

MULTIPLE CHOICE QUESTIONS

ON

Personal Finance

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PREFACE

The main aim of this multiple-choice booklet is to help our students with ready study material for their quiz and other exams related to the subject. This booklet comprises of chosen multiple choice questions from the entire syllabus, divide into five units as per it. The booklet helps the beginners to understand the intricacies of the subject. It consists of comprehensively chosen questions trying to cover the subject from all angles. The MCQ's are intended to enable students to prioritise and plan their learning through regular practice. The book contains large number of multiple-choice questions on the subject. The MCQs help the students to make a self-assessment of the knowledge they have gained during their lectures. These MCQs focuses specifically on our syllabus. The answers have been given for MCQs are given at the end in the answer key.

ACKNOWLEDGEMENT

On behalf of the BBA department, we acknowledge that the MCQs in this booklet are not an original work but are taken from various sources on the internet. The 2nd year finance students were assigned the task of compiling this booklet, and they played a major role in bringing this booklet into existence.

The selection of questions was based on the syllabus taught in the Personal Finance subject in BBA 2nd year and various secondary sources of information like books, quiz lets and other study material were used in designing this MCQ booklet.

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Unit 1

1. Financial statement of company includes:
 - A. Balance sheet.
 - B. Profit and loss.
 - C. Cash flow statement.
 - D. All of the above.
2. Financial plans focus on:
 - A. Human resource management.
 - B. Marketing strategies.
 - C. Financial aspects and budgets.
 - D. Project management.
3. What two things does a budget compare?
 - A. Income and Expenses.
 - B. Savings and Interest.
 - C. Income and Investments.
 - D. Expenses and Expenditures.
4. Investment is the
 - A. Net additions made to the nation's capital stocks.
 - B. Person's commitment to buy a flat.
 - C. Employment of funds on assets to earn returns.
 - D. Employment of funds on goods and services that are used in production process.
5. Speculator is a person
 - A. Who evaluates the performance of the company.
 - B. Who uses his own funds only.
 - C. Who is willing to take high risk for high returns.
 - D. Who considers here says and market behaviors.
6. Which one of the following is not a money market security?
 - A. Treasury bills
 - B. National savings certificate.
 - C. Certificate of deposit.
 - D. Commercial paper
7. Commercial papers are
 - A. Unsecured promissory notes
 - B. Secured promissory notes.
 - C. Sold at a premium.
 - D. Issued for a period of 1 to 2 years.
8. Registrar to the issue:
 - A. Helps in the appointment of lead managers.
 - B. Drafts the prospectus.
 - C. Recommends the basis of allotment.
 - D. Directs the various agencies involve in party.
9. The underwriter must take up -

- A. The fixed portions of the issue capital.
 - B. The agreed portion or can refuse if
 - C. The agreed portion of unsubscribed part.
 - D. The unfixed portions of the issue capital.
10. An example of a derivative security is:
- A. Common share of General Motors
 - B. A call option on Mobil stock,
 - C. A commodity futures contract
 - D. B and C.
11. What is the purpose of preparing a personal budget?
- A. To analyze the performance of a company
 - B. To track & manage personal income.
 - C. Maximizing personal expenses
 - D. Investing in high-risk assets
12. Which financial statement provides an overview of an individual's financial position at a specific point in time?
- A. Income Statement.
 - B. Balance Sheet.
 - C. Cash Flow Statement.
 - D. Statement of Retained Earnings.
13. Personal income tax planning involves:
- A. Creating a budget for personal expenses.
 - B. Allocating income for various sources.
 - C. Preparing financial statements for tax purposes.
 - D. Analyzing the stock market trends.
14. Which of the following is a key component of personal financial statement?
- A. Balance Scorecard.
 - B. Balance Sheet.
 - C. Balance Transfer.
 - D. Balance Check.
15. What is the purpose of personal income tax planning?
- A. Maximizing personal expenses
 - B. Minimizing tax liability
 - C. To estimate the annual GDP growth
 - D. To assess the market trends for investments.
16. What is the primary benefit of preparing a personal budget?
- A. Predicting stock market trends
 - B. Reducing personal income tax rates.
 - C. Tracking and controlling personal finance

D. Identifying the best opportunities.

17. Which financial statement provides a summary of an individual's income and expenses over a specific period?

- A. Balance Sheet
- B. Income Statement
- C. Cash Flow Statement
- D. Profit and Loss Statement.

