

PRACTICE QUESTIONS
SECURITIES MARKET (BASIC) MODULE

1) The following are participants in the securities markets _____. (1 mark)

- (a) Underwriters
- (b) Debenture Trustees
- (c) Venture Capital Funds
- (d) All of the above
- (e) I am not attempting the question

2) The securities markets have the following category (ies) of participant (s) _____. (1 mark)

- (a) issuers of securities
- (b) investors in securities
- (c) intermediaries
- (d) All of the above
- (e) I am not attempting the question

3) In private placement, issuance is done to _____. (2 marks)

- (a) more than 50 persons
- (b) less than 100 persons
- (c) less than 50 persons
- (d) less than 10 persons
- (e) I am not attempting the question

4) Which entity provides novation : _____. (2 marks)

- (a) NSCCL
- (b) NSE
- (c) NSDL
- (d) CDSL
- (e) I am not attempting the question

5) _____ deals with issue, allotment and transfer of securities and various aspects relating to company management. (2 marks)

- (a) Companies Act, 1956
- (b) Depositories Act, 1996
- (c) Capital Issues (Control) Act, 1947
- (d) None of the above
- (e) I am not attempting the question

6) _____ envisages transfer of ownership of securities electronically by book entry without making the securities move from person to person. (2 marks)

- (a) Companies Act, 1956
- (b) Depositories Act, 1996
- (c) Capital Issues (Control) Act, 1947
- (d) None of the above
- (e) I am not attempting the question

7) A company making a public issue of securities has to file a draft prospectus with _____. (1 mark)

- (a) RBI
- (b) SEBI
- (c) Ministry of Finance
- (d) None of the above
- (e) I am not attempting the question

8) For public and rights issues of debt instruments, it is mandatory to obtain credit rating from a registered credit rating agency. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

9) Promoters' contribution in case of public issues by unlisted companies and promoters' shareholding in case of 'offers for sale' shall not be less than _____ of post issue capital (2 marks)

- (a) 50%
- (b) 15%
- (c) 20%
- (d) 30%
- (e) I am not attempting the question

10) The Companies Act, 1956 requires that every public listed company making an IPO of any security for _____ or more shall issue the same only in dematerialized form. (2 marks)

- (a) Rs. 50 crores
- (b) Rs. 30 crores
- (c) Rs. 20 crores
- (d) Rs. 10 crores
- (e) I am not attempting the question

11) Foreign Currency Convertible Bonds (FCCBs) are also known as _____. (2 marks)

- (a) Euro Issues
- (b) Dollar Issues
- (c) Convertible credit securities
- (d) Convertible credit bonds
- (e) I am not attempting the question

12) Mutual Funds being Public Trusts are governed by the _____. (2 marks)

- (a) Indian Trustees Act, 1887
- (b) Mutual Trust Act, 1880
- (c) Public Trust Act, 1886
- (d) Indian Trust Act, 1882
- (e) I am not attempting the question

13) A company proposing to list on the NSE must have a minimum paid up equity capital of _____. (1 mark)

- (a) Rs. 50 crs.
- (b) Rs. 20 crs.
- (c) Rs. 10 crs.
- (d) Rs. 30 crs.
- (e) I am not attempting the question

14) During Auction, order matching takes place after the _____. (3 marks)

- (a) Solicitor period
- (b) Initiator period
- (c) Competitor period
- (d) Open period
- (e) I am not attempting the question

15) For Auction market price bands of _____ are applicable. (2 marks)

- (a) 50%
- (b) 15%
- (c) 20%
- (d) 30%
- (e) I am not attempting the question

16) _____ is a clearing member but not a trading member. (1 mark)

- (a) Clearing Banks
- (b) Self Clearing Member
- (c) Clearing Member

- (d) Custodian
- (e) I am not attempting the question

17) If the Custodian rejects a trade, the obligation is assigned back to the _____. (1 mark)

- (a) investor
- (b) trading member
- (c) clearing bank
- (d) depository
- (e) I am not attempting the question

18) A clearing member receives shares during _____. (1 mark)

- (a) pay-in
- (b) pay-out
- (c) auction
- (d) funds settlement
- (e) I am not attempting the question

19) The market for government securities comprises the securities issued by the _____. (1 mark)

- (a) Central Govt.
- (b) State Govt
- (c) State sponsored entities
- (d) All of the above
- (e) I am not attempting the question

20) The _____ arises if a party discharges his obligations but the counterparty defaults. (2 marks)

- (a) replacement cost risk
- (b) principal risk
- (c) systemic risk
- (d) unsystematic risk
- (e) I am not attempting the question

21) The _____ combines the features of cash as well as futures markets. (1 mark)

- (a) account period settlement
- (b) rolling settlement
- (c) T+2 settlement
- (d) T+1 settlement
- (e) I am not attempting the question

22) Under the T+2 rolling settlement at NSE, Auction takes place on _____.

