

Roots Institute of Financial Markets

RIFM



Practice Book

NISM-SERIES-V-A

MUTUAL FUND DISTRIBUTORS CERTIFICATION EXAMINATION



Roots Institute of Financial Markets
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Our Team

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- M.Com., B.Ed.
- AMFI Certified for Mutual Funds
- IRDA Certified for Life Insurance
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Exam Pattern

Test Duration	120 Min.
No. of Questions	100
Maximum Marks	100
Pass %	50
Negative Marking %	25



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MUTUAL FUND DISTRIBUTORS CERTIFICATION EXAMINATION

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Chapter 1

Concept and Role of a Mutual Fund

- 1 _____ are a vehicle to mobilize moneys from investors, to invest in different markets and securities.
- A. Mutual funds
 - B. Bond
 - C. Shares
 - D. None of the above
- 2 Their primary of MF is to assist investors in earning an income or building their wealth.
- A. True
 - B. False
- 3 The mutual funds can keep a check on the operations of the investee company and their corporate governance and ethical standards.
- A. True
 - B. False
- 4 The mutual fund industry offers livelihood to a large number of _____.
- A. Employees
 - B. Distributors
 - C. Registrars
 - D. All of the above
- 5 Mutual fund mobilizes different pools of money. Such pool of money is called _____.
- A. Mutual fund trust
 - B. Mutual fund scheme
 - C. Mutual fund deed
 - D. None of the above
- 6 The number of units multiplied by its face value is the capital of the scheme called _____.
- A. Share capital
 - B. Equity capital
 - C. Unit capital
 - D. None of the above
- 7 When investors purchases and sells investments and earn capital gains. These are called _____.
- A. Valuation gain
 - B. Realized capital gain
 - C. Profit in mutual funds
 - D. Any of the above
- 26 _____ are open for investors to enter or exit at any time even after the NFO.
- A. Close ended funds



- B. Open ended funds
 - C. Interval funds
 - D. All of the above
- 27 When existing investors buy additional units or new investors buy units of the open ended scheme, it is called a sale transaction.
- A. True
 - B. False

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Answer Sheet Chapter 1							
1	A	18	A	35	D	52	A
2	A	19	B	36	D	53	B
3	A	20	B	37	D	54	D
4	D	21	B	38	A	55	A
5	B	22	A	39	A	56	B
6	C	23	A	40	B	57	B
7	B	24	D	41	C	58	C
8	A	25	C	42	C	59	D
9	A	26	B	43	D	60	B
10	C	27	A	44	C	61	B
11	C	28	A	45	B	62	C
12	C	29	A	46	C	63	B
13	B	30	A	47	D	64	B
14	B	31	B	48	A	65	B
15	A	32	C	49	C	66	A
16	D	33	D	50	B		
17	A	34	D	51	A		



Chapter-3

Legal and Regulatory Environment

- 1 _____ regulates mutual funds, depositories, custodians and registrars & transfer agents in the country.
 - A. RBI
 - B. SEBI
 - C. AMFI
 - D. All of the above

- 2 An updated and comprehensive list of circulars issued by SEBI can be found in the Mutual Funds section of SEBI's website www.sebi.gov.in.
 - A. True
 - B. False

- 3 RBI regulates the _____.
 - A. Debt market
 - B. Security market
 - C. Money market
 - D. None of the above

- 4 Mutual funds need to comply with RBI's regulations regarding investment in the _____.
 - A. Money Market
 - B. Investment from outside the country
 - C. Investments from people other than Indian residents
 - D. All of the above

- 5 Stock exchanges are regulated by _____.
 - A. SEBI
 - B. RBI
 - C. Both of the above
 - D. None

- 6 What is the full form of SRO?
 - A. Self Regulatory Organizations
 - B. Statutory Regulatory Organization
 - C. Statutory Rules Organization
 - D. None of the above

- 7 Mutual funds in India have constituted a SRO for themselves.
 - A. True
 - B. False

- 8 The objectives of AMFI are _____.
 - A. To recommend and promote best business practices
 - B. To interact with the Securities and Exchange Board of India(SEBI)
 - C. To represent to the Government, Reserve Bank of India
 - D. All of the above

- 9 AGNI refers to _____.



