

MOCK MCQ TEST

**SUBJECT: FINANCIAL MARKETS
AND INSTITUTIONS (FMI)**

PAPER CODE: MS 223

DELHI INSTITUTE OF ADVANCED STUDIES

FOR PRIVATE CIRCULATION

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1. _____ is a link between savers & borrowers, helps to establish a link between savers & investors
 - (a) Marketing
 - (b) Financial market
 - (c) Money market
 - (d) None of these
2. Which of the following is the function of financial market?
 - (a) Mobilization of savings
 - (b) Price fixation
 - (c) Provide liquidity to financial assets
 - (d) All of the above
3. _____ is the organisations, institutions that provide long term funds.
 - (a) Capital market
 - (b) Money market
 - (c) Primary market
 - (d) Secondary market
4. When securities are allotted to institutional investors & some selected individuals is referred to as _____.
 - (a) Initial public offer
 - (b) Offer through prospectus
 - (c) Private placement
 - (d) Offer for sale
5. Stock exchange is known as _____ market for securities.
 - (a) Primary market
 - (b) Secondary market
 - (c) Capital market
 - (d) None of the above

6. _____ is a market for lending & borrowing of short term funds.
- (a) Money market
 - (b) Primary market
 - (c) Capital market
 - (d) All of the above
7. _____ is also called zero coupon bond.
- (a) Trade bills
 - (b) Call money
 - (c) Treasury bills
 - (d) Commercial papers
8. Which of the following are the instruments of money market?
- (a) Call money
 - (b) Certificate of deposits
 - (c) Trade bills
 - (d) All of the above
9. The short term financial instruments traded in money market is commonly called
- (a) Call money
 - (b) Certificate of deposits
 - (c) Trade bills
 - (d) Commercial Paper
10. Which of the following statements is not true with regard to money market?
- (a) It involves low market risk.
 - (b) It is situated at specific locations.
 - (c) Deals in unsecured and short-term debt instruments.
 - (d) The instruments traded are highly liquid.
11. Which of the following statements is not true with regard to Treasury bills?
- (a) Are issued in the form of a promissory note.
 - (b) They are highly liquid and have assured yield
 - (c) They carry high risk of default.
 - (d) They are available for a minimum amount of ₹25,000 and in multiples thereof.

12. Which of the following statements is not true with regard to Commercial paper?
- (a) Is a long-term unsecured promissory note with a fixed maturity period.
 - (b) It usually has a maturity period of 15 days to one year.
 - (c) It is sold at a discount and redeemed at par.
 - (d) Companies use this instrument for bridge financing.
13. Which of the following statements is not true with regard to Call money?
- (a) It is short-term finance repayable on demand.
 - (b) Its maturity period ranges from one day to fifteen days.
 - (c) There is a direct relationship between call rates and other short-term money market instruments.
 - (d) It is used for inter-bank transactions.
14. Which of the following statements is not true with regard to capital market?
- (a) The funds are raised for a short period of time.
 - (b) Both debt and equity funds can be raised.
 - (c) It is classified into two types.
 - (d) All of the above
15. Which of the following statements is not true with regard to primary market?
- (a) Is also known as the old issues market.
 - (b) It facilitates the transfer of investible funds from savers to entrepreneurs.
 - (c) It deals with new securities being issued for the first time.
 - (d) It facilitates the transfer of investible funds from savers to entrepreneurs.
16. Which of the following statements is not true with regard to stock exchange?
- (a) It provides a platform for buying and selling of new securities.
 - (b) It curbs the marketability of the securities.
 - (c) By providing a ready market, it extends liquidity to the securities.
 - (d) It provides a platform for buying and selling of old securities.
17. Which of the following is not a protective function of stock exchange?
- (a) Prohibition of fraudulent and unfair trade practices.
 - (b) Controlling insider trading.
 - (c) Regulation of takeover bids by companies.
 - (d) Promotion of fair practices and code of conduct in securities market.

18. Raj Enterprises wishes to invest ₹1,10,000 in treasury bills. What is the maximum number of treasury bills it can buy with this fund?