(1 mark)

- (a) T+0
- (b) T+1
- (c) T+2
- (d) T+3
- (e) I am not attempting the question

23) Under the T+2 rolling settlement at NSE, Custodial Confirmation takes place on _____. (1 mark)

- (a) T+0
- (b) T+1
- (c) T+2
- (d) T+3
- (e) I am not attempting the question

24) NSCCL levies penalties on trading members for non-compliances and defaults like : ____ (2 marks)

- (a) Funds Shortages
- (b) Securities Shortages
- (c) Margin Shortages
- (d) All of the above
- (e) I am not attempting the question

25) Interest payments of the following bonds are based on Wholesale Price Index / Consumer Price Index : (1 mark)

- (a) SBI Bonds
- (b) RBI Bonds
- (c) Zero Coupon bonds
- (d) Indexed bonds
- (e) I am not attempting the question

26) Security Type GS stands for ____ in the WDM Segment of NSE. (1 mark)

- (a) GDR Securities
- (b) Government Securities
- (c) General Securities
- (d) None of the above
- (e) I am not attempting the question

27) Under DVP III, securities are settled on a ____ basis. (2 marks)

- (a) cash
- (b) gross
- (c) net

- (d) T+5
- (e) I am not attempting the question

28) _____ performs novation for transactions in Government Securities. (3 marks)

- (a) Clearing Corporation of India Ltd. (CCIL)
- (b) National Securities Clearing Corporation Ltd. (NSCCL)
- (c) National Stock Exchange (NSE)
- (d) National Depository Services Ltd. (NSDL)
- (e) I am not attempting the question

29) _____ trades are essentially forward transactions in a security which is still to be issued. (3 marks)

- (a) Forward
- (b) If Issued
- (c) When Issued
- (d) None of the above
- (e) I am not attempting the question

30) Swaps are a type of derivatives. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

31) Arbitrageurs are one of the participants in the derivatives markets. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

32) Risk averse investors use derivatives for speculation. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

33) Speculators use derivatives as Hedging tools. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

34) _____ are standardized, exchange traded contracts. (2 marks)

- (a) Swaps
- (b) Forwards
- (c) Futures
- (d) FRAs
- (e) I am not attempting the question

35) An exporter would _____ dollar forwards to lock in an exchange rate. (2 marks)

- (a) sell
- (b) buy
- (c) hold
- (d) exchange
- (e) I am not attempting the question

36) Strike Price for a call option on a stock is Rs. 125 and the underlying stock price is Rs. 120. If the Premium is Rs.2, the option is _____. (2 marks)

- (a) In the money
- (b) Out of the money
- (c) At the money
- (d) Deep in the money
- (e) I am not attempting the question

37) An out of the money call option has an intrinsic value of zero. True or False. (3 marks)

- (a) True
- (b) False
- (c) I am not attempting the question

38) A security trades in the Spot market at Rs. 1319. Money can be invested at 10% p.a. The fair value of a one month futures contract on the security is ____ (2 marks)

- (a) Rs. 1341.10
- (b) Rs. 1333.20
- (c) Rs. 1328.30
- (d) Rs. 1330.05
- (e) I am not attempting the question

39) A security trades in the Spot market at Rs. 1423. Money can be invested at 10% p.a. The fair value of a one month futures contract on the security is ____ (2 marks)

- (a) Rs. 1441.90
- (b) Rs. 1434.40
- (c) Rs. 1426.70
- (d) Rs. 1434.90
- (e) I am not attempting the question

40) If you are bullish about a stock, you would _____ call options on the stock. (1 mark)

- (a) sell
- (b) buy
- (c) short
- (d) write
- (e) I am not attempting the question

41) If you are bearish about a stock, you would _____ put options on the stock. (1 mark)

- (a) sell
- (b) buy
- (c) short
- (d) write
- (e) I am not attempting the question

42) _____ is the total number of outstanding contracts that are held by market participants at the end of each day. (1 mark)

- (a) Outstanding position
- (b) Outstanding Interest
- (c) Open position
- (d) Open Interest
- (e) I am not attempting the question

43) _____ means a depository whose name is entered as such in the register of the issuer. (2 marks)

- (a) Beneficiary owner
- (b) Registered owner
- (c) Investment Banker
- (d) R&T Agent
- (e) I am not attempting the question

44) A company may purchase its own shares, out of _____. (2 marks)

- (a) it's promoters money
- (b) it's Equity Capital
- (c) Profits
- (d) Free Reserves
- (e) I am not attempting the question

45) A security trades in the Spot market at Rs. 1600. Money can be invested at 10% p.a. The fair value of a one month futures contract on the security is _____. (2 marks)

