NISM-Series-V-A

Mutual Fund Distributors Certification Examination

Practice Worksheet Bundle — 6 Worksheets, 156 Practice Questions

Built from the official NISM workbook, Version: March 2026
Exam format: 100 MCQs · 100 marks · 2 hours · 50% to pass · no negative marking · certificate valid 3 years

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How to use this bundle

- Attempt each worksheet's 25 questions cold, with a timer (aim for ~30 minutes — that's the per-question exam pace × 25).
- Mark yourself against the answer key at the end of each worksheet — read the explanation even for questions you got right.
- Log your score and weak topics in the Iteration Tracker at the end of each worksheet.
- Revisit the worksheet after 48–72 hours and re-attempt only the questions you got wrong the first time.
- Repeat until you're consistently scoring 20/25 or better on a cold attempt — then move to the next worksheet.
- Worksheets 4 and 5 both belong to Investor Services (Chapter 9), the single largest unit — give them extra rounds.

Syllabus Weightage — Where the Marks Are

Two units carry 15% each — Investor Services (Ch. 9) and Mutual Fund Scheme Selection (Ch. 12) — more than any other single unit. Legal & Regulatory Framework and Scheme Related Information carry 10% each. Together, these four units alone account for half the paper.

Unit	Chapter	Weightage
1	Investment Landscape	8%
2	Concept & Role of a Mutual Fund	6%
3	Legal Structure of Mutual Funds in India	4%
4	Legal and Regulatory Framework	**10%**
5	Scheme Related Information	**10%**
6	Fund Distribution and Channel Management Practices	6%
7	Net Asset Value, Total Expense Ratio and Pricing of Units	8%
8	Taxation	4%
9	Investor Services	**15%**
10	Risk, Return and Performance of Funds	7%
11	Mutual Fund Scheme Performance	7%
12	Mutual Fund Scheme Selection	**15%**

Worksheet 1: Investment Landscape & Concept of Mutual Funds

Chapters 1–2 · combined weightage 14%

Quick recap

- Four broad asset classes: Real Estate, Commodities, Fixed Income, Equity — each with different liquidity, income and risk traits.
- Key risks: inflation risk, liquidity risk, credit risk, market/price risk, interest rate risk (bond prices move inversely to interest rates).
- Behavioural biases to know: availability heuristic, confirmation bias, familiarity bias, herd mentality, loss aversion, overconfidence, recency bias.
- Risk profiling = need to take risk + ability to take risk + willingness to take risk.
- Strategic Asset Allocation (SAA) = fixed target mix aligned to goals; Tactical Asset Allocation (TAA) = dynamically adjusted for risk-adjusted returns.
- A mutual fund is a trust that pools money and invests via a professional AMC; investors get units, not the underlying securities directly.
- Fund structures: open-ended (perpetual buy/sell), close-ended (fixed maturity, must list on an exchange), interval funds (open only during defined windows).
- SEBI's five broad scheme categories: Equity (13 sub-categories), Debt (17), Hybrid (7), Life Cycle Funds, and Other (Index/ETF, FoF).
- Specialized Investment Funds (SIF) sit between mutual funds and PMS in flexibility, with a minimum investor commitment.

Key numbers to remember

What to know	Detail
Rebalancing on passive breach of asset allocation	30 business days (not applicable to Overnight Funds)
Interval fund — minimum transaction period	2 working days
Interval fund — minimum interval period	15 days
Multi Cap Fund equity split	≥25% each in large / mid / small cap, ≥75% total equity
Large Cap Fund	≥80% in large-cap equity
Flexi Cap Fund	≥65% in equity, any market-cap mix
Corporate Bond Fund	≥80% in AA+ and above rated corporate bonds
Credit Risk Fund	≥65% in AA (excluding AA+) and below rated bonds
Aggressive Hybrid Fund	65–80% equity, 20–35% debt
Balanced Hybrid Fund	40–60% equity, 40–60% debt (no arbitrage allowed)
Conservative Hybrid Fund	10–25% equity, 75–90% debt
Specialized Investment Fund (SIF)	Minimum investment Rs. 10 lakh across strategies of one AMC

Practice questions (25)

Attempt all questions before checking the answer key on the next page. Answers are on the following page so you aren't tempted to peek.

1. Which are the four broad asset classes discussed for building an investment portfolio?

A. Equity, Bonds, Cash, Crypto
B. Real Estate, Commodities, Equity, Fixed Income
C. Stocks, Mutual Funds, ETFs, REITs
D. Domestic, International, Hybrid, Alternative

2. The risk that a bond's market price falls when interest rates rise is called:

A. Credit risk
B. Liquidity risk
C. Interest rate risk
D. Inflation risk

3. An investor who keeps expecting the recent trend (up or down) in the market to continue is showing:

A. Herd mentality
B. Recency bias
C. Loss aversion
D. Familiarity bias

4. Tactical Asset Allocation differs from Strategic Asset Allocation mainly because it:

A. Fixes the allocation permanently at the start
B. Dynamically shifts allocation to improve risk-adjusted returns
C. Is used only for debt schemes
D. Ignores the investor's risk profile entirely

5. The minimum duration of the "interval period" between two transaction windows of an interval fund is:

A. 2 working days
B. 7 days
C. 15 days
D. 30 days

6. A Credit Risk Fund must invest a minimum of how much in AA (excluding AA+) and below rated corporate bonds?

A. 50%
B. 65%
C. 80%
D. 95%

7. A Value Fund and a Contra Fund can be offered by the same AMC only if the portfolio overlap between them does not exceed:

A. 25%
B. 50%
C. 75%
D. They can never both be offered

8. The minimum investment threshold across all strategies offered by one AMC's Specialized Investment Fund (SIF) is:

A. Rs. 50,000
B. Rs. 5 lakh
C. Rs. 10 lakh
D. Rs. 1 crore

9. A Balanced Hybrid Fund's equity allocation must fall within:

A. 10–25%
B. 40–60%
C. 65–80%
D. 20–35%

10. An Arbitrage Fund's minimum equity and equity-related exposure must be:

A. 35%
B. 50%
C. 65%
D. 80%

11. "MF Lite" is SEBI's lighter regulatory framework specifically meant for:

A. High net-worth investor schemes only

B. Passively managed schemes such as index funds, ETFs and fund of funds
C. Close-ended debt schemes only
D. Overseas mutual funds investing in India

12. As per the workbook, India's total mutual fund industry AUM had grown to approximately how much by February 2026?

A. Rs. 25 lakh crore
B. Rs. 40 lakh crore
C. Rs. 82 lakh crore
D. Rs. 150 lakh crore

13. An investor already holding 300 units receives a 1:3 bonus issue. How many additional units will be allotted?

A. 30 units
B. 100 units
C. 300 units
D. 900 units

14. Which of these is an example of a 'lending' asset rather than an 'ownership' asset?

A. Equity shares
B. Real estate
C. Bonds/debentures
D. Gold

15. Close-ended mutual fund schemes are compulsorily required to:

A. Offer daily repurchase from the AMC
B. List on a recognised stock exchange
C. Convert to open-ended after one year
D. Waive all exit loads

16. Liquidity risk is best described as:

A. The risk of losing capital outright
B. The risk that an investment cannot be easily converted to cash without a loss of value or time
C. The risk of inflation eroding purchasing power
D. The risk of an issuer defaulting

17. An investor who only seeks out information that confirms their existing view of a stock, while ignoring contrary evidence, is exhibiting:

A. Availability heuristic
B. Confirmation bias
C. Overconfidence
D. Loss aversion

18. Rebalancing a portfolio back to its target asset allocation effectively forces an investor to:

A. Sell the asset that has fallen and buy the one that has risen
B. Sell the asset that has risen and buy the one that has fallen
C. Leave the portfolio untouched indefinitely
D. Increase overall portfolio risk every time

19. Which of the following is true of Exchange Traded Funds (ETFs)?

A. They are actively managed by design
B. They can be bought and sold throughout the trading day, at multiple intraday prices, unlike a regular open-ended fund's single end-of-day NAV
C. They always trade at a premium to NAV
D. They require a minimum investment of at least Rs. 1 lakh

20. An Index Fund or ETF must invest a minimum of what percentage of assets in the securities of the index it replicates/tracks?

A. 65%
B. 80%

C. 95%
D. 100%, with zero deviation permitted

21. A Fund of Funds (domestic or overseas) scheme must invest a minimum of what percentage of assets in its underlying scheme(s)?

A. 65%
B. 80%
C. 90%
D. 95%

22. Life Cycle Funds, which follow a glide-path investment strategy, may be launched by a mutual fund with tenures of:

A. Any length the AMC chooses, with no cap
B. Multiples of 5 years, with a minimum of 5 and a maximum of 30 years
C. A fixed single tenure of exactly 10 years
D. Only 3-year tenures, similar to ELSS

23. At any given point in time, a single mutual fund can have a maximum of how many Life Cycle Funds open for subscription?