18. In personal financial management, what does the term "liquidity" refer to?

- A. The ability to quickly sell assets at a higher price.
- B. The measure of an individual's total assets
- C. The ease of converting assets into cash without significant loss
- D. The potential return on investment in the stock market.

19. What is the last step in the personal financial planning process?

- A. Creating a personal budget
- B. Evaluating investment options
- C. Monitoring and reassessing the financial plan
- D. Identifying financial goals.

Q. 20. What is the primary purpose of personal financial planning?

- A. Identifying the best investment opportunities
- B. Setting specific financial goals for the future
- C. Maximizing short-term expenses
- D. Predicting stock market trend.

UNIT 2

1. Shares are a part of the investment portfolio.
 - A. Insurance market
 - B. Financial market
 - C. Securities market
 - D. Banking system

2. The two types of investment alternatives are
 - A. Bank and post office deposit
 - B. Shares and debentures
 - C. Financial assets & Real Assets
 - D. None of these

3. A shareholder-funded investment program that trades in a variety of assets
 - A. Mutual Funds
 - B. Dividends
 - C. Share program
 - D. None of the answers

4. Post Office Savings Account Scheme came into force on
 - A. 12.12.2019
 - B. 18.10.2018
 - C. 10.12.2019
 - D. 19.10.2018

5. Which of the following securities is most likely to become virtually worthless if a company declares bankruptcy?
 - A. common stock
 - B. preferred stock
 - C. bond
 - D. None of the above

6. Which of the following are called 'gilt edged securities'?
 - A. Shares of Public Limited companies
 - B. Stocks of Mutual Funds
 - C. Government Securities
 - D. Shares of Private Limited companies

7. Which of the following securities has the most possible risk as well as the highest potential return?
 - A. Preferred stocks
 - B. Commercial paper
 - C. Derivative securities
 - D. Bonds

8. A group of mutual funds with a common management are known as_____.
 - A. fund syndicates.

- B. fund conglomerates.
- C. fund families.
- D. fund complexes.

9. Investors should be willing to invest in riskier investments only_____.

- A. if the term is short.
- B. if there are no safe alternatives except for holding cash.
- C. if the expected return is adequate for the risk level.
- D. if they are true speculators.

10. Liquidity risk_____.

- A. is the risk that investment bankers normally face.
- B. is lower for small OTCEI stocks than for large NSE stocks.
- C. is the risk associated with secondary market transactions.
- D. increases whenever interest rates increase.

11. POS Account may be opened with a deposit of Rs_____

- A. 250
- B. 500
- C. 450
- D. 550

12. Central Government made the POSA Scheme under which section of GSP Act 1873?

- A. Section 12
- B. Section 3
- C. Section 3A
- D. Section 12A

13. An investor invests in assets known as a

- A. Securities
- B. Block of Assets
- C. Portfolio
- D. None of the above

14. Investors agree to invest in high- risk investments if only

- A. There are any true speculations
- B. The predicted return is satisfactory for taking a risk
- C. There are no safe options except for holding cash
- D. The return is short

15. Investments would score high only if there is a protection to

- A. Real estate
- B. Preferred stock
- C. Government bonds
- D. Common stock

16. The two types of investment alternatives are
- A. Bank and post office deposit
 - B. Shares and debentures
 - C. Financial assets & Real Assets
 - D. None of these
17. Investors agree to invest in high- risk investments if only
- A. There are any true speculations
 - B. The predicted return is satisfactory for taking a risk
 - C. There are no safe options except for holding cash
 - D. The return is short
18. The return you make on your investment is based on the amount you put in, usually given as a percentage.
- A. Emergency Fund
 - B. Interest Rate
 - C. Index
 - D. Penalty
19. Which of the following would be considered a risk-free investment?
- A. Gold
 - B. Equity in house
 - C. High grade corporate bonds
 - D. Treasury Bills
20. Minimum Amount of withdrawal may be allowed in POSA Account is Rs ____
- A. 40
 - B. 150
 - C. 100
 - D. 50

