

FINANCIAL MARKETS

Q:1 Money market is a financial market where short-term debt instruments are bought and sold. What is the typical maturity period of these instruments?

- a) Less than a year
- b) Between 1 and 5 years
- c) More than 5 years
- d) None of the above

Q:2 Which of the following is NOT a money market instrument?

- a) Treasury bills
- b) Commercial paper
- c) Equity Shares
- d) Certificate of deposit

Q:3 Which of these statements is correct regarding money market?

- I. It involves low market risk.

- II. SEBI is the regulator of the Money Market
 - III. Deals in short-term debt instruments.
 - IV. The instruments traded are highly liquid
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, IV
 - d) I, II, III,

**Q:4 Capital market deals with long-term debt and equity securities.
Which of the following is a capital market instrument?**

- I. Equity shares
 - II. Preference shares
 - III. Debentures
 - IV. Treasury Bills
- a) I, II, and III only
 - b) I, II, III, and IV
 - c) I and II only
 - d) III and IV only

Q:5 Which of the following statements is true with regard to capital market?

- I. SEBI is the regulator of the capital Market.
 - II. It involves low market risk.
 - III. Both debt and equity funds can be raised.
 - IV. It is classified into two types primary and secondary.
- a) I, III, IV

- b) II, III, IV
- c) I, II, IV
- d) I, II, III,

Q:6 Features of primary capital market includes_____.

- I. It deals with new securities being issued for the first time
 - II. Trade is between the investors and the original issuer of securities
 - III. It facilitates the transfer of funds from savers to entrepreneurs.
 - IV. Price of securities is fixed by Market forces
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, IV
 - d) I, II, III,

Q:7 A Secondary market is a market where_____.

- a) Investors purchase securities from Merchant bank
- b) Investors purchase securities from issuer company
- c) Investors purchase securities or assets from other investors
- d) All of the above

Q:8 In secondary Market price of security is determined by_____.

- a) Companies
- b) Government
- c) Market forces
- d) Both A and C

Q:9 Which of these is a feature of Stock exchange?

- a) Exchange does not sell and buy bonds and shares on its own account.
- b) Only listed securities can be traded.
- c) Stock exchange is controlled by SEBI.
- d) all the above

Q:10 Which of the following statements is true regarding stock exchange?

- I. It provides a platform for buying and selling of securities.
 - II. It provides a platform for buying and selling of old securities.
 - III. By providing a ready market, it extends liquidity to the securities.
 - IV. The transaction for securities can be made without authorised brokers and members.
- a) I, II
 - b) II, III, IV
 - c) I, II, III

d) I, II, III, IV

Q:11 The derivative market is a financial marketplace where derivatives, which are financial contracts whose value is derived from an underlying asset or index, are trade. Types of derivative market includes_____.

- I. Exchange-traded derivatives
 - II. Over the counter derivatives
 - III. Derivative trading market
 - IV. Stock exchange
- a) I, II
 - b) II, III,
 - c) I, II, IV
 - d) I, II, III,

Q:12 Which of this statement defines Over the counter derivatives?

- a) These are financial contracts privately negotiated between two parties without the involvement of organized exchanges.
- b) OTC derivatives allow for customized terms and conditions tailored to the specific needs and risk profiles of the parties involved.
- c) OTC transactions may involve higher counterparty credit risk since they lack the protection of a clearinghouse.
- d) All of the above

Q:13 Which of this statement is correct regarding exchange traded derivatives.

- I. These are financial contracts standardized and traded on organized exchanges.
 - II. These derivatives have fixed terms, including contract size, expiration dates, and settlement procedures.
 - III. These derivatives benefit from high liquidity and price transparency due to being traded on public exchanges.
 - IV. These derivatives are only available to institutional investors and are not accessible to retail traders.
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, III
 - d) I, II, III, IV

Q:14 Which of the following best describes the foreign exchange market?

- a) A market where stocks and bonds are traded
- b) A market where short-term debt instruments are bought and sold
- c) A market where currencies are exchanged and traded between countries.
- d) A market where insurance policies are bought and sold

Q:15 Which of these is function of foreign exchange market?

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- I. Facilitates Currency Conversion
 - II. Determines Exchange Rates
 - III. Hedging Against Currency Risk
 - IV. Government Reserves Management
- a) I and II
 - b) II and III
 - c) I, II, and III
 - d) I, II, III, and IV

Q:16 . Which market participants are primarily responsible for providing liquidity and facilitating currency exchange for clients?

- a) Central Banks
- b) Sovereign Wealth Funds
- c) Individuals
- d) Commercial and Investment Banks

Q:17 What is the primary role of central banks in the forex market?

- a) To maximize profits through currency speculation
- b) To facilitate individual currency trading
- c) To provide loans to commercial banks
- d) To stabilize the domestic currency and manage foreign reserves

Q:18 The insurance market deals with insurance policies. Which regulatory body oversees the insurance industry in India?