A. 3
B. 4
C. 5
D. 6

24. The minimum value of assets owned (or proposed to be owned) by a REIT coming out with its initial public offer must be at least:

A. Rs. 100 crore
B. Rs. 250 crore
C. Rs. 500 crore
D. Rs. 1,000 crore

25. Which of these is NOT one of SEBI's five broad mutual fund scheme categories?

A. Equity Schemes
B. Debt Schemes
C. Alternative Investment Schemes
D. Other Schemes (Index/ETF, Fund of Funds)

Answer key & explanations

Q#	Correct answer & why	Ans
1	The workbook groups all investment avenues under four broad asset classes: Real Estate, Commodities, Equity and Fixed Income.	**B**
2	Bond prices and interest rates move inversely — this price sensitivity to rate changes is interest rate risk.	**C**
3	Recency bias is over-weighting recent events/trends when forming expectations about the future.	**B**
4	TAA (dynamic asset allocation) actively shifts the mix to exploit opportunities or manage risk, unlike the fixed target of SAA.	**B**
5	The interval period (when the fund is closed to transactions) must be at least 15 days; the transaction period itself must be at least 2 working days.	**C**
6	Credit Risk Fund: minimum 65% in AA (excluding AA+) and below rated corporate bonds — as opposed to a Corporate Bond Fund's 80% in AA+ and above.	**B**
7	SEBI permits an AMC to run both a Value and a Contra fund as long as portfolio overlap stays at or below 50%.	**B**
8	SIF requires a minimum aggregate investment of Rs. 10 lakh per investor, at the PAN level, across the AMC's SIF strategies.	**C**
9	Balanced Hybrid Fund holds 40–60% equity and 40–60% debt, with no arbitrage positions permitted — unlike Aggressive Hybrid (65–80% equity).	**B**
10	Arbitrage Fund requires a minimum 65% in equity and equity-related instruments, typically hedged via derivatives.	**C**
11	MF Lite is a lighter-compliance framework for AMCs running only passive products — index funds, ETFs, and specified fund-of-funds schemes.	**B**
12	The workbook cites AUM growth from about Rs. 11.89 lakh crore (March 2015) to about Rs. 82.03 lakh crore (February 2026).	**C**
13	A 1:3 bonus gives 1 new unit for every 3 held, free of cost: 300 ÷ 3 = 100 additional units.	**B**
14	A bond investor has lent money to the issuer with agreed repayment terms, unlike equity, real estate or commodities, where the investor is an owner with uncertain future cash flows.	**C**
15	Since investors cannot transact with the AMC after the NFO, close-ended schemes must list on an exchange to provide an exit route.	**B**
16	Liquidity risk relates to how easily and quickly an investment can be sold for cash without a significant price concession — distinct from credit, inflation or market risk.	**B**
17	Confirmation bias is the tendency to look for (and interpret) new information in a way that confirms beliefs one already holds, at the cost of missing risks.	**B**
18	Rebalancing automatically trims the asset that has gone up (selling relatively high) and adds to the one that has lagged (buying relatively low), without requiring a market call.	**B**
19	Because ETFs trade continuously on an exchange like a stock, investors get multiple opportunities and prices to enter or exit during the day, unlike the single daily NAV of a normal open-ended scheme.	**B**
20	SEBI requires Index Funds/ETFs to invest at least 95% of assets in the securities comprising the tracked index.	**C**
21	SEBI's categorization rules require a Fund of Funds to invest at least 95% of assets in the underlying fund(s) it is designed around.	**D**
22	Life Cycle Funds can be launched in multiples of 5 years, ranging from a 5-year minimum to a 30-year maximum tenure.	**B**
23	SEBI caps the number of concurrently active Life Cycle Funds from one mutual fund at 6.	**D**
24	A REIT's initial offer requires the underlying asset value to be at least Rs. 500 crore, with a minimum offer size of Rs. 250 crore.	**C**
25	SEBI's five broad categories are Equity, Debt, Hybrid, Life Cycle Funds, and Other Schemes. 'Alternative Investment Schemes' (AIFs) are a separate, distinct investment vehicle regulated under different rules.	**C**

Your iteration tracker

Attempt #	Date	Score / 25	Topics to revisit
1			
2			

Attempt #	Date	Score / 25	Topics to revisit
3			

Worksheet 2: Legal Structure & Regulatory Framework

Chapters 3–4 · combined weightage 14%

Quick recap

- Mutual fund structure: Sponsor sets up the Trust (via a Trust Deed) → Trustees protect unit-holder interests → AMC runs day-to-day operations → Custodian holds scheme assets → RTA maintains investor records.
- Sponsor eligibility: ≥ 5 years in financial services, positive net worth in each of the preceding 5 years, average net annual profit ≥ Rs. 10 crore over 5 years.
- AMC net worth requirement: at least Rs. 50 crore, maintained on a continuous basis (effective from January 1, 2024).
- At least two-thirds of Trustees, and at least 50% of AMC directors, must be independent of the sponsor/AMC.
- India has four financial-sector regulators: RBI (banking/money markets), SEBI (securities), IRDAI (insurance), PFRDA (pension). AMFI is neither a regulator nor a Self-Regulatory Organisation (SRO).
- AMFI's core roles: sets ethical/professional standards, issues the ARN to distributors, represents the industry to SEBI/Government, and disciplines distributors for Code of Conduct breaches.
- Since February 2018, scheme performance must be benchmarked to the Total Return Index (TRI), not the Price Return Index (PRI), so dividends/interest are captured in the comparison too.
- SEBI's Advertisement Code: standard risk warning is mandatory and cannot be reworded; celebrity endorsement is allowed only at the industry level, never to brand a specific scheme or AMC.
- Investor rights include: up to 10 nominees, right to inspect key documents, right to change distributor without a No-Objection Certificate, and a say (via 75% unit-holder vote) in terminating the AMC or winding up a scheme.
- Grievances: AMC must redress within 21 calendar days; SCORES is SEBI's online centralized complaint system.

Key numbers to remember

What to know	Detail
Sponsor — minimum track record	5 years in financial services
Sponsor — average net annual profit (5 yrs)	≥ Rs. 10 crore
AMC — minimum net worth (from Jan 1, 2024)	Rs. 50 crore
Independent trustees required	At least two-thirds of the Board of Trustees
Independent AMC directors required	At least 50% of the AMC Board
AMC appointment termination	Majority of trustees, OR 75% of unit-holders
Investor grievance redressal timeline	Within 21 calendar days of receipt
Maximum nominees per folio	10
Unclaimed amount claimed within 3 years	Paid at prevailing NAV (i.e., with accrued income)
Unclaimed amount claimed after 3 years	Paid at the NAV as at the end of 3 years
AMFI Code of Conduct — first step on breach	Written request for explanation within 3 weeks
Sponsor's minimum stake in AMC's net worth	40% — holding this much (or more) deems a person the sponsor

Practice questions (26)

Attempt all questions before checking the answer key on the next page. Answers are on the following page so you aren't tempted to peek.

1. Mutual funds in India are legally constituted as:

A. Companies under the Companies Act
B. Trusts under the Indian Trusts Act, 1882
C. Registered societies
D. Partnership firms

2. The minimum average net annual profit a sponsor must show over the preceding 5 years is:

A. Rs. 5 crore
B. Rs. 10 crore
C. Rs. 50 crore
D. Rs. 100 crore

3. The minimum net worth an Asset Management Company must maintain (effective Jan 1, 2024) is:

A. Rs. 10 crore
B. Rs. 30 crore
C. Rs. 50 crore
D. Rs. 100 crore

4. What minimum share of the AMC's Board of Directors must NOT be associates of the sponsor, its subsidiaries, or the trustees?

A. 25%
B. 33%
C. 50%
D. 75%

5. An AMC's appointment can be terminated by a majority of trustees, or by what percentage of unit-holders?

A. 50%
B. 51%
C. 66%
D. 75%

6. Which of these is NOT one of India's financial-sector regulators?

A. RBI
B. SEBI
C. AMFI
D. IRDAI

7. Which regulator is responsible for the pension sector in India?

A. SEBI
B. PFRDA
C. IRDAI
D. RBI

8. Since February 2018, mutual fund scheme performance must be benchmarked against the:

A. Price Return Index (PRI)
B. Total Return Index (TRI)
C. Repo rate
D. Consumer Price Index

9. If a scheme has been in existence for less than 6 months, its performance in an advertisement:

A. Must be shown as CAGR
B. Must be shown as simple annualized return
C. Cannot be shown at all
D. Must show only the benchmark's return

10. Under SEBI's Cyber Security and Cyber Resilience Framework (CSCRF), which of these is one of the five resiliency goals?

A. Anticipate
B. Aggregate
C. Amplify
D. Audit

11. The maximum number of nominees an investor can register for a single mutual fund folio is:

A. 3

B. 5
C. 8
D. 10

12. If unclaimed redemption proceeds are claimed by an investor after 3 years, they are paid based on:

A. The NAV on the date of the claim
B. The NAV as at the end of the 3-year period
C. The original investment NAV
D. The face value of Rs. 10

13. On receiving a complaint of a proven Code of Conduct violation, AMFI's first step towards the intermediary is to:

A. Immediately cancel the ARN
B. Write seeking an explanation within 3 weeks
C. Report directly to SEBI
D. Suspend all AMC empanelments at once

14. SEBI's centralized online investor-complaint system is known as:

A. SCORES
B. MITRA
C. MFU
D. cKYCR

15. Who has the legal right to inspect key mutual fund documents such as the Trust Deed and Investment Management Agreement?

