

# Unit 8 - Week 6

**Course outline**

How does an NPTEL online course work?

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- Lecture 26 : Provident fund and pension fund
- Lecture 27 : Insurance companies
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## Assignment 6

The due date for submitting this assignment has passed. As per our records you have not submitted this assignment.

Due on 2020-03-11, 23:59 IST.

- 1) Which of the following statements is/are true
- Statement I: Savings in Provident Fund is a contractual obligation, and the main motive behind saving in this form is to seek capital gains
- Statement II: Provident fund saving is a small amount saving on regular basis to provide for old age or for family after one's death
- Only I
  - Only II
  - Both I and II
  - Neither I nor II
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 2) Consider the information given below and identify the Provident Fund Scheme being discussed: "This scheme is provided for provident fund system on contributory basis by the employers and the employee at equal rate. This scheme is applicable for all establishments having more than 20 employees. An employee who earns less than INR 15000 basic salary must contribute to the XXX PF. Every XXX provident fund member is given a Universal Account Number (UAN) and XXX PF member ID with first employment". Identify XXX
- General Provident Fund
  - Contributory Provident Fund
  - Employee Provident Fund
  - Public Provident Fund
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: c
- 3) Which if the following is statement(s) is/are true:
- Statement I: The PPF account is tax free on interests and withdrawals, and tax deductible on investments
- Statement II: The PPF account is a 15 years scheme and account mature after 15 years
- Only I
  - Only II
  - Both I and II
  - Neither I nor II
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: c
- 4) The defined contribution pension plan ensures a predictable amount of pension to the employees for all the years after retirement
- True
  - False
- a
- b
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 5) Which of the following is NOT true about National Pension Scheme (NPS) :
- Investment in NPS is independent of contributions to any other provident fund
  - Monthly contribution would be by the individual of the amount 10% of salary and DA
  - Contributions and returns are non-withdrawable
  - After attaining 60 years of age, you are not allowed to make further contributions to the NPS account
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 6) Which of the following principles of Insurance assures about the financial interest that the assured possesses in whatever is being insured?
- Principle of Utmost Good Faith
  - Principle of Insurable Interest
  - Principle of Indemnity
  - Principle of Cause Proxima
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 7) Which of the following principles of Insurance tells that an insured may not be compensated by the insurance company in an amount exceeding the insured's economic loss?
- Principle of Subrogation
  - Principle of Warranties
  - Principle of Indemnity
  - Principle of Cause Proxima
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: c
- 8) Insurance is a tool for transforming the risk of a potential financial loss to that of a gain.
- True
  - False
- a
- b
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 9) Insurance penetration is measured as the percentage of insurance premium to population
- True
  - False
- a
- b
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 10) Which is the oldest existing insurance company?
- National Insurance Company
  - LIC
  - United India Insurance Company
  - SBI Life Insurance
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: a
- 11) Which of the following organizations is the Mutual Fund market regulator in India?
- SEBI
  - RBI
  - ICICI
  - CIBIL
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: a
- 12) SEBI advises IRDA in framing the regulations for insurance companies.
- True
  - False
- a
- b
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 13) The following information is available on the performance of seven portfolio during past 7 years. Given  $R_{MKT}=7\%$ ,  $T\text{-bills}=6\%$  Using information from the table below, according to Treynor Ratio, which of the following portfolio is performing the best?
- | Portfolio | Total risk | Systematic Risk | Average Annual Rate Of Return |
|-----------|------------|-----------------|-------------------------------|
| 1         | 0.18       | 1.823           | 15.6                          |
| 2         | 0.22       | 0.825           | 11.8                          |
| 3         | 0.23       | 0.481           | 8.3                           |
| 4         | 0.45       | 1.325           | 19.0                          |
| 5         | 0.09       | 0.150           | -6.0                          |
| 6         | 0.07       | 1.013           | 23.5                          |
| 7         | 0.70       | 0.669           | 12.1                          |
- 4
  - 5
  - 6
  - 7
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: c
- 14) Assume  $R_{MKT}=14\%$ ,  $R_f=8\%$  and the standard deviation of the annual rate of return for the market portfolio over the past 10 years was 20 percent ( $\sigma_{MKT}=0.20$ ). Using information from the table below, according to Sharpe Ratio, which of the following portfolio is performing the poorest?
- | PORTFOLIO | AVERAGE ANNUAL RATE OF RETURN | STANDARD DEVIATION OF RETURN |
|-----------|-------------------------------|------------------------------|
| A         | 0.14                          | 0.18                         |
| B         | 0.15                          | 0.22                         |
| C         | 0.16                          | 0.23                         |
| D         | 0.19                          | 0.45                         |
| E         | 0.11                          | 0.09                         |
- B
  - C
  - D
  - E
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: c
- 15) With respect to Hire Purchase Credit which of the following statement(s) is/are not true:
- It is defined as a system under which demand loans for purchases of goods and services are advanced to be fractionally liquidated through a contractual obligation
  - The hirer can buy commodities in exchange for the regular installment payments (principal amount+ interest) over a period of time
  - The main sources of funds of the hire purchase company are retailers and wholesalers, hire-purchase finance companies and banks and financial institutions
  - None of the above
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: a
- 16) Which of the following is/are true about open ended funds?
- They have no maturity period
  - They need not get listed in the stock market
  - There is no lock-in period
  - All of the above
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: d
- 17) The basic objective of Income fund is to maximize return
- True
  - False
- a
- b
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 18) Gilt Funds primarily hold a major portion of fixed income securities such as government securities, bonds, corporate debentures, money market instruments, cash and cash equivalent
- True
  - False
- a
- b
- No, the answer is incorrect. Score: 0 Accepted Answers: b
- 19) Which of the following is/are the benefits of investing in Mutual Fund:
- Low transaction costs
  - Taxes Benefit
  - Spread of Risk
  - All of the above
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: d
- 20) \_\_\_\_\_ MF is a portfolio of primarily stocks. Its objective is return maximization. Risk loving people invest here.
- Income Fund
  - Growth Fund
  - Specialized Fund
  - Balance Fund
- a
- b
- c
- d
- No, the answer is incorrect. Score: 0 Accepted Answers: b