- a) SEBI
- b) RBI
- c) IRDA
- d) AMFI

Q:19 Which of this statement defines mutual fund?

- a) A real estate trust that pools resources from various investors to invest in commercial properties.
- b) An investment vehicle that guarantees fixed returns to individual investors by investing in a single security or asset.
- c) A type of bond that allows multiple investors to collectively lend money to a government entity.
- d) An investment vehicle that pools money from multiple investors to invest in various securities and assets.

Q:20 Which of these is not a feature of mutual fund?

- a) MFs allow investors to invest their savings across a wide range of securities.
- b) MFs are managed by professional fund managers, who are experts in this field.
- c) Mutual funds are always tax-inefficient and serve as income tax shields for the investors
- d) Mutual fund issues units to investors and investors of mutual funds are known as unit holders

Q:21 _____ regulates the Mutual fund industry in India.

- a) Association of Mutual Funds of India
- b) Securities Exchange Board of India
- c) Reserve Bank of India
- d) State Bank of India

Q:22 What is a spot trade in the commodity market?

- a) A trade made for delivery after three months
- b) A purchase or sale of a commodity for immediate delivery
- c) A contract made without any physical delivery
- d) A future contract involving mutual funds

Q:23 In a futures contract, the buyer and seller agree to transact the commodity at _____

- a) Today's market price
- b) A price fixed by the government
- c) A price decided at the time of contract, for a future date
- d) A price subject to mutual negotiation on delivery

Q:24 Which of the following is a function of SEBI in the context of Regulation of Commodity Market ?

- a) Grant of recognition or withdrawal of recognition of any association.
- b) Observing the forward markets and taking appropriate action for regulating the Commodity Markets.
- c) Undertaking inspection of books of account and other documents of recognized/registered associations.
- d) All of the above

Q:25 A trader who takes positions in futures markets to manage risk due to price fluctuations is known as a _____

- a) Speculator
- b) Arbitrageur
- c) Hedger
- d) Broker

Q:26 Which of the following is NOT a correct characteristic of BRICS countries?

- a) They have large economies with significant influence on global trade.
- b) They consistently experience low growth rates and economic stagnation.
- c) They seek stronger political representation in global governance structures.
- d) They represent a major portion of the world's population and resources.

BRICS is a group of five major emerging economies: Brazil, Russia, India, China, and South Africa.

Q:27 Which of the following correctly matches the BRICS country with its distinctive economic characteristic?

- I. India – Domestic demand-driven economy
- II. Russia – Commodity-driven economy
- III. Brazil – Developed economic structure
- IV. China – Powerhouse of exports

- a) I, II, III, IV
- b) I, III, IV only
- c) II, III, IV only
- d) I, II, IV only

Q:28 What is the primary goal of BRICS countries regarding global power distribution?

- a) To create a unipolar world dominated by a single nation
- b) To emphasize a multi-polar world order with distributed power
- c) To concentrate power in a few dominant countries
- d) To eliminate global institutions like the United Nations

Q:29 What is the primary role of banks in the capital market?

- a) To issue government bonds
- b) To invest in equity and mutual funds
- c) To provide long-term loans to businesses
- d) To manage foreign exchange rates

Q:30 Why were Primary Dealers (PDs) introduced in the government securities market?

- a) To assist in the privatization of government securities
- b) To improve liquidity and efficiency in the market
- c) To regulate foreign exchange transactions
- d) To oversee foreign investments

Q:31 Which of the following statements are correct regarding Investment Bankers (Merchant Bankers)?

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1. They assist companies in raising funds through both equity (shares) and debt (bonds) routes.
 2. Investment bankers advise on pricing, book building, and regulatory compliance.
 3. These are agencies/organisations regulated and licensed by SEBI, the Capital Markets Regulator
 4. They only help companies with equity-related funding.
- a) 1, 3, 4
 - b) 2, 3, 4
 - c) 1, 3
 - d) 1, 2, 3

Q:32 What is the main role of custodians in the financial market?

- a) To issue securities on behalf of the government
- b) To hold and manage securities on behalf of customers
- c) To sell government bonds in the secondary market
- d) To advise on the pricing of equity issues

Q:33 Which of the following is not a service provided by brokers in the financial market?

- a) Intermediating between buyers and sellers of securities
- b) Underwriting issues of companies
- c) Earning a fee (brokerage) for their services
- d) Performing trades on behalf of customers

Q:34 _____ is a financial institution that holds securities (such as stocks, bonds, etc.) in electronic form, thereby facilitating the efficient transfer and settlement of these securities.

- a) Investment Bank
- b) Depository
- c) Primary Dealer
- d) Broker

Q:35 Which of the following entities participate in the financial market?

- a) Banks
- b) Primary Dealers (PDs)
- c) Financial Institutions (FIs)
- d) All of the Above