A. Only SEBI officials
B. Unit-holders
C. Only journalists
D. Only the Ministry of Finance

16. Under Regulation 39 of the SEBI Mutual Fund Regulations, schemes may invest in all of the following EXCEPT:

A. Money market instruments
B. Privately placed debentures
C. Gold or gold-related instruments
D. Direct investment in physical real estate for the AMC's own self-occupation

17. The statutory auditor of a mutual fund scheme's accounts must be:

A. The same firm that audits the AMC, for consistency
B. A different auditor from the one appointed for the AMC's own accounts
C. Appointed directly by SEBI in every case
D. Optional, required only for schemes above a certain AUM

18. Which two agencies has AMFI appointed to provide valuation matrices for non-traded or thinly traded debt securities?

A. NSDL and CDSL
B. CRISIL and ICRA
C. BSE and NSE
D. SEBI and RBI

19. India's two securities depositories, which hold securities (including mutual fund units) in dematerialised form, are:

A. BSE and NSE
B. CAMS and KFintech
C. NSDL and CDSL
D. SEBI and AMFI

20. A Category 1 Execution Only Platform (EOP), which acts as an agent of AMCs to facilitate direct-plan transactions, must obtain registration from:

A. SEBI directly, as a stockbroker
B. AMFI
C. The Reserve Bank of India
D. The Ministry of Corporate Affairs

21. Which of the following is NOT a stated objective of AMFI?

A. Defining and maintaining high ethical standards in the mutual fund industry
B. Registering mutual fund distributors and disciplining Code of Conduct violations
C. Acting as the statutory securities market regulator
D. Undertaking nationwide investor awareness programmes

22. If a security earlier written off as non-recoverable is subsequently recovered within 2 years, the recovered amount is:

A. Retained by the AMC as a processing fee
B. Paid out to the old investors who bore the original loss
C. Transferred directly to SEBI
D. Distributed equally among all current unit-holders, regardless of when they invested

23. The standard benchmark prescribed for all debt schemes with duration/maturity up to 1 year, and for Arbitrage Funds, is:

A. Sensex or Nifty
B. 1-year T-Bill
C. A 10-year dated Government of India security
D. The repo rate

24. When there is a change in the fundamental attributes of a scheme, unit-holders must be given an exit option at the prevailing NAV, without any exit load, for a period of at least:

A. 15 calendar days
B. 30 calendar days
C. 45 calendar days
D. 60 calendar days

25. SEBI's guidelines on circulation of unauthenticated market news require that any market-related information received by an intermediary's employee be forwarded only after:

A. The employee personally verifies it is true
B. It has been seen and approved by the Compliance Officer
C. It is first posted on social media for public feedback
D. A 24-hour cooling-off period has passed

26. What minimum share of an Asset Management Company's net worth must the Sponsor contribute (and maintain) to be recognised as its sponsor under SEBI's Mutual Fund Regulations?

A. 25%
B. 40%
C. 51%
D. 75%

Answer key & explanations

Q#	Correct answer & why	Ans
1	A mutual fund is established as a trust, with the sponsor creating it via a Trust Deed in favour of the trustees.	**B**
2	Sponsor eligibility requires average net profit (after depreciation, interest and tax) of at least Rs. 10 crore annually over the preceding 5 years.	**B**
3	SEBI raised the AMC net-worth floor to Rs. 50 crore, to be maintained continuously.	**C**
4	At least 50% of AMC directors must be independent of the sponsor/trustees, mirroring investor-protection intent for the trustee board too.	**C**
5	A 75% unit-holder vote (by unit-holding) can also terminate an AMC's appointment, subject to SEBI approval of the change.	**D**
6	AMFI is an industry association, not a statutory regulator or SRO — the four regulators are RBI, SEBI, IRDAI and PFRDA.	**C**
7	The Pension Fund Regulatory and Development Authority (PFRDA) regulates the pension market.	**B**
8	TRI captures both capital gains and dividend/interest reinvestment from the benchmark's constituents, making the comparison fairer to the scheme.	**B**
9	Past performance cannot be advertised for schemes under 6 months old; schemes 6–12 months old may show simple annualized returns instead.	**C**
10	The five CSCRF goals, adapted from CERT-In's Cyber Crisis Management Plan, are: Anticipate, Withstand, Contain, Recover, Evolve.	**A**
11	SEBI allows up to 10 nominees per folio, with the unit-holder specifying a percentage split (equal split assumed if unspecified).	**D**
12	Claims within 3 years get the prevailing (current) NAV including accrued income; claims after 3 years are capped at the NAV as of the 3-year mark.	**B**
13	AMFI first asks for a written explanation within 3 weeks; only a proven second violation leads to ARN cancellation.	**B**
14	SCORES (SEBI Complaints Redress System) lets investors lodge and track complaints against market intermediaries online.	**A**
15	Unit-holders, as beneficiaries of the trust, have a right to inspect the Trust Deed, Investment Management Agreement, Custodial Agreement and similar documents.	**B**
16	Regulation 39 permits investment in securities, money market instruments, privately placed debentures, securitised debt, gold/gold-related, silver/silver-related instruments, and other Board-specified assets — not direct self-occupied real estate for the AMC.	**D**
17	Scheme accounts are audited independently of the AMC's own accounts, so the scheme auditor must be different from the AMC's auditor.	**B**
18	AMFI has appointed CRISIL Ltd. and ICRA Ltd. as valuation agencies for fair-valuing thinly traded debt securities.	**B**
19	National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) are India's two depositories.	**C**
20	Category 1 EOPs register with AMFI and integrate with AMCs/RTAs; Category 2 EOPs instead register as stockbrokers with SEBI/the exchanges.	**B**
21	AMFI is explicitly neither a regulator nor a Self-Regulatory Organisation — that role belongs to SEBI.	**C**
22	If recovery happens within 2 years, the amount goes back to the investors who were in the scheme at the time of the loss; beyond that window, it is transferred to the mutual fund's Investor Education Fund.	**B**
23	Short-duration debt schemes and Arbitrage Funds are benchmarked to the 1-year T-Bill as the standard additional benchmark, alongside their own scheme-specific benchmark.	**B**
24	SEBI mandates a minimum 30-day exit window, at prevailing NAV with no exit load, whenever a scheme's fundamental attributes change.	**B**
25	Employees must route any market-related information through the Compliance Officer for approval before forwarding it, to prevent circulation of rumours or unverified information.	**B**
26	Regulation 7(c) deems any person holding 40% or more of an AMC's net worth to be its sponsor — this is the minimum stake the sponsor must contribute, separate from the AMC's overall net-worth floor of Rs. 50 crore.	**B**

Your iteration tracker

Attempt #	Date	Score / 25	Topics to revisit
1			
2			
3			

Worksheet 3: Scheme Documents, Distribution, NAV/TER & Taxation

Chapters 5–8 · combined weightage 28%

Quick recap

- SID (scheme-specific details) and SAI (AMC-wide statutory information) together form the offer document; KIM is a summary that must accompany every application form.
- SID is updated within 1 month of each half-year close; SAI within 3 months of the financial year end; KIM at least half-yearly.
- Riskometer has 6 levels (Low to Very High); Specialized Investment Funds use a separate 5-level 'Risk-Band' instead.
- TER is charged on daily net assets on a sliding scale that reduces as AUM grows — equity-oriented schemes get a slightly higher ceiling than others at each slab.
- Distributors can be individuals or non-individual entities (banks, NBFCs, national/regional distributors, stockbrokers, online platforms); all must clear NISM-Series-V-A, complete KYD, and hold an ARN (minimum age 18) to be empanelled.
- MFDs are now paid trail commission only — no upfront commission, and no upfronting of trail except for SIP inflows; transaction charges have been withdrawn entirely.
- SEBI offers AMCs an additional incentive pool to pay distributors extra for onboarding new investors from B-30 cities and new women investors.
- Entry loads are banned (sale price = NAV); exit loads are allowed but must be applied uniformly across investors within a scheme, and are credited back to the scheme (not kept by the AMC).
- Capital gains tax depends on scheme type (equity-oriented vs. others) and holding period; equity gets preferential LTCG treatment after 12 months, others after 24 months and at slab rate for STCG.
- STT applies only on the sale/redemption side of equity-oriented scheme units — never on purchase, and never on debt schemes.
- ELSS (tax saver) funds carry a 3-year statutory lock-in and Section 80C deduction (old tax regime only, combined Rs. 1.5 lakh limit across all 80C avenues).

Key numbers to remember

What to know	Detail
SID update frequency	Within 1 month of half-year close (Sept/March)
SAI update frequency	Within 3 months of financial year close
KIM update frequency	At least once every half-year
TER — equity scheme, first Rs. 500 crore	2.10% (1.85% for non-equity)
TER — equity scheme, next Rs. 250 crore	1.90% (1.65% for non-equity)
Additional brokerage/transaction cost allowed	0.06% (cash market) / 0.02% (derivatives)
Minimum age for ARN	18 years
Trail commission formula	AUM × annual rate ÷ 365, applied daily
Additional commission (B-30 / women investors)	1% of first-year investment, capped at Rs. 2,000
Stamp duty on unit issue (purchase transactions)	0.005% of amount invested
Stamp duty on unit transfer	0.015%
Equity fund LTCG (>12 months)	12.5% above Rs. 1.25 lakh exemption per year
Debt fund STCG & LTCG	Marginal Slab Rate (MSR), regardless of holding period
STT on delivery-based sale of equity fund units	0.001% (payable by seller)
ELSS lock-in / 80C limit	3 years / Rs. 1.5 lakh (old regime only)
TDS on resident investor's IDCW	10%, if dividend exceeds Rs. 5,000 in a year

What to know	Detail
Product Labelling	Riskometer + a plain-language suitability statement, shown together
Distributor due diligence triggers (any ONE of)	>20 locations, >Rs. 100cr non-institutional AUM, >Rs. 50 lakh commission from one AMC, or >Rs. 1cr industry-wide

Practice questions (27)

Attempt all questions before checking the answer key on the next page. Answers are on the following page so you aren't tempted to peek.

1. Which document is essentially a summary of the SID and SAI, and must accompany every mutual fund application form?

A. Scheme Information Document (SID)
B. Statement of Additional Information (SAI)
C. Key Information Memorandum (KIM)
D. Fund Factsheet

2. The Statement of Additional Information (SAI) must be updated by the end of how many months of every financial year?

A. 1 month
B. 3 months
C. 6 months
D. 12 months

3. For an equity-oriented scheme, the TER limit on the 'next Rs. 250 crore' slab of daily net assets is:

A. 2.10%
B. 1.90%
C. 1.60%
D. 1.50%

4. Brokerage and transaction costs for cash-market trades can additionally be charged to a scheme up to:

A. 0.02% of trade value
B. 0.06% of trade value
C. 0.12% of trade value
D. 0.25% of trade value

5. An investor invests Rs. 25,000 in a scheme with an NAV of Rs. 43.21 and no entry load. Approximately how many units are allotted?

