

NISM-Series-V-A: Mutual Fund Distributors Certification Examination - Mock Test (Set 1)

Total Questions: 92 | **Type:** Multiple Choice, True/False

Marks per Question: 1 | **Total Marks:** 92

1. Investment Landscape (8%) - 8 Questions

1. **Which among the following investment avenues does not offer income on a regular basis?**
a) Real Estate
b) Physical Gold
c) Stocks
d) Debentures
Answer: b
 2. **The purchasing power of currency changes due to:**
a) Asset Allocation
b) Compound Interest
c) Inflation
d) Diversification
Answer: c
 3. **(True/False) Market risk can be completely eliminated through diversification.**
Answer: False
 4. **When the interest rate in the economy increases, the price of existing bonds __.**
a) Increases
b) Fluctuates
c) Decreases
Answer: c
 5. **What is the real rate of return?**
a) Return after expenses
b) Return after taxes
c) Return adjusted for risks
d) Return adjusted for inflation
Answer: d
 6. **(True/False) Mutual funds provide liquidity and professional management for investors.**
Answer: True
 7. **Which of the following is NOT a type of risk in investments?**
a) Credit Risk
b) Inflation Risk
c) Systematic Risk
d) Age Risk
Answer: d
 8. **A financial plan must focus on:**
a) Wealth Accumulation
b) Expense Management
c) Tax Planning
d) All of the above
Answer: d
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2. Concept & Role of a Mutual Fund (6%) - 6 Questions

9. **Mutual funds pool money from investors and invest in __.**
a) Only equities
b) Various asset classes
c) Only debt instruments
d) Government securities
Answer: b

10. **(True/False) A mutual fund is an investment vehicle that offers diversification.**
Answer: True
11. **Which of the following mutual fund types primarily invests in bonds?**
a) Debt Fund
b) Equity Fund
c) Hybrid Fund
d) Growth Fund
Answer: a
12. **(True/False) The price at which mutual fund units are bought or sold is called the Net Asset Value (NAV).**
Answer: True
13. **The biggest advantage of mutual funds is ____.**
a) Higher risk
b) Professional management
c) Fixed guaranteed returns
d) Regulatory exemption
Answer: b
14. **ELSS funds offer tax benefits under ____.**
a) Section 80C
b) Section 10(10D)
c) Section 54EC
d) Section 24
Answer: a
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3. Legal Structure of Mutual Funds in India (4%) - 4 Questions

15. **A mutual fund is structured as a ____.**
a) Company
b) Trust
c) Partnership
d) LLP
Answer: b
16. **(True/False) AMFI is the regulatory body for mutual funds in India.**
Answer: False (SEBI is the regulator)
17. **The sponsor of a mutual fund must contribute at least ____% of the net worth of the AMC.**
a) 25%
b) 40%
c) 20%
d) 50%
Answer: b
18. **The ____ ensures the protection of unitholders' interests.**
a) AMC
b) SEBI
c) Trustees
d) RBI
Answer: c
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4. Legal & Regulatory Framework (10%) - 10 Questions

19. **Which of the following regulates mutual funds in India?**
a) RBI
b) SEBI
c) AMFI
d) NISM
Answer: b

20. **The minimum net worth requirement for an Asset Management Company (AMC) is ____.**
 a) ₹10 crore
 b) ₹50 crore
 c) ₹100 crore
 d) ₹5 crore
Answer: c
21. **(True/False) Mutual funds can invest in derivatives for hedging purposes.**
Answer: True
22. **SEBI mandates mutual funds to disclose their NAV ____.**
 a) Weekly
 b) Daily
 c) Monthly
 d) Annually
Answer: b
23. **(True/False) Open-ended mutual funds have a fixed maturity period.**
Answer: False
24. **AMFI registration is mandatory for ____.**
 a) Investors
 b) Mutual fund distributors
 c) SEBI officials
 d) Brokers
Answer: b
25. **Exit loads are charged when ____.**
 a) Investors buy new units
 b) Investors redeem units before a specified period
 c) AMCs invest in new securities
 d) The NAV of a scheme falls
Answer: b
26. **The maximum Total Expense Ratio (TER) allowed for equity schemes is ____.**
 a) 2%
 b) 1.5%
 c) 2.25%
 d) 3%
Answer: c
27. **(True/False) Investors must complete KYC formalities before investing in mutual funds.**
Answer: True
28. **SEBI's Risk-o-Meter classifies mutual fund schemes based on ____.**
 a) Returns
 b) Volatility
 c) Asset allocation
 d) Fund manager experience
Answer: b
29. **Which of the following is a feature of an open-ended mutual fund?**
 a) Fixed maturity period
 b) Can be bought or sold anytime
 c) Only invests in equities
 d) No risk of capital loss
Answer: b
30. **(True/False) Index funds are passively managed mutual funds that track a benchmark index.**
Answer: True

