs, 10-2 crs, 2-5 crs

Credit Exposure Norms –

- For individuals/groups : 15/40 of capital funds- addl 5/10 for infra.

- NBFC/NBFC-AFC 10/15%- 15/20% on lent infra

Base Rate System

- Wef 1/7/2010 replaced BPLR

- Banks may determine actual roi

- Transparent, applicable to all except DRI, bank's own employees, against deposits, qtrly

review of BR

- Existing loans with BPLR to continue, switch over option to be given

Credit Restrictions

- Adv against bank's own shares
- Relatives of directors/sr officers
- Industries consuming ozone depleting substances
- Sensitive commodities
- FDRs of other banks/CD
- Buy back of shares

Credit Assessment/Delivery

- MPBF method
- For SME upto 5 crs limits turnover method
- Working capital above 10 crs , loan component 80%
- For seasonal/cyclical industrial bank may exempt with approval of board.

Fair practices code

Pertains to

- Loan application, processing
- Appraisal, terms and conditions
- Disbursement
- Post sanction supervision
- Discrimination, harassment in recovery, takeover of accounts

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UNIT 27 – **Analysis of Financial Statements**

Financial statements

- Balance-sheet
- P&l a/c / income & expenditure a/c
- Auditors report
- Fund flow statement/cash flow - AS 3 std makes compulsory for listed/to above 50 cr cos. As-

17 – segmentwise reporting. Banking co – formats of b/s and p&l prescribed by BR Act /Co Act

for companies (no p&l prescribed)

Basic Concepts Used in Preparation of Financial Statements

1. Entity Concept
2. Money Measurement Concept
3. Stable Monetary *UNIT* Concept
4. Going Concern Concept
5. Cost Concept
6. Conservatism Concept
7. Dual Aspect Concept
8. Accounting Period Concept
9. Accrual Concept
10. Realization Concept
11. Matching Concept

Horizontal form of B/S

Liabilities Assets

Share capital Fixed assets

Res/surplus investments

Secured loans current assets

Unsec. loans loans & adv

Current liabilities misc exp./losses

Provisions

Vertical Form of B/S

Sources of Funds

1. Shareholder's funds

(a) Share capital

(b) Res. & surplus

2. Loan funds

(a) Secured loans

(b) Unsecured loans

Application of Funds

1. Fixed assets

2. Investments

3. Current assets/loans & advances

less: current liabilities/provisions

Net current assets

4. Misc exp/losses

As per IT act, B/S FY is Apr-Mar. But Co's act does not prescribe. But max 15 months duration, 18

months with permission of ROC.

Profit & Loss Account

1. Gross and Net sales
2. Cost of goods sold
3. Gross profit
4. Operating expenses
5. Operating profit
6. Non-operating surplus/deficit
7. Profit before interest and tax
8. Interest
9. Profit before tax
10. Tax
11. Profit after tax (Net Profit)

Analysis of financial statements

- Asstt of fin position/performance
- Projections of future performance
- Warning signals
- Credit requirement assessment
- Exam fund flow
- Cross checking
- Fund flow analysis : diversionidle funds
- Trend analysis : trends/op.efficiency
- Ratio analysis : profitability, liquidity, capital structure(der), ability to service debt/int,

inventory/debtor turnover

Bankers mostly use three methods for analysis of financial statements.

(a) Funds Flow Analysis

(b) Trend Analysis

(c) Ratio Analysis

While different users of financial statements are interested in different ratios, the ratios which

interest a banker most, are the following:

(a) Profitability Ratios

(b) Liquidity Ratios

(c) Capital Structure Ratios

(d) Ratio Indicating Ability to Service Interest and Instalments

(e) Turnover Ratios

(1) Inventory Turnover Ratio

(2) Debtors' Turnover Ratio

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UNIT 28 – Working Capital Finance

Working Capital

The amount of raw materials, work in progress, finished goods, and receivables is called the working

capital.

Working Capital Cycle

The normal operations of a business enterprise consist of purchase of raw materials, processing and

conversion of raw materials into finished goods, selling these goods on cash/ credit basis, receive

cash on sale or end of credit period and again purchase raw materials. This is called working capital

cycle.