A. 462.30 units
B. 500.00 units
C. 578.57 units
D. 625.00 units

6. The additional commission payable to a distributor for a lump-sum investment from a new B-30-city investor is capped at:

A. Rs. 500
B. Rs. 1,000
C. Rs. 2,000
D. Rs. 5,000

7. Trail commission paid to a distributor is calculated on:

A. The original amount mobilised only, fixed for life
B. The daily net asset value of the investor's holding
C. A flat annual retainer regardless of AUM
D. The face value of the units allotted

8. A Fund of Funds investing in equity mutual fund schemes is classified, for income-tax purposes, as:

A. An equity-oriented scheme, taxed like direct equity
B. A non-equity-oriented scheme, even though its underlying is equity
C. Exempt from all capital gains tax
D. Taxed at a flat 5% regardless of holding period

9. STT on a delivery-based sale of equity-oriented mutual fund units is:

A. Nil
B. 0.001%
C. 0.025%
D. 0.1%

10. Under Section 80C, investment in ELSS (tax saver) funds is eligible for deduction up to:

A. Rs. 50,000
B. Rs. 1,00,000
C. Rs. 1,50,000
D. Rs. 2,00,000

11. The statutory lock-in period for ELSS (tax saver) mutual fund units is:

A. 1 year
B. 3 years
C. 5 years
D. 10 years

12. TDS applies on dividend (IDCW) paid to a resident investor if the dividend in a year exceeds:

A. Rs. 2,500
B. Rs. 5,000
C. Rs. 10,000
D. Rs. 50,000

13. Stamp duty on transfer of mutual fund units (e.g., between demat accounts) is charged at:

A. 0.005%
B. 0.015%
C. 0.05%
D. 0.5%

14. A hybrid fund with 35–65% domestic equity is eligible for LTCG treatment (12.5% rate) only after a holding period of:

A. 12 months
B. 24 months
C. 36 months
D. There is no such condition

15. GST on investment and advisory fees charged by an AMC to a scheme is:

A. Charged within the overall TER cap
B. Charged in addition to the TER cap
C. Never permitted to be charged to the scheme
D. Always borne personally by the fund manager

16. Under SEBI's fair valuation rules, a security that has not traded on any stock exchange for how many days prior to the valuation date must be treated as a 'non-traded' security?

A. 7 days
B. 15 days
C. 30 days
D. 90 days

17. Under the Riskometer's six-level colour scheme, which colour represents 'Very High' risk?

A. Chartreuse
B. Dark Orange

C. Red
D. Neon Yellow

18. Half-yearly portfolio disclosure for DEBT schemes must be made:

A. Monthly, within 10 days of month-close, same as other schemes
B. Fortnightly, within 5 days of the close of each fortnight
C. Only once a year
D. Within 30 days of half-year close, unlike other schemes

19. A mutual fund's Annual Report (or abridged summary) availability must be advertised in newspapers as:

A. Any single Indian-language newspaper of the AMC's choice
B. At least two daily newspapers with all-India circulation, one in English and one in Hindi
C. Only the AMC's home-state regional newspaper
D. There is no such advertising requirement

20. Which of the following is NOT mandatory for AMCs to publish, though virtually all fund houses do so as a matter of practice?

A. Scheme Information Document
B. Statement of Additional Information
C. The monthly Fund Factsheet
D. Key Information Memorandum

21. SEBI caps a mutual fund's holding of Additional Tier 1 (AT1) or Tier 2 perpetual bonds issued by a SINGLE issuer at:

A. 5% of that issuer's outstanding such bonds
B. 10% of that issuer's outstanding such bonds
C. 15% of that issuer's outstanding such bonds
D. 25% of that issuer's outstanding such bonds

22. When calculating a scheme's distributable reserves (from which dividends/IDCW can be paid), which of the following is EXCLUDED?

A. Realised capital gains
B. Accrued interest and dividend income
C. Unrealised (mark-to-market) valuation gains
D. All accrued profits, net of accrued expenses

23. The 'grandfathering' provision for equity LTCG taxation used which date as the base valuation point for calculating gains?

A. April 1, 2018
B. January 31, 2018
C. July 23, 2024
D. March 31, 2018

24. A capital loss from 'bonus stripping' is disallowed for tax set-off if the original units were bought within how many months before the bonus record date, and sold within how many months after it?

A. 1 month before / 3 months after
B. 3 months before / 9 months after
C. 6 months before / 6 months after
D. It is never disallowed, regardless of timing

25. Under the Income Tax Act, an unabsorbed long-term capital loss can be carried forward for set-off against future long-term capital gains for up to:

A. 2 years
B. 4 years
C. 8 years
D. Indefinitely, with no time limit

26. Which feature on a scheme's documents and advertisements combines the Riskometer with a plain-language ‘this product is suitable for investors who are seeking...’ statement, so an investor can quickly judge suitability?

A. Product Labelling
B. Fund Factsheet
C. Portfolio Turnover Ratio
D. Tracking Error

27. Under SEBI's due diligence framework for mutual fund distributors, enhanced due diligence applies once a distributor crosses which of the following?

A. Multiple point presence across more than 20 locations, on its own

B. AUM raised of over Rs. 100 crore across the industry in the non-institutional category (including HNIs), on its own

C. Commission received of over Rs. 50 lakh from a single mutual fund, or over Rs. 1 crore across the industry, on its own

D. Any one of the above — these are independent triggers, not cumulative conditions that all need to be met together

Answer key & explanations

Q#	Correct answer & why	Ans
1	KIM condenses the SID/SAI into a concise, easy-to-distribute document mandatorily attached to every application.	**C**
2	Regular SAI updates are due within 3 months of the financial year close, with material changes updated on an ongoing basis.	**B**
3	After the first Rs. 500 crore (2.10%), the next Rs. 250 crore slab is capped at 1.90% for equity-oriented schemes.	**B**
4	0.06% of trade value is allowed for cash-market transactions (0.02% for derivatives transactions), over and above the base TER.	**B**
5	Units allotted = Investment ÷ NAV = 25,000 ÷ 43.21 ≈ 578.57 units.	**C**
6	The additional incentive is 1% of the first application, capped at Rs. 2,000, provided the investor stays invested for at least a year.	**C**
7	Trail commission tracks the current (daily) value of the investor's holding, so it rises and falls with the NAV — unlike a one-time upfront payment.	**B**
8	Tax law defines 'equity-oriented' by direct holding of Indian listed equity (>65%); a FoF investing in equity funds doesn't meet this test and is taxed as non-equity-oriented (LTCG 12.5% after 24 months, STCG at slab rate).	**B**
9	0.001% STT applies on delivery-based sale/redemption of equity-oriented fund units; STT is not charged on purchase, and not applicable to debt funds at all.	**B**
10	The Rs. 1.5 lakh Section 80C ceiling (old tax regime only) is shared across all eligible 80C avenues, not exclusive to ELSS.	**C**
11	ELSS carries a 3-year lock-in from the date of each investment (each SIP instalment has its own 3-year lock-in).	**B**
12	10% TDS applies on IDCW to resident investors once the annual dividend from a fund exceeds Rs. 5,000.	**B**
13	Transfer of units attracts 0.015% stamp duty — three times the 0.005% rate applicable on issue of units.	**B**
14	Because such hybrid funds don't cross the 65% equity threshold for 'equity-oriented' classification, they follow the 24-month LTCG holding period used for non-equity-oriented schemes.	**B**
15	GST on investment and advisory fees sits outside (in addition to) the TER limit; GST on most other fees is charged within the TER cap.	**B**
16	A security untraded for 30 days prior to the valuation date is classified as non-traded and must be valued 'in good faith' using board-approved methods, rather than the last traded price.	**C**
17	The Riskometer's six levels run Irish Green (Low) through Chartreuse, Neon Yellow, Caramel, Dark Orange (High), to Red (Very High).	**C**
18	Debt scheme portfolios are disclosed more frequently — fortnightly, within 5 days of each fortnight's close — given the faster-changing nature of their holdings.	**B**
19	The advertisement regarding the Annual Report's availability must appear in at least two all-India daily newspapers, one in English and one in Hindi.	**B**
20	The monthly fund factsheet is a voluntary, non-mandatory document — a widely followed AMFI best practice rather than a regulatory requirement, unlike SID, SAI and KIM.	**C**
21	No mutual fund may own more than 10% of AT1/Tier 2 bonds issued by a single issuer, in addition to overall scheme-level and issuer-level exposure caps.	**B**
22	Distributable reserves are calculated conservatively — valuation (mark-to-market) gains that haven't yet been realised through an actual sale are excluded, ensuring dividends are paid only from real, booked profits.	**C**
23	Gains accrued up to January 31, 2018 were grandfathered (made tax-exempt); only appreciation beyond the higher of cost or the January 31, 2018 NAV is treated as taxable long-term capital gain.	**B**
24	If units are bought within 3 months before a bonus record date and sold within 9 months after it, the resulting capital loss cannot be set off — it is instead added to the cost of the bonus units.	**B**
25	Unabsorbed capital losses (short or long term) can be carried forward for up to 8 assessment years for set-off against eligible future gains.	**C**
26	Product Labelling packages the Riskometer level together with a short suitability statement, so an investor can judge fit for their own needs at a glance, without reading the full SID.	**A**
27	SEBI's due diligence framework is triggered once a distributor crosses ANY of these thresholds — more than 20 locations, over Rs. 100 crore non-institutional AUM, commission over Rs. 50 lakh from one AMC, or over Rs. 1 crore industry-wide — they don't all need to apply together.	**D**

Your iteration tracker

Attempt #	Date	Score / 25	Topics to revisit
1			
2			
3			

Worksheet 4: Investor Services — NFOs, Plans & KYC

Chapter 9 (Part A) · part of a 15% weightage unit

Quick recap

- NFOs (other than ELSS) must stay open for a minimum of 3 working days and a maximum of 15 days; allotment/refund must happen within 5 business days of closure, and the scheme must re-open for ongoing transactions within 5 business days of allotment.
- Every scheme offers a Direct Plan (no distributor, lower TER) and a Regular Plan (via distributor); within each, investors choose Growth, IDCW Payout, or IDCW Reinvestment.
- Ex-dividend NAV = NAV after the dividend has reduced it; cum-dividend NAV = NAV before the payout is deducted.
- Eligible individual investors: resident adults (up to 3 joint holders), minors (via a guardian only), HUFs (via the Karta), NRIs/PIOs, and Qualified Foreign Investors meeting FATF/IOSCO criteria.
- Minor's investments: payment must come only from the minor's own account, or a joint account of the minor with the parent/legal guardian — never from a third party (with a few narrow gift exceptions).
- On attaining majority, the folio is frozen for further transactions until the erstwhile minor completes fresh KYC/PAN, provides new bank details, and submits the prescribed Minor-to-Major (MAM) form.
- KYC is mandatory for all investors regardless of investment size; a common KRA-based process lets one KYC serve across the securities market.
- PAN is compulsory except for a few exempt categories (e.g., Sikkim residents, Central/State Government transactions, and small investors within the Rs. 50,000/year/mutual fund Micro-SIP limit).
- Institutional/non-individual investors must additionally disclose Ultimate Beneficial Owners (UBOs) — anyone owning/entitled to more than 25% of a company's shares/profits, or 15% in a partnership or trust.
- FATCA/CRS declarations are mandatory wherever citizenship, birthplace, or tax residency is outside India; any change in reportable status must be intimated within 30 days.

