

PRACTICE QUESTIONS

Financial Markets (Advanced) Module

1. The market for equity is known as _____. [1Mark]
- a) Capital market
 - b) Commodities market
 - c) Bullion market
 - d) Stock Exchange
- Correct Answer: Capital market**
2. Taxes collected from the enhanced economic activity promoted by markets help boost the finances of the government. [1Mark]
- a) True
 - b) False
- Correct Answer: True**
3. The _____ gives companies visibility and raises their profile with investors, customers, government and general public. [1Mark]
- a) central bank
 - b) merchant banker
 - c) depository
 - d) stock exchange
- Correct Answer: stock exchange**
4. _____ in the markets provide messages to investors on where various companies stand. [1Mark]
- a) Brokers
 - b) Volumes
 - c) Price discovery
 - d) Price Bands
- Correct Answer: Price discovery**
5. Investors can take exposure to companies, either directly or through mutual funds or other funds. [1Mark]
- a) True
 - b) False
- Correct Answer: True**

6. _____ help companies to mobilise the resources from investors. **[1Mark]**

- a) Credit Rating agencies
- b) Investment bankers
- c) DPs
- d) Registrars to the issue

Correct Answer: Investment bankers

7. Transactions executed in the stock market are settled through the _____ **[1Mark]**

- a) clearing agents
- b) professional clearing members
- c) clearing brokers
- d) clearing corporation

Correct Answer: clearing corporations

8. Suppose 1-year zero coupon debt security offers yield of 13%, and 2-year zero coupon debt security offers yield of 14%. What does this imply in terms of forward yield for the 2nd year? **[1Mark]**

- a) 15.01%
- b) 16.01%
- c) 17.01%
- d) 14.01%

Correct Answer: 15.01%

9. The tax regime of countries may differentiate between taxation of interest and capital gains. **[1 Marks]**

- a) True
- b) False

Correct Answer: True

10. _____ debt is also known as sovereign debt. **[1Mark]**

- a) Multi-lateral
- b) Corporate
- c) government
- d) bank

Correct Answer: government

11. Financial projections require [2 Marks]

- a) Financial statement with tools and techniques
- b) Financial statements
- c) Tool and techniques
- d) Financial strategy

Correct Answer: Financial statement with tools and techniques

12. Dividend per Share is Rs. 17. Cost of Equity is 10%. Calculate the share price. [1Mark]

- a) 180
- b) 190
- c) 200
- d) 170

Correct Answer: 170

13. E-Gold is a form of _____. [1Mark]

- a) Alternate assest
- b) Portfolio asset
- c) Primary asset
- d) Secondary asset

Correct Answer: Alternate asset

14. Gold exposure as an asset class can be taken by buying physical gold only. [1Mark]

- a) True
- b) False

Correct Answer: False

15. _____ are listed in an international exchange. [1Mark]

- a) Depository Products (DPs)
- b) Depository Receipts (DRs)
- c) Depository Issues (DIs)
- d) Depository Notes (DNs)

Correct Answer: Depository Receipts (DRs)

16. DRs that are listed in the American exchanges are called _____. [1Mark]

- a) ADRs
- b) VDRs
- c) IDRs
- d) GDRs

Correct Answer: ADRs

17. The _____ (Price) Index is a free-float market capitalization-weighted index of 50 European blue-chip stocks from those countries participating in the EMU. **[1Mark]**

- a) S&P 50
- b) FTSE 50
- c) CNX Nifty
- d) EURO STOXX 50

Correct Answer: EURO STOXX 50

18. The Strong Exchange SRO model is prevalent in India, with SEBI being the primary regulator. **[1Mark]**

- a) True
- b) False

Correct Answer: True

19. The following is a key recommendation of the Dr. Bimal Jalan committee as regards capital of clearing corporations: Net worth should be Rs. _____ crores at all times. **[1Mark]**

- a) 300
- b) 400
- c) 500
- d) 200

Correct Answer: 300

20. Decline in wealth can reduce the demand in the real economy - a phenomenon called _____. **[1Mark]**

- a) the wealth cycle
- b) the wealth drain
- c) the wealth effect
- d) the wealth loss

Correct Answer: the wealth effect

21. The securities market regulator, _____ has introduced various regulations to ensure transparency and protect investors' interests. **[1Mark]**

- a) SEBI
- b) IRDA
- c) CCI

d) RBI

Correct Answer: SEBI

22. _____ funds invest only in shares of small-sized listed companies which are not in any of the market indices. **[1Mark]**

a) Infrastructure equity funds

b) PE funds

c) PIPE

d) Social Venture funds

Correct Answer: PIPE

23. The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated _____ companies listed in the First Section of the Tokyo Stock Exchange. **[1Mark]**

a) Japanese

b) French

c) Australian

d) British

Correct Answer: Japanese

24. DRs that are listed on the London, Luxembourg etc. exchanges are called _____. **[1Mark]**

a) IDRs

b) VDRs

c) ADR

d) GDRs

Correct Answer: GDRs