Method of Assessment of Bank Finance

1. Deciding on the level of Turnover of the Enterprise

2. Assessment of Gross or Total Working Capital : This is the sum total of the assessment of various

components of the working capital.

(a) Inventory

(b) Receivables and Bills

(c) Other Current Assets

Sources for Meeting Working Capital Requirement:

(a) Own Sources (N W C)

(b) Suppliers' Credit

(C) Other Current Liabilities like salaries payable, advances from customers, etc.

(d) Bank Finance

Calculation of Bank Finance

Though banks are now free to formulate their own policies, the methods of lending, mentioned

there, still find place in the calculations followed by the banks. The methods are;

(a) First Method of Lending: Under this, the enterprise was required to bring in at least 25 per cent of

the working capital gap (total current assets minus total current liabilities excluding bank finance)

(b) Second Method of Lending: Under this, the enterprise was required to bring in at least 25 per cent

of the total current assets.

(b) Third Method of Lending: Under this, the enterprise was required to bring in 100 per cent of those

current assets which are considered 'core assets' and at least 25 per cent of the remaining current

assets.

Bills / Receivables Finance by the Banks

Receivables are part of the current assets of a business enterprise. These arise due to sales on credit

basis to the customers. The bank provides finance against these in a fashion similar to that for

inventory.

Another method of sales is through Bills of exchange drawn by the seller on the purchaser in the

following manner;

(a) If no credit is to be provided to the customer, a demand bill is drawn.

(b) If the credit is to be provided on the sales, a bill of exchange, called usance bill, mentioning the

period of payment, is drawn on the purchaser and is accepted by him The outstanding amount is

shown in the accounts as 'bills receivables'.

The terms used in bills finance are purchase, discount and negotiation. Normally, 'purchase' is used in

case of demand bills, 'discount' in case of usance bills and 'negotiation' in case of bills which are

drawn under letters of credit opened by the purchaser's bank.

Guidelines of RBI for Discounting / Rediscounting of Bills by Banks

(a) Banks may sanction working capital limits, as also bills limit, to borrowers after proper appraisal of

their credit needs and in accordance with the loan policy as approved by their Board of Directors.

(b) Banks should open letters of credit (L Cs) and purchase / discount / negotiate bills under L Cs only

in respect of genuine commercial and trade transactions of their borrower constituents who have

been sanctioned regular credit facilities by the banks.

(c) If a beneficiary of the LC wants to discount the bills with the LC issuing bank itself, banks may

discount bills drawn by beneficiary only if the bank has sanctioned regular fund-based credit facilities

to the beneficiary.

(d) Bills purchased/discounted/negotiated under LC will be treated as an exposure on the LC issuing

bank and not on the borrower.

(e) While purchasing / discounting / negotiating bills under LCs or otherwise, banks should establish

genuineness of underlying transactions/documents.

(f) The practice of drawing bills of exchange claused 'without recourse' and issuing letters of credit

bearing the legend 'without recourse' should be discouraged because such notations deprive the

negotiating bank of the right of recourse it has against the drawer under the NI Act.

(g) Accommodation bills should not be purchased/discounted/negotiated by banks.

(h) Banks should be circumspect while discounting bills drawn by front finance companies set up by

large industrial groups on other group companies.

(i) Bills rediscounts should be restricted to usance bills held by other banks.

(j) Banks may exercise their commercial judgment in discounting of bills of the services sector.

Non-Fund-Based Working Capital Limits

*Guarantees

*Co-acceptance of Bills

*Letters of Credit

Commercial Paper (CP)

*Unsecured money market instrument

*Issued in the form of a promissory note

*Introduced in India in

*Cost of borrowing through CP is normally lower compared to other sources of short term

finances

Factoring

*Method of financing the receivables of a business enterprise.

*The financier is called 'Factor' and can be a financial institution.

*Banks are not permitted to do this business themselves but they can promote subsidiaries to

do this. Under factoring, the factor not only purchases the book debts/receivables of the

client, but may also control the credit given to the buyers and administer the sales ledger.

*The purchase of book debts/receivables can be with recourse or without recourse to the

client.

*If without recourse, the client is not liable to pay to the factor in case of failure of the buyer to

pay.