UNIT 3

1. What is the primary function of a mutual fund?
 - A. Lending money to individuals
 - B. Investing in a diversified portfolio of securities
 - C. Providing insurance coverage
 - D. Managing real estate properties
2. Which of the following is a key advantage of investing in mutual funds?
 - A. Guaranteed returns
 - B. High liquidity
 - C. Low risk
 - D. Complete control over individual investments
3. What is the Net Asset Value (NAV) of a mutual fund?
 - A. The total value of assets held by the fund
 - B. The price at which units of the fund are bought and sold
 - C. The management fee charged by the fund
 - D. The annual return on investment
4. Which type of mutual fund is known for investing in a mix of stocks and bonds to provide a balanced risk-return profile?
 - A. Equity mutual fund
 - B. Debt mutual fund
 - C. Hybrid mutual fund
 - D. Money market mutual fund
5. Which physical asset typically requires ongoing maintenance and repair costs for homeowners?
 - A. Gold jewellery
 - B. Vintage cars
 - C. Personal computer
 - D. Rental property
6. Which of the following is an example of a physical asset in personal finance?
 - A. Credit score
 - B. Savings account
 - C. Car
 - D. Stock portfolio
7. How can owning a home be considered a physical asset in personal finance?
 - A. It provides rental income
 - B. It appreciates in value over time
 - C. It can be used as collateral for a loan
 - D. It reduces your tax liability
8. What is the term for the process of converting physical assets into cash without selling them?

- A. Liquidation
- B. Depreciation
- C. Amortization
- D. Diversification

9. What does the abbreviation "MLS" stand for in real estate?

- A. Multiple Listing System
- B. Market Listing Service
- C. Mortgage Loan Specialist
- D. Multiple Listing Service

10. Which of the following is a type of property ownership?

- A. Timeshare
- B. Leasehold
- C. Freehold
- D. Condominium

11. What is the purpose of a home appraisal?

- A. To determine the buyer's financial qualifications
- B. To assess the quality of the neighbourhood
- C. To estimate the property's market value
- D. To verify the seller's identity

12. What are closing costs in real estate?

- A. The final negotiated price for a property
- B. The fee paid to the real estate agent
- C. The expenses incurred during the home inspection
- D. The additional costs associated with the purchase or sale of a property

13. What is a primary reason for including gold and silver in an investment portfolio?

- A. High dividend yields
- B. Low volatility
- C. Hedge against inflation
- D. Guaranteed returns

14. During which type of economic situation are gold and silver often considered safe-haven assets?

- A. Rapid economic growth
- B. Geopolitical stability
- C. financial crises
- D. High-interest rates

15. Which of the following is a disadvantage of investing in gold and silver?

- A. High liquidity
- B. Potential for significant price volatility
- C. Regular dividend payments
- D. Guaranteed capital appreciation

16. What is the historical role of gold and silver as assets?
- A. They are recent additions to modern investment strategies.
 - B. They have primarily been used for industrial purposes.
 - C. They have served as stores of value for centuries.
 - D. They are only valued for their aesthetic appeal.
17. What is the primary source of return for investors in mutual funds?
- A. Dividend income
 - B. Capital gains
 - C. Interest income
 - D. None of the above
18. Which of the following represents a higher level of risk in a mutual fund?
- A. Diversified equity fund
 - B. Government bond fund
 - C. Money market fund
 - D. Index fund
19. Which risk is associated with the potential loss of capital due to market fluctuations?
- A. Inflation risk
 - B. Credit risk
 - C. Market risk
 - D. Liquidity risk
20. A mutual fund that invests in a mix of asset classes to spread risk is known as a:
- A. Sector fund
 - B. Index fund
 - C. Balanced fund
 - D. Growth fund
21. This type of risk can be avoided by diversifying properly.
- A. Systematic risk
 - B. Unsystematic risk
 - C. Portfolio risk
 - D. Total risk
22. A statistical measure of how closely two variables especially in stock returns move together
- A. Variation coefficient
 - B. Certainty equivalent
 - C. Variance
 - D. Covariance
23. Which of the following securities has the most possible risk as well as the highest potential return?
- A. Preferred stocks
 - B. Commercial paper
 - C. Derivative securities

D. Bonds

24. The ability to convert an asset rapidly and without influencing its price is referred to as _____.

- A. Scalability
- B. Liquidity
- C. Marketability
- D. Minimal risk

25. Horse racing, card games, and the lottery are all instances of _____.

- A. Investing
- B. Gambling
- C. Speculating
- D. Arbitrage

26. _____ is associated with buying low and selling high, resulting in a significant capital gain.