Key numbers to remember

What to know	Detail
NFO minimum open period (non-ELSS)	3 working days
NFO maximum open period (non-ELSS)	15 days
Allotment/refund after NFO closure	Within 5 business days
Scheme re-opens for ongoing transactions	Within 5 business days of allotment
Maximum joint holders per folio	3
Minor investment — permitted payment source	Minor's account, or minor + guardian joint account
PAN-exempt investment ceiling	Rs. 50,000 per investor, per mutual fund, per year (SIP + lump sum combined)
UBO threshold — companies	> 25% of shares or profits
UBO threshold — partnerships / trusts	> 15% of profits/benefits
FATCA/CRS status-change intimation window	30 days
Central KYC Registry operator	CERSAI (cKYCR)

Practice questions (26)

Attempt all questions before checking the answer key on the next page. Answers are on the following page so you aren't tempted to peek.

1. What is the minimum period an NFO (other than an ELSS scheme) must remain open for subscription?

A. 1 working day
B. 3 working days

C. 7 working days
D. 15 working days

2. Units or refunds following NFO closure must be processed within:

A. 2 business days
B. 5 business days
C. 10 business days
D. 15 business days

3. A single mutual fund folio can have a maximum of how many joint holders?

A. 2
B. 3
C. 4
D. 5

4. An investment on behalf of a minor must be made through:

A. Any adult relative of the minor
B. A guardian — a natural parent or a court-appointed legal guardian
C. A family friend nominated informally
D. The minor directly, once age 15

5. When a minor unit-holder attains majority, the folio is:

A. Transferred automatically with no formalities
B. Frozen for operations until fresh KYC, bank and signature details of the major are updated
C. Closed permanently and a new folio issued
D. Left under the guardian's control indefinitely

6. Which category of investor is exempt from mandatorily producing a PAN card for KYC, subject to conditions?

A. All NRIs
B. Residents of the state of Sikkim
C. All corporate investors
D. All Hindu Undivided Families

7. The composite annual limit for PAN-exempt (Micro-SIP + lump sum) mutual fund investment, per investor per mutual fund, is:

A. Rs. 10,000
B. Rs. 50,000
C. Rs. 1,00,000
D. There is no such limit

8. The Central KYC Registry function under the PMLA Rules is performed by:

A. AMFI
B. CERSAI
C. NSDL exclusively
D. RBI

9. An Ultimate Beneficial Owner (UBO) of a company is someone who owns or is entitled to more than what share of its capital or profits?

A. 10%
B. 15%
C. 25%
D. 50%

10. In-Person Verification (IPV) as part of the KYC process is:

A. Optional, at the investor's discretion
B. Mandatory
C. Required only for NRI investors
D. Required only for institutional investors

11. If an investment is routed through a distributor, the plan recorded in the application should be marked as:

A. Direct
B. Regular
C. Institutional
D. Wholesale

12. The Ex-dividend NAV is the NAV:

A. Just before a dividend is declared
B. After the dividend has been paid out and deducted from the NAV
C. Applicable only to debt schemes
D. The same figure as the Cum-dividend NAV

13. If an investor's FATCA/CRS reportable status changes after the initial declaration, the mutual fund must be informed within:

A. 7 days
B. 15 days
C. 30 days
D. 60 days

14. A Qualified Foreign Investor (QFI) investing in Indian mutual funds must be resident in a country that is:

A. A member of SAARC
B. A FATF member (or member of a FATF-member group) and an IOSCO MMOU signatory
C. An OECD member only
D. Any country with an Indian embassy

15. Which of the following individuals CANNOT independently invest in a mutual fund scheme without an intermediary (guardian/Karta)?

A. A resident adult individual
B. An NRI
C. A minor
D. A Hindu Undivided Family via its Karta

16. If a refund of application money (e.g., on a rejected or excess NFO application) is delayed beyond 5 business days, interest is payable to the investor at:

A. 6% p.a.
B. 9% p.a.
C. 12% p.a.
D. 15% p.a.

17. Units allotted in an NFO to an applicant who has quoted a demat account must be credited to that account within:

A. 1 working day
B. 2 working days
C. 5 working days
D. 10 working days

18. Regarding Direct and Regular plans, which statement is correct?

A. An AMC may also offer a third, intermediate-cost plan for occasional distributor use
B. Every scheme must offer only these two plans, at different NAVs, since their TERs differ
C. The Regular plan always has a lower TER than the Direct plan
D. Both plans must always share an identical NAV

19. In a Pay-out of IDCW (dividend) option, when a dividend is declared and paid to the investor's bank account, the number of units the investor holds:

A. Increases proportionately
B. Decreases proportionately
C. Remains unchanged
D. Is automatically converted into a lump-sum redemption

20. Under the Growth option, if a scheme performs well over time, the benefit to the investor shows up as:

A. Periodic cash pay-outs
B. Additional units allotted free of cost
C. A higher NAV per unit, capturing the full portfolio gain
D. A separate bonus scheme unit allotment

21. A Hindu Undivided Family (HUF) invests in a mutual fund through:

A. Any adult member of the family, chosen at random
B. The Karta of the family
C. A court-appointed administrator
D. Joint signatures of every family member for every transaction

22. As part of KYC, non-individual (institutional) investors must additionally disclose:

A. Their Ultimate Beneficial Owners (UBOs)
B. Their internal organisational chart in full
C. Their annual advertising budget
D. Nothing beyond what individual investors disclose

23. Once a Power of Attorney (PoA) is registered on a folio, which statement is correct?

A. Only the PoA holder may operate the folio going forward; the original investor loses all rights
B. Both the investor and the PoA holder may operate the folio
C. The PoA holder may also change the folio's nomination
D. The PoA can be used without any KYC compliance by the PoA holder

24. Which additional document is typically required from a non-individual (institutional) investor, beyond standard KYC?

A. A board resolution authorising the investment and naming the authorised signatories
B. A personal guarantee from the entity's CEO
C. An audited balance sheet from more than 10 years ago
D. Nothing extra is required for institutions

25. If the depository details in a mutual fund application do not match the applicant's existing demat account records, the application is:

A. Automatically and permanently rejected
B. Treated as invalid for demat processing, but may still be processed in physical (non-demat/account-statement) mode if otherwise valid
C. Escalated to SEBI for adjudication before proceeding
D. Delayed by a mandatory 6-month waiting period

26. A private limited company wants to invest its surplus funds in a mutual fund scheme. Which document must it submit to authorise this specific investment?

A. A resolution passed at the company's shareholders' meeting
B. A specific Board Resolution authorising the investment and naming the authorised signatories
C. Nothing — under the Companies Act, a company may invest in any mutual fund scheme without special authorisation, as long as it benefits shareholders
D. Nothing — the Companies Act prohibits companies from investing in mutual funds

Answer key & explanations

Q#	Correct answer & why	Ans
1	SEBI mandates a minimum 3-working-day NFO window (and a maximum of 15 days for non-ELSS schemes).	**B**
2	Allotment of units, or refund of money, must be completed within 5 business days of the NFO closing.	**B**
3	Up to 3 names (holders) can be registered on a single folio, held singly, jointly, or as 'either or survivor.'	**B**
4	Since minors cannot legally contract, only a natural parent or court-appointed guardian can invest and operate the folio on their behalf.	**B**
5	No further transactions are permitted until the erstwhile minor completes the Minor-to-Major (MAM) process — PAN, KYC, new bank mandate and signature attestation.	**B**
6	Sikkim residents (along with a few other narrow categories, e.g. Central/State Government transactions and small Micro-SIP investors) are PAN-exempt, but must still complete KYC via an alternate photo ID.	**B**
7	Rs. 50,000 per investor, per mutual fund, per financial year is the combined ceiling covering both Micro-SIPs and lump-sum PAN-exempt investments.	**B**
8	CERSAI has been designated to operate the Central KYC Records Registry (cKYCR), storing and sharing investor KYC data across the financial sector.	**B**
9	The UBO threshold is >25% for companies, but a lower >15% threshold applies for partnerships, bodies of persons, and trust beneficiaries.	**C**
10	IPV is a mandatory step in KYC completion, though it can be performed by any authorised intermediary (bank, DP, AMC, distributor) — not repeated once done.	**B**
11	'Regular' is used whenever a distributor's ARN is quoted; 'Direct' is used only when the investor transacts without any distributor.	**B**
12	Once a dividend (IDCW) is paid, the NAV drops by that amount — the resulting lower NAV is the ex-dividend NAV.	**B**
13	Any change in an investor's FATCA/CRS status must be reported to the mutual fund within 30 days of the change.	**C**
14	QFI eligibility requires residency in a country belonging to the Financial Action Task Force (or an FATF-member group) and party to IOSCO's Multilateral MOU.	**B**
15	A minor cannot legally contract and must always invest through a guardian; all the other categories can transact in their own capacity (HUF through its Karta).	**C**
16	A delayed refund attracts interest at 15% p.a. for the period of delay, which is charged to the AMC and not the scheme.	**D**
17	Demat credit of NFO-allotted units must happen within 2 working days, faster than the 5-business-day timeline for issuing a physical account statement.	**B**
18	AMCs cannot offer more than the Direct and Regular plans based on differing expense structures; because the TER differs (Direct excludes distribution costs), each plan has its own separate NAV.	**B**
19	In a pay-out option, the dividend is paid out in cash and the NAV falls accordingly, but the number of units held stays exactly the same.	**C**
20	The Growth option pays no dividend and creates no extra units — all portfolio gains are reflected purely as an increase in the NAV per unit.	**C**
21	The Karta (head of the family) invests and operates the folio on behalf of the HUF, adding 'HUF' after their name in the application to denote the investment belongs to the family.	**B**
22	Non-individual investors must identify and provide proof of identity for Ultimate Beneficial Owners — those owning/entitled to a threshold share of the entity's capital or profits.	**A**
23	Granting a PoA does not strip the original investor of their own right to operate the account; however, the PoA holder specifically cannot make or change a nomination.	**B**
24	Institutional investors must show they are eligible to invest under their own constitutional documents, and provide a Board Resolution authorising the investment and specifying who may sign on the entity's behalf.	**A**
25	A mismatch simply means the demat route can't be used for that application; the mutual fund can still process it as a normal physical-mode (account statement) investment if everything else is in order.	**B**
26	A corporate investor must produce a specific Board Resolution authorising that particular investment and naming who may sign on the company's behalf — a general shareholders' resolution or blanket authorisation isn't sufficient, and companies are not barred from investing in mutual funds.	**B**