- (a) 6
- (b) 7
- (c) 4
- (d) 2

19. Which of the following statements is true with regard to financial markets?

- (a) They link the households which save funds and business firms which invest these funds.
- (b) They work as an intermediary between the savers and the investors by mobilising funds between them.
- (c) They allocate funds available for investment into their most productive investment opportunity.
- (d) All of the above

20. The allocated function is performed by

- (a) Financial market
- (b) Capital market
- (c) Money market
- (d) All of the above

21. It is a market for short-term funds which deals in monetary assets whose period of maturity is up to one year.

- (a) Primary market
- (b) Secondary market
- (c) Capital market
- (d) Money market

22. It is an instrument of short-term borrowing by the Government of India maturing in less than one year.

- (a) Commercial bill
- (b) Treasury bill
- (c) Call money
- (d) None of the above

23. Who issues a treasury bill?
- (a) Any nationalised bank
 - (b) Any private sector bank
 - (c) Reserve Bank of India
 - (d) All of the above
24. Suppose an investor purchases a 91 days Treasury bill with a face value of ₹2,00,000 for ₹1,92,000. By holding the bill until the maturity date, the investor receives ₹2,00,000. What is the amount of interest received by him?
- (a) ₹8,000
 - (b) ₹80,000
 - (c) ₹3,92,000
 - (d) ₹2,00,000
25. It is used as an alternative to bank borrowing for large and creditworthy companies,
- (a) Commercial bill
 - (b) Commercial papers
 - (c) Call money
 - (d) None of the above
26. It is a method by which banks borrow from each other to be able to maintain the cash reserve ratio.
- (a) Commercial bill
 - (b) Commercial papers
 - (c) Call money
 - (d) None of the above
27. A rise in call money rates makes other sources of finance such as commercial paper and certificates of deposit
- (a) Expensive in comparison with banks who raise funds from these sources.
 - (b) Cheaper in comparison with banks who raise funds from these sources.
 - (c) Creates no effect on other sources.
 - (d) None of the above

28. It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms.
- (a) Commercial bill
 - (b) Commercial papers
 - (c) Call money
 - (d) None of the above
29. The capital market consists of
- (a) Development banks
 - (b) Commercial banks
 - (c) Stock exchanges
 - (d) All of the above
30. A company can raise capital through the primary market in the form of
- (a) Equity shares
 - (b) Preference shares
 - (c) Debentures
 - (d) All of the above
31. They can be issued to individuals, corporations and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.
- (a) Commercial papers
 - (b) Call money
 - (c) Commercial bill
 - (d) Certificate of deposit
32. Which of the following participants represent capital market?
- (a) Development banks
 - (b) Commercial banks
 - (c) Stock exchanges
 - (d) All of the above

33. Under this method of floatation in primary market, a subscription is invited from general public to invest in the securities of a company through the issue of advertisement.
- (a) Private placement
 - (b) Offer through prospectus
 - (c) Offer for sale
 - (d) All of the above
34. PK Enterprises Limited has sold an entire lot of 5,00,000 equity shares @ ₹9 each to Prosperous Bank Private Limited. The bank in turn will offer the shares to general public for subscription @ ₹11 per share. Identify the method of floatation being described in the given lines.
- (a) Private placement
 - (b) Offer through prospectus
 - (c) Offer for sale
 - (d) Rights issue
35. Jaykant is holding hundred shares of a company. He has been given a privilege offer to subscribe to a new issue of shares of the same company in proportion of 2:1 to the number of shares already possessed by him. Identify the method of floatation being described in the above case.
- (a) Offer through prospectus
 - (b) Offer for sale
 - (c) Rights issue
 - (d) Private placement
36. Stock Exchange works as a mechanism for valuation of securities through the forces of demand and supply. Identify the related function of performed by the stock exchanges.
- (a) Providing liquidity and marketability to existing securities.
 - (b) Safety of transaction.
 - (c) Pricing of security.
 - (d) Spreading of equity cult.

37. Stock exchanges provide an opportunity to the investors to disinvest and invest. Identify the related function of the stock exchange.
- (a) Providing scope for speculation.
 - (b) Providing liquidity and marketability to existing securities.
 - (c) Pricing of security.
 - (d) Spreading of equity cult.
38. The process of holding shares in electronic form is known as
- (a) Demutualisation
 - (b) Dematerialisation
 - (c) Speculation
 - (d) None of the above
39. One of the common irregularities noted by the Securities and Exchange Board of India during the inspection of a stock exchange was that it was dealing with unregistered sub-brokers. Identify the related function of Securities and Exchange Board of India
- (a) Regulatory function
 - (b) Protective function
 - (c) Developmental function
 - (d) None of the above
40. It acts like a bank and keeps securities in electronic form on behalf of the investor,
- (a) Depository Participant
 - (b) Depository
 - (c) Stock exchange
 - (d) None of the above
41. It serves as an intermediary between the investor and the depository who is authorised to maintain the accounts of dematerialised shares.
- (a) Depository Participant
 - (b) Depository
 - (c) Stock exchange
 - (d) None of the above