- A. Speculation
- B. Gambling
- C. Investing
- D. Arbitrage

27. The process of holding an investment in shares in electronic form is _____.

- A. Dematerialization
- B. Demutualization
- C. Speculation
- D. None of the above

28. The ___ market assists existing investors in selling their stocks.

- A. Primary market
- B. Commodity market
- C. Capital market
- D. Secondary market

29. Which of the following securities is most likely to become virtually worthless if a company declares bankruptcy?

- A. Common stock
- B. Preferred stock
- C. Bond
- D. None of the above

30. A shareholder-funded investment program that trades in a variety of assets

- A. Mutual Funds
- B. Dividends
- C. Share program
- D. None of the answers

31. Amount of money paid to a company's shareholders on a regular basis.

- A. Bonds
 - B. Profit
 - C. Cashback
 - D. Dividends
32. A form of savings account that shows you own a piece of a company and have a claim on its assets and earnings
- A. Dividend
 - B. Share
 - C. Stock
 - D. None of the above
33. High-interest rates will have a negative impact.
- A. Have no impact on the cost of new houses, but do have an impact on the cost of existing dwellings.
 - B. To the right, shift the need for new houses.
 - C. To the left, change the flow supply timetable for new dwellings.
 - D. Shift the new housing supply flow schedule to the right
34. Fixed investment in the business
- A. Is merely a small part of overall aggregate demand.
 - B. Does not play a significant influence in the long-term economic growth process
 - C. Approximately 11% of GDP is spent on research and development.
 - D. Since 1993, the percentage of overall output has decreased every year.
35. Which of the assertions below is (are) correct?
- A. The multiplier process, together with the simple accelerator theory, explains cyclical swings in production.
 - B. Investment is more volatile than the simple accelerator model predicts.
 - C. The level of investment, according to the simple accelerator theory of investment, is determined by the level of existing inventories.
 - D. Both a and b are correct.
36. Shares are a part of the investment portfolio.
- A. Insurance market
 - B. Financial market
 - C. Securities market
 - D. Banking system
37. The two types of investment alternatives are
- A. Bank and post office deposit
 - B. Shares and debentures
 - C. Financial assets & Real Assets
 - D. None of these
38. Exchanging one currency for another is part of _____.
- A. Securities market
 - B. Forex market

- C. Commodity market
- D. None of the above

39. The connection between investors and debtors is called _____.

- A. Electronic market
- B. Financial market
- C. Market
- D. None of these

40. The return you make on your investment is based on the amount you put in, usually given as a percentage.

- A. Emergency Fund
- B. Interest Rate
- C. Index
- D. Penalty

UNIT 4

1. A man gets double the amount in 7 years at a certain rate percent. In how many years, he gets 8 times the amount at the same rate?
 - A. 56 years
 - B. 49 years
 - C. 25 years
 - D. Not attempted
2. A sum of Rs. 10,000 is invested at the rate of 8% per year for 12 months. What is Compound interest if interest is compounded half-yearly?
 - A. Rs. 800
 - B. Rs. 816
 - C. Rs. 960
 - D. Not attempted
3. What is the difference in the amount of interest on Rs 20,000 if it is invested for 2 years at 10% compound interest and 10% interest under simple interest compounded annually?
 - A. Rs 200
 - B. Rs 0
 - C. Rs 100
 - D. Not attempted
4. A sum of money becomes 7 times in 20 years. How long will it take to become 13 times?
 - A. 25 years
 - B. 40 years
 - C. 30 years
 - D. 50 years
4. What is the simple interest on Rs. 32,000 at 8.5% per annum for period from 10th Feb., 2019 to 24th April, 2019?
 - A. Rs. 550
 - B. Rs. 555
 - C. Rs. 544
 - D. Rs. 540
6. A single, overall cost of capital is often used to evaluate projects because?
 - A. It avoids the problem of computing the required rate of return for each investment proposal.
 - B. It is the only way to measure a firm's required return.
 - C. It acknowledges that most new investment projects have about the same degree of risk.
 - D. It acknowledges that most new investment projects offer about the same expected return.
7. If the CAPM is used to estimate the cost of equity capital, the expected excess market return is equal to the?
 - A. Return on the stock minus the risk-free rate.