Your iteration tracker

Attempt #	Date	Score / 25	Topics to revisit
1			
2			
3			

Worksheet 5: Investor Services — Payments, Systematic & Non-Financial Transactions

Chapter 9 (Part B) · remainder of the 15% weightage unit

Quick recap

- Accepted payment modes include internet banking (NEFT/RTGS/IMPS), UPI, NACH/OTM mandates, ASBA (for NFOs), AEPS, and (for small eligible investors only) cash up to Rs. 50,000/investor/mutual fund/year.
- E-wallet subscriptions are capped at Rs. 50,000 per investor per mutual fund per year, combined with any cash investment — and only wallet balances loaded via cash/debit card/net banking qualify (not credit card or cashback loads).
- Cut-off times: 3:00 pm for equity/debt (non-liquid) purchases and redemptions; 1:30 pm for liquid/overnight fund purchases; overnight fund redemptions use 3:00 pm (7:00 pm for online applications).
- Instant Access Facility (IAF), available only on liquid schemes, credits same-day redemption proceeds up to the lower of Rs. 50,000 or 90% of the investment's value.
- SIP = rupee cost averaging via regular fixed investments; SIP Top-up lets investors step up instalments by a fixed amount or percentage at chosen intervals.
- SWP = periodic redemption of a fixed value; STP = SWP from a source scheme reinvested as a SIP into a target scheme within the same mutual fund (the source-scheme leg is treated as a redemption for tax/load purposes).
- Switch = one-time SWP + SIP combined into a single transaction; DTP (Transfer of IDCW Plan) reinvests a source scheme's dividend into a target scheme, on the next business day after the record date.
- Triggers let investors pre-set redemption/switch instructions based on NAV/index levels or specific dates (e.g., stop-loss trigger, appreciation trigger, date trigger) — a trigger is a one-time facility that lapses once activated.
- Nomination can only be made by individual folio-holders, in favour of individuals (including minors/NRIs) or government bodies — never a trust, company, partnership, HUF Karta, or PoA holder.
- A Power of Attorney (PoA) holder can transact on the folio but cannot make or change a nomination.
- Key turnaround times: Annual Report/abridged summary within 4 months of financial year close; half-yearly portfolio statement within 10 days of half-year close; unit certificate within 5 working days of request.

Key numbers to remember

What to know	Detail
Cash investment limit	Rs. 50,000 per investor, per mutual fund, per financial year
E-wallet subscription limit	Rs. 50,000 per investor, per mutual fund, per year (combined with cash)
Equity/debt (non-liquid) cut-off — purchase & redemption	3:00 pm
Liquid/overnight fund cut-off — purchase	1:30 pm
Instant Access Facility (IAF) cap	Lower of Rs. 50,000 or 90% of investment value; liquid schemes only
Maximum registered bank accounts	5 (individual investor) / 10 (non-individual investor)
Maximum nominees	10
Annual Report / abridged summary to unit-holders	Within 4 months of financial year close
Half-yearly portfolio statement	Within 10 days of half-year close
Unit certificate on request	Within 5 working days
Platform for tracing unclaimed/inactive folios	MITRA (hosted by CAMS and KFintech)

Practice questions (26)

Attempt all questions before checking the answer key on the next page. Answers are on the following page so you aren't tempted to peek.

1. The maximum amount an eligible small investor (without a PAN) may invest in cash, per mutual fund per financial year, is:

A. Rs. 20,000
B. Rs. 50,000
C. Rs. 1,00,000
D. There is no limit

2. The combined cash-plus-e-wallet subscription limit, per investor per mutual fund per year, is:

A. Rs. 20,000
B. Rs. 50,000
C. Rs. 1,00,000
D. Rs. 2,00,000

3. The Instant Access Facility (IAF), available only in liquid schemes, allows same-day redemption credit up to the lower of Rs. 50,000 or what percentage of the investment's value?

A. 50%
B. 75%
C. 90%
D. 100%

4. The cut-off time for same-day NAV on redemption/switch-out transactions in equity/debt schemes (other than liquid funds) is:

A. 1:30 pm
B. 3:00 pm
C. 5:00 pm
D. There is no cut-off

5. In a Systematic Transfer Plan (STP), the redemption leg from the source scheme is treated as:

A. A fresh purchase
B. A redemption, attracting applicable exit loads and taxes
C. A bonus issue
D. A dividend reinvestment

6. An individual investor can register a maximum of how many bank accounts with a single mutual fund folio?

A. 2
B. 3
C. 5
D. 10

7. A nomination in a mutual fund folio can validly be made in favour of:

A. A private trust
B. A partnership firm
C. An individual, including a minor or an NRI
D. The Karta of an HUF, in his HUF capacity

8. If a folio has multiple nominees but no percentage split is specified, the units are distributed:

A. Entirely to the first-named nominee
B. Equally among all nominees
C. As the AMC decides at the time of claim
D. The nomination becomes invalid

9. A Power of Attorney (PoA) holder operating a folio is permitted to do all of the following EXCEPT:

A. Submit redemption requests
B. Switch between schemes
C. Make or change a nomination
D. Submit purchase transaction slips

10. The Annual Report (or its abridged summary) must reach unit-holders within how many months of the financial year's close?

A. 1 month
B. 2 months
C. 4 months
D. 6 months

11. The half-yearly portfolio statement must be sent to unit-holders within how many days of the half-year's close?

A. 5 days
B. 10 days
C. 15 days
D. 30 days

12. Which platform helps investors trace inactive or unclaimed mutual fund folios across the industry?

A. MFU
B. MITRA
C. SCORES
D. NMF-II

13. A "date trigger" set by an investor instructs the mutual fund to:

A. Change the fund manager on a specified date
B. Redeem the specified units on a particular date
C. Increase the SIP instalment on a specified date only
D. Freeze the folio permanently on that date

14. Under the SIP Top-up facility, the periodic step-up in the instalment amount can be:

A. Only a fixed rupee amount
B. Only a percentage of the current instalment
C. Either a fixed amount or a percentage, as the investor chooses
D. Not available on an existing SIP, only new ones

15. In a Transfer of IDCW (Dividend Transfer) Plan, the dividend earned in the source scheme is invested in the target scheme:

A. Immediately, at the cum-dividend NAV
B. On the next business day after the record date, at the target scheme's applicable NAV
C. Only once a year, in April
D. At the target scheme's face value of Rs. 10

16. A One-Time Mandate (OTM), which authorises the bank to debit an account for future mutual fund purchases, operates at what level?

A. Scheme level only
B. Folio level, usable for all eligible purchase transactions under that folio
C. AMC level, applicable across every mutual fund
D. Individual distributor level

17. The key benefit of Application Supported by Blocked Amount (ASBA) for an NFO applicant is that:

A. The application amount earns no interest until allotment
B. The amount is only blocked (not debited) until allotment, so it continues earning interest in the investor's account until then
C. It bypasses all KYC requirements
D. It guarantees the investor will receive an allotment

18. The National Unified USSD Platform (NUUP), accessed by dialling *99# from a registered mobile number, is currently available in how many regional languages?