31. **Which type of mutual fund primarily invests in short-term debt instruments?**
a) Balanced Fund
b) Liquid Fund
c) Thematic Fund
d) Arbitrage Fund
Answer: b
32. **What is the minimum lock-in period for ELSS funds?**
a) 1 year
b) 2 years
c) 3 years
d) 5 years
Answer: c
33. **(True/False) Sectoral mutual funds are considered high risk as they invest in a specific industry.**
Answer: True
34. **Which of these mutual fund schemes provides tax benefits under Section 80C?**
a) Balanced Fund
b) ELSS Fund
c) Debt Fund
d) Money Market Fund
Answer: b
35. **What is the key characteristic of a balanced fund?**
a) Invests only in equity
b) Mix of equity and debt
c) No exposure to risk
d) Guaranteed returns
Answer: b
36. **(True/False) Growth plans in mutual funds provide dividends to investors.**
Answer: False
37. **Which of the following statements about SIP (Systematic Investment Plan) is true?**
a) Only allows investment in equity funds
b) Requires a large lump sum investment
c) Encourages disciplined investing
d) No benefit of rupee cost averaging
Answer: c
38. **What does AUM (Assets Under Management) represent?**
a) Total investments in a mutual fund
b) Number of investors in a fund
c) Fund manager's total capital
d) The expense ratio of a fund
Answer: a
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6. Fund Distribution & Channel Management (6%) - 6 Questions

39. **Which of the following statements is true about mutual fund distributors?**
a) They manage the fund's portfolio
b) They help investors select mutual fund schemes
c) They regulate mutual funds
d) They are employed by SEBI
Answer: b
40. **(True/False) Mutual fund distributors must pass the NISM Certification Exam before advising investors.**
Answer: True
41. **Which of the following factors influence mutual fund sales?**
a) Market trends
b) Investor behavior
c) Regulatory guidelines
d) All of the above
Answer: d

42. **What is the purpose of AMFI registration for mutual fund distributors?**
a) To ensure industry ethics
b) To monitor AMC investments
c) To determine NAV
d) To manage mutual fund assets
Answer: a
43. **(True/False) Mutual fund distributors earn commissions on fund sales.**
Answer: True
44. **Which document provides key information about a mutual fund scheme in a short format?**
a) Offer Document
b) KIM (Key Information Memorandum)
c) Trust Deed
d) Annual Report
Answer: b
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7. NAV, TER & Pricing (8%) - 8 Questions

45. **What does NAV (Net Asset Value) indicate?**
a) The fund's expense ratio
b) The per-unit value of a mutual fund
c) The commission earned by fund distributors
d) The total returns of an investor
Answer: b
46. **(True/False) NAV is calculated daily for open-ended mutual funds.**
Answer: True
47. **What is the expense ratio in mutual funds?**
a) Cost incurred in managing the fund
b) Tax deducted from the investment
c) Investor's profit percentage
d) Entry load charged by AMC
Answer: a
48. **(True/False) A higher Total Expense Ratio (TER) means lower returns for investors.**
Answer: True
49. **Which factors affect the pricing of a mutual fund's NAV?**
a) Market fluctuations
b) Expense ratio
c) Fund performance
d) All of the above
Answer: d
50. **Exit load is charged when investors __.**
a) Purchase a new mutual fund
b) Redeem units before a specified period
c) Invest through a SIP
d) Transfer units to another fund
Answer: b
51. **(True/False) Expense ratio is the same for all mutual funds.**
Answer: False
52. **Which of the following statements is true about NAV calculations?**
a) NAV is calculated before the market closes
b) NAV is adjusted for expense ratio and fund performance
c) NAV is fixed once at the start of the year
d) NAV does not change in an open-ended fund
Answer: b
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8. Taxation of Mutual Funds (4%) - 4 Questions

53. **Which type of mutual fund provides tax benefits?**
a) ELSS
b) Liquid Fund
c) Sectoral Fund
d) Arbitrage Fund
Answer: a
54. **(True/False) Long-term capital gains on equity mutual funds above ₹1 lakh are taxed at 10%.**
Answer: True
55. **Which of the following is taxed as per the investor's income slab?**
a) Long-term capital gains from equity funds
b) Short-term capital gains from equity funds
c) Dividends received from mutual funds
d) Capital gains from liquid funds
Answer: c
56. **(True/False) Debt fund investments held for more than 3 years benefit from indexation.**
Answer: True
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9. Investor Services (15%) - 15 Questions

57. **Which entity is responsible for handling mutual fund investor grievances?**
a) SEBI
b) RBI
c) AMFI
d) The Mutual Fund House
Answer: a
58. **(True/False) Investors receive a Consolidated Account Statement (CAS) every quarter.**
Answer: True
59. **What should investors do if they notice an error in their mutual fund statement?**
a) Contact SEBI directly
b) File a complaint on the SEBI SCORES platform
c) Wait for the next statement to check for corrections
d) Ignore it, as errors get auto-corrected
Answer: b
60. **(True/False) Mutual fund houses must process redemption requests within 10 business days.**
Answer: False (It must be processed within 3 business days)
61. **Which of the following statements about nominee registration is true?**
a) Nomination is optional for mutual fund investors
b) Investors cannot change their nominee once registered
c) A minor cannot be a nominee
d) Only family members can be nominees
Answer: a
62. **Who is responsible for maintaining records of investor transactions in a mutual fund?**
a) SEBI
b) Asset Management Company
c) Registrar and Transfer Agents (RTAs)
d) Distributors
Answer: c
63. **(True/False) An investor can update their KYC details online using CKYC.**
Answer: True
64. **What is the advantage of investing in direct mutual fund plans?**
a) No investment limit
b) Lower expense ratio
c) Higher commission payouts
d) Tax-free withdrawals
Answer: b