- A. AMFI Guidelines & Norms for Investors
 - B. AMFI Guidelines & Norms for Intermediaries
 - C. AMFI Guidelines & Norms for Investments
 - D. None of the above
- 10 “To generate capital appreciation from a portfolio of predominantly equity related securities” is an objective of _____.
- A. Diversify Equity Scheme
 - B. Diversify Debt Scheme
 - C. Balanced Scheme
 - D. None

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Answer Sheet Chapter 3							
1	B	15	A	29	C	43	B
2	A	16	A	30	B	44	D
3	C	17	B	31	A	45	A
4	D	18	C	32	B	46	A
5	A	19	C	33	A	47	C
6	A	20	B	34	C	48	A
7	B	21	A	35	D	49	B
8	D	22	D	36	D	50	D
9	B	23	C	37	D	51	D
10	A	24	A	38	C	52	B
11	B	25	A	39	A	53	C
12	C	26	B	40	A	54	A
13	D	27	B	41	B	55	B
14	D	28	A	42	C	56	D



Chapter 5

Fund Distribution and Channel Management Practices

- 1 Historically, individual agents would distribute units of _____.
 - A. Unit trust of India
 - B. Insurance Policies
 - C. Government's Small Savings Schemes
 - D. All of the above

- 2 UTI, LIC or other issuer of the investment product (often referred to in the market as _____.
 - A. Product manufacturers
 - B. Product Dealer
 - C. Investor
 - D. None of the above

- 3 IFAs stand for _____.
 - A. Individual Financial Advisors
 - B. Institutional Financial Advisors
 - C. Independent Financial Advisors
 - D. None of the above

- 4 Who are Non Bank Distributors _____.
 - A. Brokerages
 - B. Securities distribution companies
 - C. Non banking finance companies
 - D. All of the above

- 5 SEBI has facilitated buying and selling of mutual fund units through the stock exchanges.
 - A. True
 - B. False

- 6 Mutual fund transaction engines are _____.
 - A. NSE
 - B. BSE
 - C. Both
 - D. Either A & B

- 7 The Intermediaries can fulfill the customer needs _____.
 - A. Personally
 - B. Through a team
 - C. With support of technology
 - D. All of the above

- 24 The distributors have to disclose all the commissions payable to them for the different competing schemes of various mutual funds from amongst which the scheme is being recommended to the investor.
 - A. True
 - B. False



Answer Sheet Chapter 5							
1	D	13	A	25	D	37	B
2	A	14	B	26	C	38	B
3	C	15	A	27	D	39	C
4	D	16	B	28	A	40	A
5	A	17	B	29	A	41	B
6	C	18	D	30	D	42	A
7	D	19	B	31	B	43	D
8	A	20	C	32	C	44	A
9	A	21	B	33	B	45	A
10	D	22	A	34	D	46	B
11	B	23	A	35	D	47	A
12	C	24	A	36	B		



Chapter 8

Return, Risk & Performance of Funds

1. The _____ is the main driver of returns in a mutual fund scheme.
 - A. Return
 - B. Profit
 - C. Portfolio
 - D. None of the above

2. Fundamental Analysis entails review of the company's fundamentals _____.
 - A. Financial statements
 - B. Quality of management
 - C. Competitive position
 - D. All of the above

3. Earnings per Share (EPS) = Net profit before tax ÷ No. of equity shares
 - A. True
 - B. False

4. _____ Ratio indicates how much investors in the share market are prepared to pay (to become owners of the company), in relation to the company's earnings
 - A. Earnings per Share
 - B. Price to Earnings Ratio
 - C. Book Value per Share
 - D. Price to Book Value

5. Which ratio tells the investors how much profit the company earned for each equity share that they own.
 - A. Earnings per Share
 - B. Price to Earnings Ratio
 - C. Book Value per Share
 - D. Price to Book Value

6. A _____ Fund maintains a portfolio that is in line with the index it mirrors.
 - A. Active fund
 - B. Passive Fund
 - C. Equity fund
 - D. Debt Fund

7. _____ Ratio indicates of how much each share is worth, as per the company's own books of accounts.
 - A. Earnings per Share
 - B. Price to Earnings Ratio
 - C. Book Value per Share
 - D. Price to Book Value