Forfaiting

*This is similar to factoring but is used only in case of exports and where the sale is supported

by bills of exchange/promissory notes.

*The financier discounts the bills and collects the amount of the bill from the buyer on due

dates. Forfaiting is always without recourse to the client. Therefore, the exporter does not

carry the risk of default by the buyer.

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UNIT – 29 Term Loans

1. Banks provide term loans normally for acquiring the fixed assets like land, building, plant and

machinery, infrastructure etc., (personal loans, consumption loans, educational loans etc. being

exceptions)

2. In exceptional cases, banks provide term loans for current assets also. This is called Working Capital

Term Loan (WCTL)

3. Working capital loans are normally sanctioned for one year but are payable on demand. Term loans

are payable as per the agreed repayment schedule, which is stipulated in the terms of the sanction.

Therefore, for the purpose of matching assets and liabilities of the bank, term loans are considered

long term assets while working capital loans are considered as short term assets.

4. As a term loan is expected to be repaid out of the future cash flows of the borrower, the D S C R

assumes great importance while considering term loans, while for working capital loans, the liquidity

ratios assume greater importance.

5. There is no uniform repayment schedule for all term loans. Each term loan has its own peculiar

repayment schedule depending upon the cash surplus of the borrower.

Deferred Payment Guarantees (DPGs)

When the purchaser of a fixed asset does not pay to the supplier immediately, but pays according to

an agreed repayment schedule, and the bank guarantees this repayment, the guarantee is called

DPG. This is a Non-fund based method for financing purchase of fixed assets.

Project appraisal

Project appraisal can be broadly taken in the following steps:

(1) Appraisal of Managerial Aspects

(2) Technical Appraisal

(3) Economic Appraisal

Types of Financing of infrastructure projects by Banks

(a) Take-out Financing

(b) Inter-institutional

(c) Financing Promoter's Equity

Appraisal

For fixed assets, WCTL, longer period, future cash flows

Deferred payment guarantees

Project appraisal : all fin requirements are considered, for term loan appraisal : TEV/IRR/DSCR is

taken into a/c

Appraisal of managerial aspects : credentials, financial stake, business module, form of organisation

Prudential Requirements

(1) Prudential Credit Exposure Limits

(2) Assignment of Risk Weight for Capital Adequacy Purposes

(3) Asset Liability Management

(4) Administrative arrangements

Take-out Financing or Liquidity Support

(1) Take-out Financing or Liquidity Support

(2) Liquidity support from I D F C

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UNIT -30 – Credit Delivery

- Documentation:

- Proper stamping, dated, authority, with free will, duly filled in, roc charge, sub registrar,

CERSAI, third party guarantee

- Charges : Mortgage, hyp, pledge, lien, assignment

- Disbursement of w/c and term loan, promoter's contribution

Consortium/Syndication

- Two or more banks get into a formal arrangement

- Exchange of information

- Joint documentation/DP allocation

- For syndication mandate to one bank is given for arranging entire loan

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UNIT 31 – Credit Control and Monitoring

Credit control and monitoring, often referred as Loan Review Mechanism (L R M), plays an important

role in the following aspects:

(1) To ensure that the funds provided by the bank are put to the intended use and continue to be

used properly.

(2) To ascertain that the business continues to run on the projected lines.

(3) If the deterioration of the business continues despite appropriate action, the bank should decide if

any harsh action like, recalling the advance or seizing the security, etc. is necessary.

Credit Monitoring

Ensure end use, performance, warning signals and action to be taken

Available Tools for Credit Monitoring / L R M

(1) Conduct of the Accounts with the Bank

(2) Periodic Information Submitted as per the Terms of the Advance

(3) Audit of Stocks and Receivables Conducted by the Bank

(4) Financial Statements of the Business, Auditors' Report

(5) Periodic Visits and Inspection

(6) Interaction

(7) Periodic Scrutiny

(8) Market Reports about the, Borrower and the Business Segment

(9) Appointing Bank's Nominee on Company's Board

(10) Credit Audit

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UNIT 32 – Risk Management and Credit Rating