- B. Difference between the return on the market and the risk-free rate.
 - C. Beta times the market risk premium.
 - D. Beta times the risk-free rate.
8. The weighted average cost of capital for a firm is the?
- A. Discount rate which the firm should apply to all of the projects it undertakes.
 - B. Overall rate which the firm must earn on its existing assets to maintain the value of its stock.
 - C. Rate the firm should expect to pay on its next bond issue.
 - D. Maximum rate which the firm should require on any projects it undertakes.
9. If the project beta and IRR coordinates plot above the SML the project should be?
- A. Accepted.
 - B. Rejected.
 - C. It is impossible to tell.
 - D. It will depend on the NPV.
10. The slope of the characteristic line is the estimated?
- A. Intercept.
 - B. Beta.
 - C. Unsystematic risk.
 - D. Market variance.
11. Rajat is planning the break-up of his finance to know the amount of capital that he will utilize to purchase fixed assets and current assets. Identify the financial decision taken by Rajat
- A. Investment decision
 - B. Financial decision
 - C. Dividend decision
 - D. More than one of the above
12. Tax on declared dividend is paid by whom?
- A. Shareholders/ Receiver
 - B. Manager
 - C. Distributor of the dividend
 - D. Company
13. A measure of "risk per unit of expected return."
- A. Standard deviation
 - B. Coefficient of variation
 - C. Correlation coefficient
 - D. Beta
14. What is the sum of money that is paid regularly to the shareholders of the company for cash or stock?
- A. Dividend
 - B. Liquidity
 - C. Inflation

D. Retention rate

15. Tax on declared dividend is paid by whom?

- A. Shareholders/Receiver of the dividend
- B. Manager
- C. Distributor of the dividend
- D. Company

16. What is the purpose of personal tax planning?

- A. To evade taxes legally
- B. To minimize tax liability within the boundaries of the law
- C. To avoid all taxes
- D. To shift the tax burden to others

17. Which of the following is not a common tax deduction for individuals?

- A. Charitable donations
- B. Mortgage interest
- C. Student loan interest
- D. Personal expenses

18. A taxpayer can contribute to which type of account to save for retirement while enjoying tax advantages?

- A. Roth IRA
- B. Savings account
- C. Certificate of Deposit (CD)
- D. Regular checking account

19. Which of the following is an example of tax planning?

- A. Delaying filing your tax return
- B. Gathering all necessary documents for tax preparation
- C. Reviewing your investment portfolio for tax efficiency
- D. Ignoring tax laws and regulations

20. A (n) _____ is a payment of additional shares to shareholders in lieu of cash?

- A. stock split
- B. stock dividend
- C. extra dividend
- D. regular dividend

Unit – 5

1.Which of the following is NOT a type of general insurance plan?

- A. Health insurance
- B. Life insurance
- C. Home insurance
- D. Mutual fund

2.What does a deductible refer to in insurance policies?

- A. The premium amount
- B. The maximum coverage limit.
- C. The out-of-pocket amount paid by the policyholder before the insurer covers the rest
- D. The cash value of the policy

3.Which insurance plan provides coverage for damage or loss to a property due to fire, theft, or natural disasters?

- A. Health insurance
- B. Travel insurance
- C. Home insurance
- D. Auto insurance

4.What is a reverse mortgage?

- A. A loan where the borrower pays the lender in monthly instalments.
- B. A loan where the lender pays the borrower in monthly instalments.
- C. A loan that can only be used for purchasing a new home.
- D. A loan that requires monthly interest payments.

5.Who is eligible for a reverse mortgage?

- A. Only individuals over the age of 65.
- B. Only individuals who own multiple properties.
- C. Only individuals with a high credit score.
- D. Only individuals with a low income.

6.What is the main advantage of a reverse mortgage?