33. The difference between the yield on Gilt and the yield on a non-Government Debt security is called its yield Spread.



- A. True
B. False
34. The possibility of a non-government issuer defaulting on a debt security i.e. its credit risk, is measured by Credit Rating companies
A. True
B. False
35. Credit Rating companies are like _____
A. CRISIL
B. ICRA
C. CARE and FITCH
D. All of the above

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Answer Sheet Chapter 8

1	C	21	A	41	B	61	B	81	B
2	D	22	A	42	A	62	A	82	C
3	B	23	D	43	D	63	B	83	D
4	B	24	B	44	D	64	C	84	C
5	A	25	B	45	A	65	D	85	A
6	B	26	A	46	A	66	B	86	A
7	C	27	B	47	B	67	B	87	A
8	D	28	A	48	C	68	A	88	B
9	A	29	D	49	C	69	A	89	A
10	C	30	B	50	B	70	D	90	B
11	B	31	C	51	A	71	A	91	C
12	A	32	B	52	B	72	D	92	A
13	A	33	A	53	B	73	D	93	A
14	B	34	A	54	A	74	A	94	D
15	C	35	D	55	B	75	A	95	A
16	A	36	B	56	A	76	C	96	D
17	B	37	C	57	C	77	A	97	D
18	B	38	A	58	D	78	A		
19	B	39	B	59	A	79	A		
20	B	40	A	60	A	80	A		

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Chapter – 9 Scheme Selection

- 1 Mutual funds are a vehicle that helps an investor take exposure to asset classes,
 - A. Equity
 - B. Debt
 - C. Gold and real estate
 - D. All of the above

- 2 As a structured approach, the sequence of decision making is as follows:
Step 1 – Deciding on the scheme category
Step 2 – Selecting a scheme within the category
Step 3 – Selecting the right option within the scheme
 - A. A,B,C
 - B. B,A,C
 - C. C,B,A
 - D. A,C,B

- 3 Investing in equities with a horizon below _____ years can be dangerous.
 - A. 3
 - B. 2
 - C. 4
 - D. 5

- 4 Index funds are passive funds.
 - A. True
 - B. False

- 5 An investor in a _____ fund is bearing a higher cost for the fund management, and a higher risk.
 - A. Active
 - B. Passive
 - C. Both
 - D. None

- 6 If the bench mark index goes down, then the NAV of the index fund will go up.
 - A. True
 - B. False

- 7 If the investor has a long enough horizon, then his investment will do well in line with the overall market.
 - A. True
 - B. False

- 31 The comparable for a liquid scheme is_____
 - A. Equity scheme
 - B. Balanced Scheme
 - C. Gilt Fund
 - D. Savings Bank account



Answer Sheet Chapter 9					
1	D	12	D	23	C
2	A	13	C	24	A
3	B	14	C	25	E
4	A	15	A	26	A
5	A	16	A	27	B
6	B	17	A	28	B
7	A	18	B	29	A
8	B	19	D	30	B
9	B	20	A	31	D
10	A	21	B	32	C
11	A	22	B	33	B



Sample paper 1

1. A load means
 - A. An amount recovered from the registrar
 - B. An amount which is recovered from the investor
 - C. An amount paid to the broker by the fund
 - D. An amount paid by the fund to the regulator (SEBI)

2. YTM can also be defined as bond's
 - A. IRR
 - B. Coupon rate
 - C. Current yield
 - D. Duration

3. Shortfall in the case of assured returns schemes are met
 - A. By the Custodian
 - B. By the SEBI
 - C. By AMFI
 - D. By the person's entity guaranteeing the return as per the offer document

4. Who is responsible for filing details of the fund's portfolio with SEBI
 - A. Registrar of the fund
 - B. Fund trustee
 - C. Custodian
 - D. The Fund manager

5. A Mutual Fund is supervised by
 - A. The AMC
 - B. The Sponsor
 - C. A Board of Trustees or A Trustee Company
 - D. Registrar

6. Unit holders cannot sue the trust as
 - A. trust is established by the sponsor with approval from SEBI
 - B. they are not distinct from the trust
 - C. trust is not a legal entity
 - D. the funds are managed by the AMC