Credit Risk Monitoring

*Operational risk : frauds/disruption of business due to natural calamities

*Market risk : adverse market movement of interest rates, exchange rates

*Credit risk : unwilling /inability to repay

*External factors : exchange/intt rate changes, govt policies, political risks

*Internal factors : overexposure to sector, low quality appraisal, monitoring,

*Lack of efficient recovery machinery

Risk mitigation

*Macro level : review/fixing internal limits for commitments, loan/compr/ rehab policies

*Micro level : appraisal standards, sanctioning powers, credit ratings, scores,

*Credit rating : risk measured : decision to lend, pricing, portfolio evaluation

*Credit rating : management, securities available, financial aspects, business/project risks

*Credit default : inability/unwillingness to meet commitments of repayment of interest

/principal, BG/LC, trading settlements

*NPAs : Sub-standard, Doubtful, Loss

Wilful Default

*Default even though the borrower has capacity to repay

*Diversion of funds / siphoning of funds

*Disposal of securities

*Options available for stressed assets:

*Exit, rescheduling/restructuring, rehabilitation, compromise, legal action, write off

CDR Mechanism

*CDR Mechanism: for consortium/multiple banking, outstanding more than Rs.10 cr

*CDR standing forum: formulates policy

*CDR core group carved out of forum to assist standing forum in decisions relating to policy

*CDR empowered group decides the cases

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UNIT 33 – Rehabilitation and Recovery

Credit Default

Credit Default means the inability or the unwillingness of a customer or counterparty to meet

commitments in relation to lending, trading or any financial transactions.

Stressed Assets

Stressed Assets are those assets in which the default has either already occurred or which are facing a

reasonably certain prospect of default. Stressed Assets are defined as an account where principal

and/or interest remains overdue for more than 30 days.

Non Performing Assets (NPAs)

A Non-performing asset (NPA) is defined as a credit facility in respect of which the interest and/or

installment of Bond finance principal has remained 'past due' for a specified period of time. NPA is

used by financial institutions that refer to loans that are in jeopardy of default. Once the borrower

has failed to make interest or principle payments for 90 days the loan is considered to be a nonperforming

asset. NPAs are further classified into :

a. Sub-standard

b. Doubtful

c. Loss Assets

Wilful Defaulters

A 'wilful default' would be deemed to have occurred if any of the following events is noted:

a. The unit has defaulted in meeting its payment/repayment obligations to the lender even

when it has the capacity to honour the said obligations.

b. The unit has defaulted in meeting its payment/repayment obligations to the lender and has

not utilised the finance from the lender for the specific purposes for which finance was

availed of but has diverted the funds for other purposes.

c. The unit has defaulted in meeting its payment/repayment obligations to the lender and has

siphoned off the funds so that the funds have not been utilised for the specific purpose for

which finance was availed of, nor are the funds available with the *UNIT* in the form of other

assets.

d. The *UNIT* has defaulted in meeting its payment/repayment obligations to the lender and has

also disposed off or removed the movable fixed assets or immovable property given for the

purpose of securing a term loan without the knowledge of the bank/lender.

Options available to Banks for stressed Assets

a. Exit from the account

b. Rescheduling/Restructuring

c. Rehabilitation

d. Compromise

e. Legal action

f. Write Off

Corporate Debt Restructuring (CDR) Mechanism

Objectives of the CDR mechanism

The objective of the Corporate Debt Restructuring (CDR) framework is to act as a timely and

transparent mechanism for restructuring the corporate debts of viable entities facing problems, and

is outside the purview of BIFR, DRT and other legal proceedings.

Reference to CDR Mechanism may be triggered by:

Any or more of the creditors having minimum 20% share in either working capital or term finance, or

By the concerned corporate, if supported by a bank/FI having minimum 20% share as above.

Structure of CDR System

a. CDR Standing Forum

b. CDR Empowered Group

c. CDR Cell

CDR Standing Forum

The CDR Standing Forum, the top tier of the CDR Mechanism in India, is a representative general

body of all Financial Institutions and Banks participating in CDR system. The Forum comprises Chief

Executives of All-India Financial institutions and Scheduled Banks and excludes Regional Rural Banks,

co-operative banks, and Non-Banking Finance Companies.

It is a self-empowered body which lays down policies and guidelines to be followed by the CDR

Empowered Group and CDR Cell for debt restructuring and ensures their smooth functioning and

adherence to the prescribed time schedules for debt restructuring.

