

SEBI Grade A 2022: Top 20 MCQ questions for Phase-1 Paper 2

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1. Which of the following statements is/are incorrect with reference to Bonus issue?

- A. The profits after bonus issue are capitalized
- B. Share capital is increased after issuance of bonus issue.
- C. Reduction in Profits accumulated by the company is an immediate effect of issuing bonus shares.
- D. Bonus shares can be issued from revaluation reserves.
- E. All of the above

2. Consider the following statements:

- 1) The Laplace transform of the unit impulse function is $s \times$ Laplace transform of the unit ramp function.
 - 2) The impulse function is a time derivative of the ramp function.
 - 3) The Laplace transform of the unit impulse function is s Laplace transform of the unit step function.
 - 4) The impulse function is a time derivative of the unit step function.
- Which of these statements is/are correct?

- A. 1 and 2 only
- B. 3 and 4 only
- C. 2 and 3 only
- D. 1, 2, 3 and 4

3. Keynesian revolution's central aspects was

- A. change in theory concerning the factors determining employment levels in the overall economy
- B. change in theory concerning the factors determining agricultural levels in the overall economy
- C. change in theory concerning the factors determining Production levels in the overall economy
- D. None of the above
- E. Both A & B

4. Which of the following indicator is used by the Monetary Policy Committee for Inflation Targeting?

- A. Wholesale Price Index
- B. Producer Price Index
- C. Index of Industrial Production
- D. Consumer Price Index – Rural
- E. Consumer Price Index – Combined

5. The Foreign Exchange Market in India is regulated through which act?

- A. Foreign Exchange Regulation Act, 1947
- B. Foreign Exchange Management Act, 1999
- C. Foreign Contribution Regulation Act, 2010
- D. None of these
- E. All of these

6. What gives a right to a senior manager give instructions to his subordinate:

- A. Responsibility
- B. Authority
- C. Line authority
- D. Accountability
- E. None of the above

7. Feedback in the communication process can be obtained from which of the following ways:

- A. Market Research
- B. Internal systems and forums
- C. Verbal and non-verbal ways
- D. None of the above
- E. All of the above

8. The share on which there is no any pre-fixed rate of dividend is decided, but the charge of dividend is fluctuating each year in step with the availability of profits, such shares are called:



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- A. Non-convertible debenture share
- B. Non cumulative share
- C. Equity share
- D. Preference share
- E. None of the above

9. What is the longest term of a stock warrant?

- A. 5 years
- B. 7 years
- C. 10 years
- D. 15 years
- E. 20 years

10. What do you mean by terminal Values?

- A. They are the means of achieving values
- B. They are the goals a person would like to achieve during his/her lifetime
- C. They are more focused on personality traits and character.
- D. They are the points when a person leaves a value
- E. None of the above

11. Trade receivable turnover ratio of company is 3 times. If credit revenue from operation are Rs. 50000, then the ratio will:

- A. Increase
- B. Decrease
- C. No change
- D. None of the above
- E. All of the above

12. Which one of the following statements about the Companies Act, 2013 is not correct?

- A. The Act regulates the corporate sector to make it accountable.
- B. It provides for Corporate Social Responsibility

- C. It provides more opportunities for new entrepreneurs.
- D. It enables wide application of Information Technology.
- E. All of the above

13. What will be the amount of profit earned using marginal costing techniques when fixed cost is Rs. 250000 variable cost is Rs. 10 per unit selling price is Rs. 15 per unit and output level is 75000 unit?

- A. Rs. 120000
- B. Rs. 130000
- C. Rs. 125000
- D. Rs. 140000
- E. Rs. 160000

14. The core reason behind using standard costing technique over actual costs is

- A. Analyze the variances of standard and actual cost.
- B. Actual cost calculation is a time-consuming process.
- C. To provide accurate information to stakeholders.
- D. To assess the performance and efficiencies.
- E. None of the above

15. Which of the following statement is true regarding Target costing and Kaizen costing?

- A. Target costing occurs after the manufacturing stage and Kaizen costing occurs during the product development phase.
- B. Target costing occurs during the product development phase and Kaizen costing occurs during the manufacturing stage.
- C. Both Target and Kaizen Costing occurs after product manufacture.



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D. Both Target and Kaizen Costing occurs during product planning.
E. None of the above

16. What will be the impact of an increase in government spending on the IS-LM model?
A. Leftward shift of IS function
B. Leftward shift of the LM function
C. Rightward shift of the LM function
D. Rightward shift of IS function
E. None of the above

17. Which of the following functions of RBI are related to Monetary Policy?
A. Debt management
B. to create and develop banking and financial institutions
C. bridging the balance of payments deficit
D. To control inflationary pressures
E. All of the above

18. Which one is not included in Non-Banking Financial Institutions (NBFIs)?
A. EXIM
B. SIDBI
C. NABARD
D. BOI
E. All of the above

19. Financial statements as per section 2(40) of the companies act 2013 include

A. A balance sheet as at the end of the financial year
B. A profit and loss account, or in case of NPO, an income and expenditure account for the financial year
C. Cash flow statement for the financial year
D. All of the above
E. Both A & B

20. The value of national income adjusted for inflation is called _____.

A. Per capita income
B. Disposable income
C. Inflation rate
D. Real national income
E. Net factor income



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ANSWERS

1. Ans. D.

Bonus issue is issued to previously existing shareholders as additional shares. This issue is capitalization of profits, and this issue can be made out of:

- Free Reserves
- Securities Premium Account
- Capital Redemption Reserve

Revaluation reserve is made by re-valuing the assets of the company and such reserve can not be used to issue bonus shares.

Thus, Option D is correct.