A. 5
B. 8
C. 11
D. 15

19. Cash investment in mutual funds (within the Rs. 50,000 limit) is meant for which category of investors?

A. All corporate investors, without restriction

B. Eligible small investors such as resident individuals, sole proprietorships, and minors investing through a guardian
C. Only Non-Resident Indians
D. Only investors who already hold a demat account

20. If a sole unit-holder dies with no nomination registered and no joint holder on the folio, the units are transmitted to:

A. The AMC, which absorbs them into the scheme
B. The legal heirs/successors, on submission of appropriate succession documentation
C. The mutual fund's Investor Education Fund automatically
D. The distributor who originally sold the units

21. Once mutual fund units are pledged (lien-marked) in favour of a lender, the unit-holder:

A. Can freely sell or switch the pledged units at any time
B. Cannot sell or switch the pledged units until the pledgee (lender) gives a written no-objection
C. Automatically loses ownership of the units to the lender
D. Must inform SEBI directly before any further transaction on those units

22. Which of these is a genuine benefit of holding mutual fund units in dematerialized form?

A. Bonus and rights units are credited directly and automatically to the demat account
B. KYC must be redone separately with every new AMC
C. Redemption proceeds cannot be credited electronically
D. Nomination cannot be registered for demat holdings

23. A change in the 'Karta' of an HUF's mutual fund folio (e.g., following the previous Karta's death) requires:

A. A letter from the new Karta along with supporting KYC, a death certificate, and an indemnity bond signed by co-parceners
B. No formalities at all — it updates automatically
C. A brand-new PAN card to be issued for the HUF
D. Simultaneous approval from every AMC the HUF has invested with, routed through SEBI

24. AMCs are permitted to recover investment management and advisory fees on unclaimed dividend/redemption amounts (parked in a dedicated liquid plan) at a maximum rate of:

A. 0.10% per annum
B. 0.25% per annum
C. 0.50% per annum
D. 1.00% per annum

25. The voluntary lock-in / debit-freeze facility for mutual fund folios (introduced via a March 2026 SEBI circular) is being rolled out to investors through:

A. SCORES
B. The MF Central platform, via the RTAs
C. AMFI's website directly, bypassing RTAs
D. Only by visiting an AMC branch in person

26. Mr. Sachin has never invested with a particular mutual fund before and wants to start a Systematic Investment Plan (SIP) with it. Which statement is correct?

A. A SIP can only be registered in an already-existing folio
B. A SIP can be used to make a fresh purchase, creating a new folio with the first instalment
C. A SIP cannot be registered during a New Fund Offer (NFO)
D. A SIP can only be started in a close-ended scheme

Answer key & explanations

Q#	Correct answer & why	Ans
1	Rs. 50,000 per investor, per mutual fund, per financial year is the cash-investment ceiling for eligible small investors (e.g., farmers, small traders) under AML rules.	**B**
2	The Rs. 50,000 ceiling is an umbrella limit shared across both cash and e-wallet-funded subscriptions for the same investor and mutual fund.	**B**
3	IAF is capped at whichever is lower: Rs. 50,000, or 90% of the latest value of the investor's holding in that scheme.	**C**
4	3:00 pm is the standard cut-off for equity and non-liquid debt scheme redemptions and switch-outs, same as for purchases.	**B**
5	Each STP instalment out of the source scheme is a redemption for tax and load purposes, even though it is reinvested into a target scheme of the same mutual fund.	**B**
6	Individual investors may register up to 5 bank accounts (non-individual investors up to 10), with one designated as the default.	**C**
7	Only individuals (including minors and NRIs) and government bodies/local authorities can be nominees — not trusts, companies, partnerships, or an HUF Karta.	**C**
8	SEBI's default rule allocates equally among nominees whenever the unit-holder hasn't specified a percentage split.	**B**
9	A PoA holder can conduct virtually all transactions on the folio but is specifically barred from making or altering nominations.	**C**
10	SEBI's turnaround-time table requires the Annual Report/abridged summary within 4 months of the close of the relevant financial year (March 31).	**C**
11	Portfolio statements are due within 10 days of the close of each half-year (September 30 / March 31).	**B**
12	MITRA (Mutual Fund Investment Tracing and Retrieval Assistant), hosted by CAMS and KFintech, lets investors search across the industry for overlooked or unclaimed folios.	**B**
13	A date trigger is a pre-set instruction to redeem units on a chosen future date, without needing a fresh redemption request at that time.	**B**
14	Investors can choose either a fixed rupee step-up or a percentage-based step-up, and can add the Top-up facility even to an already-running SIP.	**C**
15	The dividend amount is invested into the target scheme on the next business day following the record date in the source scheme, at the target scheme's prevailing NAV.	**B**
16	An OTM is registered once per folio and can then be used for eligible fresh purchases, additional purchases, and SIP investments under that same folio, across schemes the mutual fund permits.	**B**
17	Under ASBA, money stays in the investor's own bank account (merely blocked) and keeps earning interest, only being debited once units are actually allotted.	**B**
18	NUUP-based mobile banking, which works without a smartphone or internet connection, is available in 11 regional languages.	**C**
19	This facility exists specifically for small investors who may lack a PAN or bank account (e.g., farmers, small traders), not for corporates or as a general-purpose payment mode.	**B**
20	In the absence of a nomination or surviving joint holder, transmission follows the applicable succession law, requiring documents such as a succession certificate or legal heir certificate.	**B**
21	A pledge restricts the unit-holder from transacting on those units until the lender (pledgee) formally releases the lien with a no-objection.	**B**
22	Demat holding automatically routes corporate-action credits like bonus units directly into the account, reducing paperwork — KYC done once with a DP is reused, not repeated.	**A**
23	The mutual fund requires a letter from the new Karta, KYC documents, the deceased Karta's death certificate, a bank certificate, and an indemnity bond from co-parceners before updating the Karta.	**A**
24	AMCs may charge a maximum of 0.50% per annum for managing unclaimed amounts in the dedicated liquid plan, and no exit load applies on this plan.	**C**
25	In its first phase, this voluntary lock/freeze facility is being made available through RTAs via the MF Central platform, letting investors proactively protect folios from unauthorised debits.	**B**
26	An SIP isn't limited to topping up an existing folio — a first-time investor can start one directly, and the first instalment itself creates the folio.	**B**

Your iteration tracker

Attempt #	Date	Score / 25	Topics to revisit
1			
2			
3			

Worksheet 6: Risk, Return, Performance & Scheme Selection

Chapters 10–12 · combined weightage 29%

Quick recap

- Standard Deviation measures total risk (fluctuation around a scheme's own average return); it's relevant for both debt and equity schemes and can be annualized by multiplying with √12 (monthly), √52 (weekly) or √252 (daily) data.
- Beta (from CAPM) measures only systematic/market risk and is relevant for equity schemes only; the market itself has a Beta of 1.
- Modified Duration measures a debt security's price-sensitivity to interest rate changes; Weighted Average Maturity is a simpler (if less precise) proxy for the same idea.
- Simple Return, Annualized Return and Compounded Return apply to growth-option/no-dividend periods; CAGR (with dividend reinvestment assumed at ex-dividend NAV) is SEBI's prescribed method whenever dividends are paid.
- Since February 2018, schemes are benchmarked to the Total Return Index (TRI); SEBI's two-tier benchmarking uses a broad Tier-1 (category-level) index plus a bespoke Tier-2 index reflecting the fund's specific style.
- Risk-adjusted return measures: Sharpe Ratio = (Rs − Rf) ÷ Standard Deviation; Treynor Ratio = (Rs − Rf) ÷ Beta; Alpha = actual return minus the CAPM-predicted ('optimal') return; Information Ratio = (Portfolio return − Benchmark return) ÷ Standard deviation of excess return.
- The Information Ratio is the only risk-adjusted measure AMCs are required to disclose daily; Tracking Error (standard deviation of excess returns) measures how consistently a fund out/under-performs its benchmark.
- Segregated portfolios ('side-pocketing') isolate a defaulted/downgraded debt instrument from the rest of the scheme; gating (redemption restriction) is allowed only in systemic-liquidity crises, for up to 10 working days in any 90-day window, with the first Rs. 2 lakh of any redemption always honoured.
- Risk hierarchies to remember: Liquid < Debt < Hybrid < Equity funds; Gilt < Banking & PSU < Corporate Bond < Credit Risk funds (credit risk only); Small-cap > Mid-cap > Multi-cap > Large & Mid-cap > Large-cap (equity, highest to lowest risk); Diversified < Focused < Thematic < Sector funds (concentration risk).
- Scheme selection checklist: portfolio vs. stated objective, fund manager track record, performance vs. benchmark/peers over multiple cycles (5 years for equity, 3 years for long debt), fund age & size fit for the category, portfolio turnover ratio, and total running costs.
- Core-and-satellite portfolio construction: diversified, long-term holdings form the core; sector/thematic/tactical bets form a smaller satellite sleeve.

Key numbers to remember

What to know	Detail
Standard deviation — annualizing monthly data	Multiply by √12
Standard deviation — annualizing weekly / daily data	Multiply by √52 / √252
Beta relevance	Equity schemes only (not debt)
Sharpe Ratio	(Rs − Rf) ÷ Standard Deviation
Treynor Ratio	(Rs − Rf) ÷ Beta
Alpha	Actual return − CAPM-predicted (optimal) return
Information Ratio	(Portfolio return − Benchmark return) ÷ SD of excess return — mandatory daily disclosure
Tracking Error	Standard deviation of excess returns; measures consistency of out-performance
Portfolio Turnover Ratio	Lower of (purchases, sales) ÷ average net assets, over a period
Gating (redemption restriction) — always payable	First Rs. 2 lakh of any redemption request
Gating — maximum duration	10 working days in any 90-day period
Equity fund track record — recommended review period	At least 5 years

Practice questions (26)

Attempt all questions before checking the answer key on the next page. Answers are on the following page so you aren't tempted to peek.

1. Standard deviation, as a risk measure, is best described as:

A. A measure of systematic risk only
B. A measure of total risk (fluctuation around the scheme's own average return)
C. A measure of credit risk only
D. Relevant only to equity schemes

2. To annualize a standard deviation calculated from monthly returns, you multiply by:

A. $\sqrt{12}$
B. $\sqrt{52}$
C. $\sqrt{252}$
D. 12

3. Which risk measure is relevant only for equity schemes, not for debt schemes?

A. Standard deviation
B. Variance
C. Beta
D. Credit rating

4. Modified Duration is primarily used to measure:

A. A bond's credit risk
B. A debt security's price sensitivity to interest rate changes
C. A bond's liquidity in the secondary market
D. A scheme's tax efficiency

5. A scheme's Portfolio Turnover Ratio works out to 2 (i.e., 200%). What is the average holding period implied for its investments?