42. It is a number assigned to each transaction by the stock exchange and is printed on the contract note.
- (a) PAN number
 - (b) Unique Order Code
 - (c) Contract Note
 - (d) None of the above
43. Identify the correct sequence of steps to be followed in the trading procedure at Stock Exchange
- (a) Opening a trading account and Demat account, Placing an order, Settlement of order, Execution of order
 - (b) Settlement of order, Opening a trading account and Demat account, Placing an order, Execution of order
 - (c) Opening a trading account and Demat account, Placing an order, Execution of order, Settlement of order
 - (d) Placing an order, Opening a trading account and Demat account, Execution of order, Settlement of order
44. The mandatory detail that an investor has to provide to the broker at the time of opening a demat account is
- (a) Date of birth and address
 - (b) PAN number
 - (c) Residential status (Indian/NRI)
 - (d) Bank account details.
45. It is a legally enforceable document which is issued by a stock broker within 24 hours of the execution of a trade order.
- (a) PAN number
 - (b) Unique Order Code
 - (c) Contract Note
 - (d) None of the above

46. On this day, the exchange will deliver the share or make payment to the other broker,
- (a) Pay-in day
 - (b) Pay-out day
 - (c) Transaction day
 - (d) None of the above
47. When is a trade confirmation slip issued to the investor?
- (a) On placing an order
 - (b) On execution of the order
 - (c) On settlement of the order
 - (d) None of the above
48. After the trade has been executed, the broker issues a Contract Note to the investor within
- (a) 52 hours
 - (b) 24 hours
 - (c) 48 hours
 - (d) 12 hours
49. SEBI has constituted a committee under TK Viswanathan for _____.
- (a) Fair market conduct
 - (b) Manufacturing market conduct
 - (c) Partial market conduct
 - (d) Both a and c
50. SEBI has launched an online registration system for?
- (a) REITs
 - (b) InvITs
 - (c) P-notes
 - (d) Only a and b

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51. Which trading individuals has SEBI decided to grant a unified license to operate in commodity derivative and equity markets?
- (a) Clearing Members
 - (b) Brokers
 - (c) NBFCs
 - (d) Only a and b
 - (e) All the above
52. What is the latest amendment to the FPI regulations by capital and commodities market regulator SEBI?
- (a) Barring Indians, NRIs and entities beneficially owned by NRIs from trading
 - (b) Barring Indians, NRIs, and entities beneficially owned by NRIs from being owners of participatory notes
 - (c) Barring Indians and NRIs from FDI in India
 - (d) None of the above
53. SEBI has allowed celebs to endorse which products?
- (a) Stocks and shares
 - (b) Mutual funds
 - (c) Dividends
 - (d) Insurance
54. SEBI announced plans to tighten regulations for which type of trading?
- (a) Spot trading
 - (b) Investor trading
 - (c) Algorithmic trading
 - (d) None of the above
55. Who has been appointed the new SEBI chief w.e.f March 1, 2017?
- (a) UK Sinha
 - (b) Ajay Tyagi
 - (c) Brijesh Mishra
 - (d) None of the above

56. Which financial body has asked intermediaries and companies to make regulatory payments in digital mode?

- (a) SEBI
- (b) RBI
- (c) NSE
- (d) BSE

57. SEBI has relaxed investment rules for which funds?

- (a) Angel Funds
- (b) Mutual Funds
- (c) Debt Funds
- (d) None of the above

58. SEBI has proposed a set of changes to relax rules and rename the institutional trading platform as what?

- (a) High Tech Start Up & Other New Business Platform
- (b) High Tech Incubation & Other New Business Platform
- (c) High Tech Innovation % Other New Business Platform
- (d) None of the above

59. _____ is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities.

- (a) Government Securities
- (b) Mutual Funds
- (c) Derivatives
- (d) Shares

60. The value of one unit of investment in Mutual fund is called the _____.

- (a) Net Asset Value
- (b) Issue value
- (c) Market value
- (d) Gross Asset value

ANSWER KEY

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

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