- (a) Rs. 1651.90
- (b) Rs. 1634.40
- (c) Rs. 1666.40
- (d) Rs. 1613.40
- (e) I am not attempting the question

46) A seller of a call option has to pay securities transaction tax. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

47) A buyer of a put option has to pay securities transaction tax. True or False. (1 mark)

- (a) True
- (b) False
- (c) I am not attempting the question

48) _____ deals with listing of securities on stock exchanges. (2 marks)

- (a) NSDL
- (b) RBI
- (c) SC(R)R, 1957
- (d) SC(R)A, 1956
- (e) I am not attempting the question

49) What is the present value of Rs. 1000 payable 3 years hence, if the interest rate is 8% per annum? (2 marks)

- (a) Rs. 779.42
- (b) Rs. 788.23
- (c) Rs. 793.83
- (d) Rs. 785.54
- (e) I am not attempting the question

50) What is the present value of Rs. 1000 payable 5 years hence, if the interest rate is 10% per annum? (2 marks)

- (a) Rs. 680.64
- (b) Rs. 656.56
- (c) Rs. 620.92
- (d) Rs. 690.76
- (e) I am not attempting the question

51) Calculate the value 5 years hence of a deposit of Rs. 1000 made today if the interest rate is 9%. (2 marks)

- (a) Rs. 1543.65
- (b) Rs. 1538.62
- (c) Rs. 1546.23
- (d) Rs. 1570.54
- (e) I am not attempting the question

52) _____ is the discount rate which makes its net present value equal to zero. (1 mark)

- (a) Accrued Interest rate
- (b) Compounding
- (c) Discounting
- (d) Internal Rate of Return (IRR)
- (e) I am not attempting the question

53) The Dividend Growth Model approach assumes that the price of equity stock depends ultimately on the dividend expected from it. True or False. (2 marks)

- (a) True
- (b) False
- (c) I am not attempting the question

54) Security A gives a return of 10% with a dispersion of 4%, while security B gives return of 18% with a dispersion of 6%. Which security is more risky? (2 marks)

- a) Security A
- b) Neither of the securities is risky
- c) Security B
- d) Both securities are equally risky
- e) I am not attempting the question

55) Security A gives a return of 12% with a dispersion of 4%, while security B gives return of 15% with a dispersion of 5%. Which security is more risky? (2 marks)

- a) Security B
- b) Both securities are equally risky
- c) Security A
- d) Neither of the securities is risky
- e) I am not attempting the question

56) How much is the correlation coefficient between the companies A and B, if their covariance is 20 and their standard deviations respectively are 4 and 6? (2 marks)

- a) 0.5345
- b) 0.8334

- c) 0.5275
- d) -0.2131
- e) I am not attempting the question

57) How much is the correlation coefficient between the companies A and B, if their covariance is 32 and their standard deviations respectively are 7 and 6? (2 marks)

- a) 0.53
- b) 0.83
- c) 0.52
- d) 0.76
- e) I am not attempting the question

58) For a security B, if price at the beginning of the year is Rs.50; dividend receivable at the end of the year is Rs.1.5; and the price at the end of the year is Rs.53 then what is the rate of return on the security? (2 marks)

- a) 0.05
- b) 0.03
- c) 0.02
- d) 0.09
- e) I am not attempting the question

59) Gross Profit Ratio is given by _____. (2 marks)

- a) Gross Profit/Net Sales
- b) Net Profit/ Cost of Sales
- c) Net Profit/Sales
- d) Gross Profit/Cost of Sales
- e) I am not attempting the question

60) Fixed Assets Turnover Ratio is given by _____. (2 marks)

- a) Net Sales/Average Net Fixed Assets
- b) Net Sales/Gross Fixed Assets
- c) Cost of Sales/Average Net Fixed Assets
- d) Cost of Sales /Gross Fixed Assets
- e) I am not attempting the question

Answers :

1	(d)	21	(a)	41	(b)
2	(d)	22	(d)	42	(d)
3	(c)	23	(b)	43	(b)
4	(a)	24	(d)	44	(d)
5	(a)	25	(d)	45	(d)
6	(b)	26	(b)	46	(a)
7	(b)	27	(c)	47	(b)
8	(a)	28	(a)	48	(d)
9	(c)	29	(c)	49	(c)
10	(d)	30	(a)	50	(c)
11	(a)	31	(a)	51	(b)
12	(d)	32	(b)	52	(d)
13	(c)	33	(b)	53	(a)
14	(a)	34	(c)	54	(a)
15	(c)	35	(a)	55	(b)
16	(d)	36	(b)	56	(b)
17	(b)	37	(a)	57	(d)
18	(b)	38	(d)	58	(d)
19	(d)	39	(d)	59	(a)
20	(b)	40	(b)	60	(a)