It provides an official platform for both creditors and borrowers (by consultation) to amicably and

collectively evolve policies and guidelines for working out debt restructuring plans in the interest of

all concerned.

The Standing Forum monitors the progress of the CDR Mechanism. It can also review individual

decisions of the CDR Empowered Group and CDR Cell. The Forum can also formulate guidelines for

dispensing special treatment to cases which are complicated and are likely to be delayed beyond the

time frame prescribed for processing. The Forum meets at least once every six months.

CDR Empowered Group

The individual cases of corporate debt restructuring are decided by the CDR Empowered Group (EG),

which is the second tier of the structure of CDR Mechanism in India. The EG in respect of individual

cases comprises Executive Director (ED) level representatives of Industrial Development Bank of India

Ltd., ICICI Bank Ltd., State Bank of India as standing members, in addition to ED level representatives

of financial institutions (FIs) and banks which have an exposure to the concerned company.

While the Standing Members of EG facilitate the conduct of the Group's meetings, voting is in

proportion to the exposure and number of the concerned lenders only.

The EG considers the preliminary Flash Report of all cases of requests of restructuring, submitted to it

by the CDR Cell. After the EG decides that restructuring of a company's debts is prima facie feasible

and the concerned enterprise is potentially viable in terms of the policies and guidelines evolved by

Standing Forum, the detailed restructuring package is worked out by the referring institution in

conjunction with the CDR Cell.

The EG is mandated to look into each case of debt restructuring, examine the viability and

rehabilitation potential of the company and approve the restructuring package within a specified

time frame of 90 days, or at best within 180 days of reference to the EG. The EG decides on the

acceptable viability benchmark levels on the following illustrative parameters, which are applied on a

case-to-case basis, depending on the merits of each case:

a. Debt Service Coverage Ratio

b. Break-even Point(Operating & Cash)

c. Return on Capital Employed

d. Internal Rate of Return

e. Cost of Capital

f. Loan Life Ratio

g. Extent of Sacrifice

The EG meets on two occasions to discuss (Flash and Final Report) in respect of each borrower

account. This provides an oppor*UNIT*y to the participating members to seek proper authorization

from their CEO/ED, in case of need.

Sanction and Implementation of Approved Packages

Once the final restructuring plan is approved and confirmed by the Empowered Group, CDR Cell

issues a Letter of Approval (LOA) for the Restructuring package to all the concerned lenders. The

individual lenders are required to sanction the restructuring package within 45 days from the date of

issue of LOA and thereafter fully implement it in the next 45 days.

CDR Cell

The CDR Cell, the third tier of the CDR Mechanism in India, is mandated to assist the CDR Standing

Forum and the CDR Empowered Group (EG) in all their functions.

All references for corporate debt restructuring by lenders/borrowers are made to the CDR Cell. It is

the responsibility of the lead institution/major stakeholder to the corporate to work out a preliminary

restructuring plan in consultation with other stakeholders and submit to CDR Cell. The CDR Cell

makes initial scrutiny of the proposals received from the lenders/borrowers, in terms of the general

policies and guidelines approved by the CDR Standing Forum, by calling for details of the proposed

restructuring plan and other information and place for consideration of the CDR EG within 30 days to

decide whether restructuring is prima facie feasible. If found feasible, the referring institution/bank

takes up the work of preparing the detailed restructuring plan with the help of other lenders, in

conjunction with CDR Cell and, if necessary, experts engaged from outside. If not found prima facie

feasible, the lenders may start action for recovery of their dues.

The EG can approve or suggest modifications to the restructuring plan, but ensure that a final

decision is taken within a total period of 90 days. The period can be extended up to a maximum

period of 180 days from the date of reference to the CDR Cell, if there are genuine reasons.

SME Debt Restructuring Mechanism

*UNIT*s in Small and Medium Enterprises (SME) Sector will include all *UNIT*s in tiny and Small Scale

industrial (SSI) sector and also those industrial *UNIT*s whose investment in plant and machinery is up

to Rs. 10 Crore.

