

PRACTICE QUESTIONS

Securities Markets (Advanced) Module

1. Finance for business comes from: (1 Marks)

- a) lateral agencies
- b) accountants
- c) factories
- d) multi-lateral agencies

Correct Answer: multi-lateral agencies

2. _____ are issued equity shares as evidence of their ownership in the company. (1 marks)

- a) Preference shareholders
- b) Equity shareholders

Correct Answer: Equity shareholders

3. _____ are not guaranteed any repayment of capital. (1 marks)

- a) Equity shareholders
- b) Debenture holders

Correct Answer: Equity shareholders

4. Assume you have two instruments to invest in, equity shares or debentures. Which one would you prefer if you like less risk in your portfolio?

(2Marks)

- a) equity shares
- b) debentures

Correct Answer: debentures

5. _____ can be a type of debenture. (2Marks)

- a) Fluctuating return debenture
- b) Optionally convertible debenture
- c) Notionally convertible debenture
- d) Equitable convertible debenture

Correct Answer: Optionally convertible debenture

6. The Expenditure in a company's P&L a/c is Rs. 49,389.23 crs. Current liabilities are Rs. 10,087.73 crs. What is the company's Average Payment Period? (2Marks)

- a) 74.55
- b) 73.34
- c) 76.01
- d) 75.79

Correct Answer: 74.55

7. A company's profit after tax before exceptional items is Rs. 10,996.71 crs. Its share capital is Rs. 7436.80 crs. Reserves are Rs. 29,257.50 crs. What is the company's return on Equity? (2Marks)

- a) 31.43
- b) 29.97
- c) 28.76
- d) 31.21

Correct Answer: 29.97

8. _____ capital investors need the clarity that their investment can be completely written off, if, for any reason, the entrepreneurial idea does not work out.

(1 marks)

- a) base
- b) seed
- c) step-up
- d) root

Correct Answer: seed

9. _____ investors invest at higher business valuations than the _____ investors and invest with a shorter time horizon. (1 marks)

- a) Venture capital, private equity
- b) Private equity, venture capital

Correct Answer: Private equity, venture capital

10. Initial Public Offerings (IPOs) are covered by the Securities & Exchange Board of India _____. (2 marks)

- a) (Issue of Capital Requirements) Regulations, 2007
- b) (Issue of Capital through Initial Public Offering) Regulations, 2008
- c) (Issue of Equity & Debenture Capital Requirements) Regulations, 2010

d) (Issue of Capital & Disclosure Requirements) Regulations, 2009

Correct Answer: (Issue of Capital & Disclosure Requirements) Regulations, 2009

11. Trading members registered in F&O segment and CD segment are eligible to trade in the _____ market. (2 marks)

- a) interest rate futures
- b) debt
- c) bond
- d) cash

Correct Answer: interest rate futures

12. Cash component of the security deposit to be placed by trading members at the NSE can include (2 marks)

- a) units of money market mutual fund
- b) units of gilt fund
- c) FDs
- d) All of the above

Correct Answer: All of the above

13. A Professional Clearing member needs to deposit Collateral Security Deposit (CSD) of Rs. _____ lakh with NSCCL. (1 marks)

- a) 25
- b) 35
- c) 30
- d) 40

Correct Answer: 25

14. A trading member at NSE can choose to become a member of CM and F&O segments. (1 marks)

- a) FALSE
- b) TRUE

Correct Answer: TRUE

15. A trading member at NSE can choose to become a member of only the CD segment without taking membership of the CM segment. (1 marks)

- a) FALSE
- b) TRUE

Correct Answer: TRUE

16. The following are some grounds for suspension or expulsion of membership of a trading member at the NSE: (2 marks)

- a) Fraud or fraudulent act
- b) trading with foreign clients
- c) appointing sub-brokers
- d) trading with other trading members

Correct Answer: Fraud or fraudulent act

17. Evasion of margin requirements is a case of _____ by a trading member. (2 marks)

- a) Unprofessional conduct
- b) Unprofessional trading
- c) Illegal trading
- d) Unfair trading

Correct Answer: Unprofessional conduct

18. The regulatory and supervisory framework of the securities market in India is being progressively strengthened through various legislative and administrative measures and is consistent with the best international benchmarks, such as, standards prescribed by the _____. (1 mark)

- a) International Organisation of Securities Commissions (IOSCO)
- b) International Body of Securities Commissions (IBSCO)
- c) International Organisation of Securities Committee (IOSCO)
- d) International Organisation of Standards Commissions (IOSCO)

Correct Answer: International Organisation of Securities Commissions (IOSCO)

19. The SC(R)A was amended in _____. (1 mark)

- a) 1996
- b) 1999
- c) 2004
- d) All of the above

Correct Answer: All of the above

20. Under the SC(R)A, contracts in derivatives, shall be legal and valid if such contracts are: (1 mark)

- a) Settled on the clearing house of a recognized stock exchange
- b) Traded on floor based exchanges
- c) Settled by brokers
- d) Traded on local indices

Correct Answer: Settled on the clearing house of a recognized stock exchange

21. (Futures Settlement price * Conversion factor of the delivered bond) + Accrued Interest
= _____.(2 marks)

- a) Invoice price
- b) Bid price
- c) Offer price
- d) Yield

Correct Answer: Invoice price

22. You expect interest rates to go down. What position would you take in the interest rate futures market if you wish to make money out of the interest rate movement?
(2 marks)

- a) buy interest rate futures
- b) sell interest rate futures

Correct Answer: buy interest rate futures

23. The value of a currency in terms of another currency is its _____.(2 marks)

- a) exchange rate
- b) offer rate
- c) yield rate
- d) official rate

Correct Answer: exchange rate

24. The US Dollar is referred to in the currency market as _____. (2 marks)

- a) USD
- b) US\$
- c) USS
- d) USP

Correct Answer: USD

25. According to the L. C. Gupta committee report, _____ is (are) non-allowable assets while calculating the net worth of a member of the exchange. (2 marks)

- a) Fixed Assets
- b) Pledged securities
- c) Member's card
- d) All of the above

Correct Answer: All of the above