7. The NAV of XYZ equity scheme is Rs. 10.50 on 3rd September 2002, if the fund charges 0.25% as the exit load, what would be the repurchase price for the investor ?
 - A. 7.8750
 - B. 13.1250
 - C. 10.000
 - D. 10.4737

8. Investment in an Equity Linked Savings Scheme (ELSS)
 - A. Entitles the investor to claim income tax rebate
 - B. Requires the investment to be locked in for a period of 3 years
 - C. Automatically leads to investment in equity shares
 - D. All of these



Answer Sheet Sample Paper 1

1	B	26	B	51	A	76	C
2	A	27	D	52	A	77	D
3	D	28	D	53	D	78	C
4	D	29	C	54	C	79	D
5	C	30	D	55	C	80	C
6	B	31	A	56	B	81	B
7	D	32	A	57	C	82	C
8	D	33	D	58	D	83	A
9	D	34	D	59	D	84	A
10	E	35	A	60	D	85	D
11	C	36	A	61	C	86	D
12	E	37	B	62	D	87	D
13	A	38	D	63	D	88	D
14	D	39	D	64	D	89	D
15	A	40	D	65	B	90	E
16	C	41	B	66	A	91	C
17	A	42	D	67	A	92	D
18	A	43	D	68	B	93	C
19	D	44	D	69	D	94	D
20	C	45	A	70	A	95	C
21	A	46	E	71	D	96	A
22	B	47	D	72	A	97	D
23	A	48	D	73	A	98	D
24	A	49	B	74	A	99	D
25	D	50	D	75	C	100	C

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Sample paper 2

1. Mutual funds in India do not offer
 - A. Nomination and transfer facilities
 - B. Redemption of units
 - C. Loans against units
 - D. Providing periodic statements to unit holders regarding their transactions

2. The key information memorandum of a mutual fund scheme is available
 - A. At the Amc's office
 - B. At the office of authorized agents
 - C. At the branches of all banks
 - D. A & b only

3. While benchmarking a fund's performance relative to other mutual funds, it is important to
 - A. Select funds with similar investment objectives
 - B. Select funds of comparable size
 - C. Both of the above
 - D. None of the above

4. Which of the following comparisons is an ideal comparison
 - A. Comparing two equity growth funds
 - B. Comparing two debt funds investing in govt. securities
 - C. Comparing two balanced funds
 - D. All of the above

5. The process of splitting an investment portfolio between the various classes of assets such as real estate, equities, bonds, and cash is best described as
 - A. Rupee cost averaging
 - B. Asset allocation
 - C. Stock selection
 - D. Value averaging

6. As a financial planner, which of your following clients would you strongly advise to start investing for retirement
 - A. 26 year old unmarried executive with 2 yrs experience in a job
 - B. 30 year old executive supporting a family of wife, child and mother
 - C. 30 year old executive with his wife working as well
 - D. 31 year old unmarried son of a wealthy businessman.

7. Which of the following does not generally guarantee return on capital
 - A. Bank deposits
 - B. PDF
 - C. Units of mutual funds
 - D. NSC



Answer Sheet Sample Paper 2							
1	C	26	C	51	C	76	A
2	D	27	C	52	A	77	D
3	C	28	D	53	C	78	D
4	D	29	C	54	A	79	B
5	B	30	C	55	B	80	B
6	B	31	A	56	B	81	D
7	C	32	A	57	D	82	D
8	D	33	C	58	B	83	A
9	A	34	D	59	D	84	D
10	D	35	B	60	A	85	D
11	C	36	A	61	C	86	A
12	C	37	B	62	D	87	D
13	A	38	A	63	A	88	A
14	D	39	D	64	D	89	A
15	B	40	E	65	C	90	B
16	A	41	D	66	C	91	A
17	A	42	D	67	A	92	A
18	A	43	D	68	D	93	B
19	B	44	A	69	D	94	B
20	B	45	B	70	D	95	B
21	D	46	C	71	A	96	B
22	C	47	D	72	C	97	A
23	A	48	B	73	A	98	B
24	A	49	D	74	A	99	C
25	C	50	B	75	A	100	A



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