- A. Eliminating property taxes.
- B. Reducing the overall debt of the borrower.
- C. Providing additional income to the borrower.
- D. Allowing the borrower to sell the property at any time

7.Which of the following is an example of a voluntary benefit?

- A. Dental insurance
- B. Life insurance
- C. Retirement savings
- D. Pet insurance

8. Which of the following is NOT a common type of benefit plan?

- A. Health insurance
- B. Retirement savings
- C. Free gym membership
- D. Paid time off

9. What is a defined contribution plan?

- A. A retirement plan that guarantees a certain payout
- B. A retirement plan where the employer contributes a set amount to the employee's account
- C. A retirement plan where the employee decides how much to contribute.
- D. A retirement plan where the employer and employee both contribute to the employee's account

10. What is the purpose of a Provident Fund?

- A. To provide emergency loans to employees
- B. To provide retirement benefits to employees
- C. To provide medical benefits to employees
- D. To provide education benefits to employees

11. Which of the following is not a type of Provident Fund?

- A. Public Provident Fund
- B. Employee Provident Fund
- C. National Pension Scheme
- D. Voluntary Provident Fund

12. What is the current rate of interest for the Employee Provident Fund?

- A. 6.5%
- B. 7.5%
- C. 8.5%
- D. 9.5%

13. What type of retirement plan allows employees and employers to save for retirement?

- A. Contribution plan
- B. Defined benefit plan
- C. Defined contribution plan
- D. All of the above

14. Which type of retirement plan allows employees to make contributions and receive employer contributions?

- A. Defined benefit plan
- B. Defined contribution plan
- C. RA
- D. Roth IRA

15. Which of the following is a benefit of a defined contribution plan?

- A. Guaranteed retirement income
- B. Flexibility in investment options

- C. Higher contribution limits
- D. Employer-funded contributions only

16. Life insurance in its present form came to India from

- A. The United Kingdom.
- B. The USA.
- C. Canada
- D. Germany

17. Life Insurance Corporation was nationalized in

- A. 1951.
- B. 1952.
- C. 1954.
- D. 1956.

18. The organisation structure of LIC refers to

- A. Two-tier structure.
- B. Four-tier structure.
- C. Five tier structure
- D. Three-tier structure

19. What is gratuity?

- A. A mandatory retirement benefit provided by the government.
- B. A voluntary payment made by an employer to an employee as a token of appreciation.
- C. A monthly allowance given to employees for travel expenses.
- D. A tax imposed on retirement income.

20. In which country is gratuity typically provided to employees?

- A. United States
- B. United Kingdom
- C. India
- D. Canada

CONCLUSION

Each unit has minimum 20 multiple-choice questions, the questions chosen helps the students in analysing themselves in each unit. The answer key given at the end further helps in assessing their performance and going back to units for learning in which they do not perform well. The questions selected by the 2nd year finance students covers all the five units from the syllabus taught. The booklet has come out to be a good quality question bank of Personal Finance.

ANSWER KEY

UNIT: 1

1. D
2. A
3. A
4. C
5. C
6. B
7. A
8. C
9. B
10. D
11. B
12. B
13. B
14. A
15. B
16. C

17. C

18. C

19. C

20. C

UNIT: 2

1. C

2. C

3. A

4. A

5. A

6. C

7. C

8. C

9. D

10. D

11. B

12. C

13. C

14. B

15. C

16. C

17. B

18. B

19. A

20. D

UNIT: 3

1. B

2. B

3. B

4. C

5. D

6. C

7. B

8. A

9. D

10. C

11. C

12. D

13. C

14. C

15. B

16. C

17. B

18. A

19. C

20. C

21. B

22. D

23. C

24. C

25. B

26. A

27. A

28. D

29. A

30. A

31. D

32. C

33. D

34. C

35. A

36. C

37. C

38. B

39. B

40. B

UNIT: 4

1. B

2. B
3. A
4. B
5. C
6. A
7. B
8. B
9. A
10. B
11. B
12. A
13. B
14. A
15. A
16. B
17. B
18. D
19. C
20. A

UNIT: 5

1. D

2. C
3. C
4. B
5. A
6. C
7. D
8. C
9. B
10. B
11. C
12. C
13. C
14. A
15. A
16. A
17. D
18. B
19. B
20. C