Eligibility

The following entities, which are viable or potentially viable, are eligible

a. All non-corporate SMEs banking with us irrespective of the level of dues.

b. All corporate SMEs, which are enjoying banking facilities only from our bank, irrespective of

the level of the dues to the Bank.

c. All corporate SMEs, which have funded and non-funded outstanding up to INR 100 million

under multiple/consortium banking arrangement.

d. In respect of BIFR cases, branches will ensure completion of all formalities in seeking approval

from BIFR before implementing the package.

Exclusions

a. Accounts involving willful default, fraud and malfeasance will not be eligible for restructuring

under these guidelines. The identification of accounts involving willful default and fraud

should be on the basis of guidelines issued by RBI.

b. Accounts classified by our Bank as "Loss Assets" will not be eligible for restructuring.

Credit Information Bureau (India) Limited (CIBIL)

Credit Information Bureau (India) Limited or CIBIL is a Credit Information Company (CIC) founded in

August 2000. Post Inception, it has come to play a critical role in India's financial system. Whether it is

to help loan providers manage their business or help consumers secure credit faster and at better

terms, the use of CIBIL's products have led to a massive change in the way the credit life cycle is

managed by both loan providers and consumers.

CIBIL collects and maintains records of an individual's payments pertaining to loans and credit cards.

These records are submitted to CIBIL by banks and other lenders, on a monthly basis. This

information is then used to create Credit Information Reports (CIR) and credit scores which are

provided to lenders in order to help evaluate and approve loan applications.

Share holders of CIBIL

a. Trans Union International Inc

b. India Infoline Finance Limited

c. ICICI Bank Ltd

d. Bank of Baroda

e. Bank of India

f. Union Bank of India

g. Indian Overseas Bank

h. State Bank of India

i. Aditya Birla Trustee Company Private. Ltd

j. India Alternatives Private Equity Fund

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Important Formulas

Some of these Formulas may not be applicable for ABM, but I request all of you to go through all of them to

understand the concepts clear for both ABM and BFM.

1. Raw material Turnover Ratio = Cost of RM used / Average stock of R M

2. SIP Turnover = Cost of Goods manufactured / Average stock of SIP

3. Debt Collection period = No. days or months or Weeks in a year/Debt Turnover Ratio.

4. Average Payment Period = No. days or months or Weeks in a year/Creditors Turnover Ratio.

5. Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.

6. Debtors Turnover Ratio = Net Credit Sales / Average Debtors.

7. Creditors Turnover Ratio = Net Credit Purchases / Average Credits.

8. Defensive Interval Ratio = Liquid Assets / Projected Daily Cash Requirement

9. Projected daily cash requirement = Projected operating cash expenses / 365.

10. Debt Equity Ratio = Long Term Debt / Equity.

11. Debt Equity Ratio = Total outside Liability / Tangible Net Worth.

12. Debt to Total Capital Ratio = Total Debts or Total Assets/(Permanent Capital + Current Liabilities)

13. Interest Coverage Ratio = EBIT / Interest.

14. Dividend Coverage Ratio = N. P. after Interest & Tax / Preferential dividend

15. Gross Profit Margin = Gross Profit / Net Sales * 100

16. Net Profit Margin = Net Profit / Net Sales * 100

17. Cost of Goods Sold Ratio = Cost of Goods Sold / Net Sales * 100.

18. Operating Profit Ratio = Earnings Before Interest Tax / Net Sales * 100

19. Expenses Ratio or Operating Ratio = Expenses / Net Sales * 100

20. Net Profit Ratio = Net Profit After interest and Tax / Net Sales * 100

21. Operating Expenses Ratio = (Administrative + Selling expenses) / Net Sales * 100

22. Administrative Expenses Ratio =(Administrative Expenses / Net Sales) * 100

23. Selling Expenses Ratio =(Selling Expenses / Net Sales) * 100

24. Financial Expenses Ratio = (Financial Expenses / Net Sales) * 100

25. Return on Assets = Net Profit After Tax / Total Assets.

26. Total Assets = Net Fixed Assets + Net Working Capital.

27. Net Fixed Assets = Total Fixed Assets – Accumulated Depreciation.

28. Net Working Capital = (CA –CL) – (Intangible Assets + Fictitious Assets + Idle Stock + Bad Debts)

29. Return on Capital Employed = Net Profit Before Interest and Tax / Average Capital Employed.

30. Average Capital employed = Equity Capital + Long Term Funds provided by Owners & Creditors at the

beginning & at the end of the accounting period divided by two.