65. **How can an investor track their mutual fund portfolio?**
a) By checking the AMC's website
b) Using a CAS statement
c) Through a distributor or advisor
d) All of the above
Answer: d
66. **(True/False) Investors can switch from one mutual fund scheme to another within the same AMC.**
Answer: True
67. **Which document is mandatory for investors to complete before investing in a mutual fund?**
a) SID
b) KYC Form
c) Trust Deed
d) Dividend Declaration Statement
Answer: b
68. **(True/False) Mutual funds cannot impose any restrictions on fund withdrawals.**
Answer: False (Some funds have exit loads and lock-in periods)
69. **Which type of mutual fund investment method ensures rupee cost averaging?**
a) SIP
b) SWP
c) STP
d) Direct Plan
Answer: a
70. **(True/False) Mutual fund investors can appoint multiple nominees for their investment.**
Answer: True
71. **Who is responsible for ensuring compliance and governance in mutual funds?**
a) SEBI
b) AMC Board of Directors
c) Trustees
d) RBI
Answer: c
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10. Risk, Return & Performance of Funds (7%) - 7 Questions

72. **Which of the following measures a fund's volatility?**
a) Alpha
b) Beta
c) Sharpe Ratio
d) NAV
Answer: b
73. **(True/False) A higher standard deviation indicates higher mutual fund volatility.**
Answer: True
74. **Which ratio is used to measure the risk-adjusted return of a mutual fund?**
a) Alpha
b) Beta
c) Sharpe Ratio
d) Expense Ratio
Answer: c
75. **(True/False) A mutual fund scheme with a negative alpha consistently outperforms the benchmark.**
Answer: False
76. **Which of the following risks cannot be diversified?**
a) Credit risk
b) Inflation risk
c) Systematic risk
d) Business risk
Answer: c

77. **What does a high beta indicate about a mutual fund?**
a) It is more volatile than the market
b) It has lower returns
c) It is risk-free
d) It has a fixed maturity period
Answer: a
78. **(True/False) Diversification can help in reducing the overall portfolio risk.**
Answer: True
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11. Mutual Fund Scheme Performance Evaluation (7%) - 7 Questions

79. **Which of the following metrics is used to compare mutual fund performance?**
a) Dividend Payout
b) Sharpe Ratio
c) Exit Load
d) Expense Ratio
Answer: b
80. **(True/False) The risk-adjusted return is always higher than the absolute return.**
Answer: False
81. **Which of the following factors should be considered when evaluating a mutual fund's performance?**
a) Consistency of returns
b) Expense ratio
c) Volatility and risk metrics
d) All of the above
Answer: d
82. **What does an expense ratio of 2% indicate?**
a) 2% of the NAV is deducted as an expense
b) The fund guarantees a 2% return
c) Investors will earn 2% above the benchmark
d) 2% is deducted from the invested amount
Answer: a
83. **(True/False) The benchmark index is used to measure a fund's relative performance.**
Answer: True
84. **Which financial ratio measures excess return over the risk-free rate?**
a) Beta
b) Sharpe Ratio
c) Standard Deviation
d) NAV Growth Rate
Answer: b
85. **(True/False) A lower expense ratio generally leads to higher returns for investors.**
Answer: True
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12. Selection of Mutual Fund Schemes for Investment (15%) - 15 Questions

86. **Which factor should an investor consider before selecting a mutual fund?**
a) Risk appetite
b) Investment objective
c) Fund performance history
d) All of the above
Answer: d
87. **(True/False) An investor with a high-risk appetite should consider investing in debt mutual funds.**
Answer: False

88. **Which type of mutual fund is suitable for short-term investors with low risk tolerance?**

- a) Equity Fund
- b) Liquid Fund
- c) Sectoral Fund
- d) Thematic Fund

Answer: b

89. **Which fund type is best suited for long-term capital appreciation?**

- a) Arbitrage Fund
- b) Equity Growth Fund
- c) Liquid Fund
- d) Debt Fund

Answer: b

90. **(True/False) Equity funds provide the best returns in the short term.**

Answer: False

91. **Which type of investor should choose a balanced fund?**

- a) Conservative investors
- b) Investors looking for a mix of equity & debt
- c) Short-term traders
- d) High-risk investors

Answer: b

92. **What should an investor consider when selecting an SIP plan?**

- a) Frequency of investment
- b) Fund category
- c) Fund performance
- d) All of the above

Answer: d