2. Ans. B.

$$\delta(t) = \frac{d}{dt} u(t)$$

$$\therefore \text{LT}(\delta(t)) = s\text{LT}(u(t))$$

3. Ans. A.

• Keynesian revolution was a change in theory concerning the factors determining employment levels in the overall economy.

• In 1936, Keynesian Revolution took place in the publication of Keynes' General Theory.

• In Keynesian view, employers will be able to make a profit by employing all available workers as long as workers drop their wages below the value of the total output they are able to produce

4. Ans. E.

Consumer Price Index is a measure of change in retail prices of goods and services consumed by defined population group in a given area with reference to a base year.

The formula for calculating Consumer Price Index is Laspeyre's index which is measured as follows;

[Total cost of a fixed basket of goods and services in the current period * 100] divided by Total cost of the same basket in the base period
CPI-C with the base year 2011-12 is used for inflation targeting.

5. Ans. B.

The **Foreign Exchange Management Act, 1999** or **FEMA** regulates the whole **Foreign Exchange Market** in India. Before the introduction of this act, the foreign exchange market in India was regulated by the **Reserve Bank of India** through the Exchange Control Department, by the Foreign Exchange Regulation Act or **FERA, 1947**.

The Foreign Exchange Market in India started when in **1978** the government allowed banks to trade foreign exchange with one another.

6. Ans. B.

A senior manager inherits the authority, as per general rule in the organization to give instructions to its subordinates. Sometimes managers acquire the authority to give instructions due to delegation or decentralisation.

7. Ans. E.

In communication process feedback is very important. Feedback can be acquired in many ways like:

(i) By establishing proper internal systems and forums for the employees to give feedback.

(ii) By establishing Market Research channels, company can get feedback from internal employees and external target groups.

(iii) Feedback can also be received from verbal and non-verbal cues.



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8. Ans. C.

- As we know preference share holder received dividend at a fixed rate before any dividend is paid on equity shares if in particular year there are no profit they will not received anything.

9. Ans. D.

Warrants are capital market instruments used for raising funds by companies. Warrants are a type of equity derivative instrument. The value of an equity derivative depends partly on the value of the underlying security. It is an option issued by the company granting the buyer a right to purchase some shares of its equity share capital at a given exercise price during a stipulated period. The warrant holder partly pays the premium for the option which he purchased and partially pays the price for the share that ultimately will get allotted to him if he exercises the option. The most common types of warrants are detachable and naked. Detachable warrants are issued in connection with other securities (like bonds or preferred stock) and may be traded separately from them. Naked warrants are issued without any accompanying securities.

10. Ans. B.

- Terminal values are the values refer to desirable concluding states of existence or the goals a person would like to achieve during his/her lifetime.
- Happiness, self-respect, recognition, inner harmony, leading a prosperous life, and professional excellence are the examples of such values.

11. Ans. B.

Trade receivable turnover ratio will decrease because of equal increase in credit revenue from operation & closing trade receivables.

12. Ans. A.

The Company Act, 2013 has replaced The Companies Act, 1956 (in a partial manner) after receiving the assent of the President of India on 29 August 2013. The Act came into force on 12 September 2013 with few changes. This act is divided into **29 chapters** containing **470 sections** as against 658 Sections in the Companies Act, 1956 and has **7 schedules**.

Features of the Act:

- Regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company.
- Earlier private companies maximum number of member was 50 and now it will be 200.
- A new term of "one person company" is included in this act that will be a private company
- Act make companies to form CSR Committee's.
- Introduced National Company Law Tribunal (NCLT).

13. Ans. C.

Variable cost = Rs. 75000 x 10 = Rs. 750000

Fixed cost = Rs. 250000

∴ Total cost = Fixed cost + Variable cost = 750000 + 250000 = Rs. 10,00,000

Total selling price = Rs. 75000 x 15 = Rs. 11,25,000

Hence, the profit = 11,25,000 - 1000000 = Rs. 1,25,000

14. Ans. B.

Standard costing technique is used when it is difficult to calculate the actual costs of many transactions. Thus, standard costs can be a close approximation in finding the total cost incurred in the business.

Thus, Option B is correct.



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15. Ans. B.

Target Costing takes place during the production planning phase for a new product. Kaizen Costing occurs during the manufacturing stage of a product's life.

Thus, Option B is correct.

16. Ans. D.

An increase in government spending raises planned expenditure. For any given interest rate, the upward shift in planned expenditure leads to an increase in income Y causing the IS curve to shift to the right.

17. Ans. E.

Objectives of Monetary policy:

1. To control inflationary pressures arising in the process of development, monetary policy requires the use of both quantitative and qualitative methods of credit control

2. Monetary policy in the form of interest rate policy plays an important role in bridging the balance of payments deficit. Underdeveloped countries develop serious balance of payments difficulties to fulfill the planned targets of development

3. One of the objectives of monetary policy in an underdeveloped country is to create and develop banking and financial institutions in order to encourage, mobilize and channelize savings for capital formation.

4. Debt management is one of the important functions of monetary policy in an underdeveloped country. It aims at proper timing and issuing of government bonds, stabilizing their prices and minimizing the cost of servicing the public debt.

18. Ans. D.

Non-Banking Financial institutions refer to those institutions that doesn't accept chequable deposits nor extend loans to general public. So going by this definition, Bank of India, is not an NBFC, but rather a commercial bank.

19. Ans. D.

Financial statements as per section 2(40) of the companies act 2013 include:

- A balance sheet as at the end of the financial year
- A profit and loss account, or in case of NPO, an income and expenditure account for the financial year
- Cash flow statement for the financial year
- A statement of changes in equity, if applicable

Thus, Option D is correct.

20. Ans. D.

• Real national income is nominal or money national income adjusted for inflation.

• It is also national income at 'at constant prices'.



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