31. Return on Ordinary Share Holders Equity = (NPAT – Preferential Dividends) / Average Ordinary Share

Holders Equity or Net Worth.

32. Earnings Per Share = Net Profit After Taxes and Preferential dividends / Number of Equity Share.

33. Dividend per Share = Net Profit After Taxes and distributable dividend / Number of Equity Shares.

34. Dividend Pay Out Ratio = Dividend per Equity Share / Earnings per Equity Share.

35. Dividend Pay Out Ratio = Dividend paid to Equity Share holders / Net Profit available for Equity Share

Holders.

36. Price Earning Ratio = Market Price per equity Share / Earning per Share.

37. Total Asset Turnover = Cost of Goods Sold / Average Total Assets.

38. Fixed Asset Turnover = Cost of Goods Sold / Average Fixed Assets.

39. Capital Turnover = Cost of Goods Sold / Average Capital employed.

40. Current Asset Turnover = Cost of Goods Sold / Average Current Assets.

41. Working Capital Turnover = Cost of Goods Sold / Net Working Capital.

42. Return on Net Worth = (Net Profit / Net Worth) * 100

43. DSCR = Profit after Tax & Depreciation + Int. on T L & Differed Credit + Lease Rentals if any divided by

Repayment of Interest & Installments on T L & Differed Credits + Lease Rentals if any.

44. Factory Cost = Prime cost + Production Overheads.

45. Cost of Goods Sold = Factory Cost + Selling, distribution & administrative overheads

46. Contribution = Sales – Marginal Costs.

47. Percentage of contribution to sales = (Contribution / Sales) * 100

48. Break Even Analysis = F / (1 – VC / S)

F = Fixed costs, VC = Total variable operating costs & S = Total sales revenue

49. Break Even Margin or Margin of Safety = Sales – Break Even Point / Sales.

50. Cash Break Even = F – N / P – R or F – N / 1 – (VC / S)

51. BEP = Fixed Costs / Contribution per unit.

52. Sales volume requires = Fixed cost + Required profit / Contribution per unit.

53. BEP in Sales = (Fixed Costs / Contribution per unit) * Price per unit.

54. Contribution Sales Ratio = (Contribution per unit / Sale price per unit) * 100

55. Level of sales to result in target profit after Tax = (Target Profit) / (1 – Tax rate / Contribution per unit)

56. Level of sales to result in target profit = (Fixed Cost + Target profit) * sales price per unit Contribution per

unit.

57. Net Present Value = - Co + C1 / (1 + r)

58. Future expected value of a present cash flow = Cash Flow (1 + r) ^ t

59. Present value of a simple future cash flow = Cash Flow / (1 + r) ^ t

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60. The Discount Factor = 1 / (1 + r) ^ t

61. Notation used internationally for PV of an annuity is PV (A, r, n)

62. Notation used internationally for FV of an annuity is FV (A, r, n)

63. The effective annual rate = (1 + r) ^ t – 1 or (1 + (r / N)) – 1)

N = Number of times compounding in a year

64. PV of end of period Annuity = A { (1- (1 / (1+r) ^ n) / r

65. CR = CA : CL

66. Net Worth = CA - CL

67. DER = TL/TNW or debt/equity or TL/equity

68. Price Elasticity of Supply = (% change in quantity supplied/(% change in price)

69. PV = P / R * [(1+R)^T - 1]/(1+R)^T

70. PV = P / (1+R)^T

71. FV = P * (1 + R)^T

72. FV = P*(1-R)^T

73. FV = P / R * [(1+R)^T - 1]

74. FV = P / R * [(1+R)^T - 1] * (1+R)

75. EMI = P * R * [(1+R)^T/(1+R)^T-1)]

76. FV of annuity = A/r ×{(1+r)^n-1}

77. Bond Price = (1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)

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ALL THE VERY BEST FOR YOUR EXAMS

SHORT NOTES FOR

CAIIB

ADVANCED BANK MANAGEMENT

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