A. 3 months
B. 6 months
C. 12 months
D. 24 months

6. In SEBI's two-tier benchmarking structure, the Tier-2 benchmark is meant to reflect:

A. The broad category the scheme belongs to
B. The specific investment style or strategy of the fund manager
C. The scheme's total expense ratio
D. The prevailing risk-free rate

7. Alpha, as a measure of fund manager skill, represents:

A. The scheme's total absolute return
B. The difference between the scheme's actual return and its CAPM-predicted ('optimal') return
C. The scheme's standard deviation
D. The scheme's total expense ratio

8. Tracking Error is best understood as a measure of:

A. How much a fund charges in expenses
B. How consistently a fund out- or under-performs its benchmark
C. The credit risk embedded in the portfolio
D. The fund's liquidity profile

9. Which of the following risk-adjusted metrics is mandatory for AMCs to disclose on a daily basis (unlike Sharpe, Treynor or Alpha)?

A. Portfolio Turnover Ratio

B. Information Ratio
C. Total Expense Ratio only
D. Fund Manager tenure only

10. Under SEBI's gating (redemption restriction) rules during a systemic liquidity crisis, which portion of any redemption request must always be honoured without restriction?

A. The first Rs. 50,000
B. The first Rs. 1 lakh
C. The first Rs. 2 lakh
D. The first Rs. 5 lakh

11. A redemption-gating restriction can be imposed for a maximum of how many working days within any 90-day period?

A. 5
B. 10
C. 15
D. 30

12. In a core-and-satellite portfolio approach, sector funds are typically best suited for:

A. The core portfolio
B. The satellite (tactical) portfolio
C. Neither — they should generally be avoided altogether
D. Retirement accounts exclusively

13. For evaluating an equity fund's track record before selection, analysts typically look at a minimum performance history of:

A. 6 months
B. 1 year
C. 5 years
D. 10 years

14. Among diversified, focused, thematic and sector funds, which typically carries the LOWEST concentration risk?

A. Sector fund
B. Thematic fund
C. Focused fund
D. Diversified fund

15. Among debt fund categories, ranked purely by credit risk (interest-rate risk held constant), which sits between Banking & PSU Funds and Credit Risk Funds?

A. Gilt Fund
B. Corporate Bond Fund
C. Overnight Fund
D. Liquid Fund

16. Under SEBI's segregated portfolio (side-pocketing) rules, the AMC must list the units of the segregated portfolio on a recognised stock exchange within:

A. 5 working days
B. 10 working days
C. 15 working days
D. 30 working days

17. A 'credit event' that can trigger the creation of a segregated portfolio includes all of the following EXCEPT:

A. Default in payment of interest or principal
B. A significant delay in payment
C. A rating downgrade by a SEBI-registered credit rating agency
D. A change in the scheme's fund manager

18. Standard Deviation is mathematically related to Variance as:

A. Standard Deviation equals Variance squared
B. Standard Deviation equals the square root of Variance
C. Standard Deviation equals Variance divided by two
D. They are unrelated statistical measures

19. When a scheme has paid a dividend during the period being measured, SEBI's prescribed method for calculating the scheme's return is:

A. Simple absolute return, ignoring the dividend
B. Plain annualized return with no adjustment
C. CAGR, assuming the dividend is reinvested in the same scheme at the ex-dividend NAV
D. The dividend is excluded entirely from any return calculation

20. ICICI Securities' Sovereign Bond Index (I-Bex) includes a sub-index covering government securities of roughly 3 to 7 years' maturity, called:

A. Si-Bex
B. Mi-Bex
C. Li-Bex
D. Ti-Bex

21. For a hybrid fund holding roughly 65% equity and 35% debt, an appropriate performance benchmark would be:

A. 100% Sensex alone
B. 100% a debt index (like I-Bex) alone
C. A blended/synthetic index combining roughly 65% of an equity index and 35% of a debt index
D. The risk-free rate alone, with no market index

22. Which of the following reflects a generally sound practice when selecting mutual fund schemes for a client?

A. Chasing whichever single fund performed best in the last quarter
B. Keeping the investor's own asset allocation and suitability at the core of scheme selection
C. Ignoring the scheme's stated investment objective if recent returns look attractive
D. Selecting schemes purely by comparing AMC office locations

23. An investor in an international equity fund is exposed to:

A. Only the performance of the foreign equity market
B. Only currency (exchange rate) movements
C. Both the foreign equity market's performance and currency/exchange-rate movements
D. Neither, since currency risk is hedged by default in all international funds

24. Compared to Fixed Maturity Plans (FMPs), Target Maturity Funds (TMFs) typically offer investors an advantage in terms of:

A. Guaranteed higher returns
B. Liquidity — many TMFs can be bought or sold with the AMC directly, in addition to exchange listing
C. Zero credit risk under all circumstances
D. No need to match the investment horizon to the fund's maturity

25. Mutual fund research agencies' star ratings should generally be understood as:

A. A guarantee of future performance
B. An assessment of past performance only, with no confirmed predictive ability for the future
C. Legally binding investment advice from SEBI
D. Updated only once every five years

26. A scheme delivers a return of 10%, carries a Beta of 0.5, and the risk-free rate is 7.5%. What is the scheme's Treynor Ratio?

A. 3%
B. 5%
C. 7.5%
D. 10%

Answer key & explanations

Q#	Correct answer & why	Ans
1	Unlike Beta, which isolates market risk, Standard Deviation captures a scheme's total historical volatility and applies to both debt and equity schemes.	**B**
2	Monthly data is annualized using √12 (12 months in a year); weekly data uses √52 and daily data uses √252 (trading days).	**A**
3	Beta, derived from CAPM, specifically measures sensitivity to equity-market movements and has no equivalent meaning for a debt portfolio.	**C**
4	Modified Duration quantifies how much a bond's price is expected to move for a given change in interest rates — higher duration means higher interest-rate sensitivity.	**B**
5	12 months ÷ turnover ratio of 2 = 6 months average holding period — a higher turnover ratio implies shorter average holding.	**B**
6	Tier-1 is a broad, category-wide index (e.g., a large-cap index); Tier-2 is a bespoke index matching the fund manager's specific style within that category.	**B**
7	A positive Alpha means the fund outperformed what its Beta alone would predict, indicating genuine manager skill rather than just market exposure.	**B**
8	Tracking Error is the standard deviation of the fund's excess returns over its benchmark — a low tracking error alongside consistent outperformance is considered ideal.	**B**
9	SEBI has specifically mandated daily disclosure of the Information Ratio as a standardized risk-adjusted return metric across AMCs.	**B**
10	Regardless of any gating in force, the first Rs. 2 lakh of a redemption request must be paid out without restriction; only the amount above that is subject to the gate.	**C**
11	SEBI caps any single gating restriction at 10 working days within a rolling 90-day window, and it requires Board/Trustee approval plus immediate SEBI intimation.	**B**
12	Sector funds' concentration and cyclicality make them better suited to a smaller tactical/satellite allocation than to the long-term core of a portfolio.	**B**
13	The workbook recommends reviewing at least 5 years of performance for equity schemes (3 years for long-duration debt funds) across multiple market cycles.	**C**
14	The concentration-risk hierarchy runs: Diversified (lowest) < Focused < Thematic < Sector (highest), reflecting how narrowly each invests.	**D**
15	The credit-risk hierarchy is: Gilt Fund (lowest) < Banking & PSU Fund < Corporate Bond Fund < Credit Risk Fund (highest).	**B**
16	To provide an exit route despite the freeze on subscriptions/redemptions in the segregated portfolio, its units must be listed within 10 working days of creation.	**B**
17	Segregated portfolios address default, delay, or rating downgrade of a specific debt/money market instrument — not routine changes like a fund manager transition.	**D**
18	Standard Deviation is, by definition, the square root of Variance — both measure fluctuation around a scheme's own average return, but SD is expressed in the same units as the return itself.	**B**
19	Whenever a dividend has been paid, SEBI's prescribed CAGR/reinvestment method assumes the dividend was reinvested at the ex-dividend NAV, so the return properly reflects the compounding impact of that payout.	**C**
20	I-Bex has three maturity-bucket sub-indices: Si-Bex (1–3 years), Mi-Bex (3–7 years), and Li-Bex (more than 7 years).	**B**
21	Hybrid schemes are benchmarked to a synthetic blend matching their broad asset allocation — e.g., 65% Sensex + 35% I-Bex for a 65:35 equity:debt fund.	**C**
22	A disciplined, repeatable selection process anchored on the investor's asset allocation and needs — rather than chasing recent top performers — is the approach the workbook recommends.	**B**
23	Investing abroad layers a currency exposure on top of the equity market exposure — both the local market's returns and the Rupee's movement against that currency affect the investor's final return.	**C**
24	Unlike close-ended FMPs (which depend solely on exchange listing for exit), many TMFs allow ongoing purchase/redemption with the AMC like open-ended schemes, improving liquidity.	**B**
25	Quarter-to-quarter rankings shift often, and a top-rated scheme in one period is not reliably the top performer in the next — ratings reflect history, not a forecast.	**B**
26	Treynor Ratio = (Scheme Return − Risk-free Return) ÷ Beta = (10% − 7.5%) ÷ 0.5 = 2.5% ÷ 0.5 = 5%.	**B**

Your iteration tracker

Attempt #	Date	Score / 25	Topics to revisit
1			
2			
3			

Exam Day Checklist

- 100 questions, 100 marks, 2 hours — that's about 72 seconds a question; don't get stuck, mark and move on.
- There is NO negative marking — attempt every single question, even a guess is free.
- You need 50 marks out of 100 to pass. The certificate is valid for 3 years.
- Expect calculation questions on NAV, trail commission, CAGR, Sharpe/Treynor/Beta and load-adjusted returns — practice the arithmetic, not just the definitions.
- Read percentage-based SEBI category rules carefully — many wrong options in the real exam swap one number (e.g., 65% vs 80%) between similar-sounding categories.
- Re-take the interactive diagnostic quiz alongside these worksheets to mix up question order and keep recall active, not just recognition-based.