CAPITAL MARKET

Q: 1 What best describes a capital market?

a) A market for buying and selling short-term money market instruments
b) A market where long-term debt and equity-backed securities are traded
c) A market exclusively for foreign exchange transactions
d) A market for trading derivatives only

Q: 2 Which of the following are functions of the capital market?

a) Mobilisation of long-term savings for industry
b) Price discovery of long-term securities
c) Providing liquidity to investors in equity and debt
d) All of the above

Q: 3 Which is not a participant in the capital market?

a) Commercial banks
b) Mutual funds
c) Individual retail investors
d) Reserve Bank of India (RBI) acting as a trader

Q: 4 Regarding primary capital market, which statements are correct?

I. New securities (like stocks and bonds) are first issued and sold to investors
II. Securities trade only between investors and the original issuer.
III. Price of securities is determined by market forces.
IV. It helps transfer funds directly from savers to firms.

a) I, II, IV
b) I, III, IV
c) II, III, IV
d) III & IV

Q: 5 The secondary segment of the capital market refers to____________

a) Issuance of new securities for the first time
b) Trading of existing securities among investors
c) Private placement of debt instruments
d) Underwriting services by investment banks

Q: 6 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,

An equity shareholder is considered___________.

a) A creditor of the company
b) An owner of the company
c) A guarantor of company debt
d) A bondholder in the company

Q: 7 Which of the following is NOT a correct statement about equity shares?

a) Equity shareholders are the real owners of the company and have voting rights.
b) Equity shares are permanent and non-redeemable.
c) Equity shareholders are guaranteed fixed dividends regardless of the company's performance.
d) Share certificates are issued to registered shareholders within three months of share allotment.

Q: 8 Which of the following is not a preference-share feature??

a) Preference in payment of dividend at a fixed rate

b) Preference in return in capital in case of liquidation

c) Right as to take part in management through voting

d) None of the above

Q: 9 Which of the following is a characteristic of Cumulative Preference Shares?

a) They do not accumulate unpaid dividends.

b) Unpaid dividends are carried forward and must be paid before equity shareholders receive any dividends.

c) They provide shareholders the right to participate in additional company profits.

d) They can be converted into equity shares at a predetermined price.

Q: 10 Which type of preference shares allows shareholders to receive additional profits of the company beyond their fixed dividend?

a) Non-Cumulative Preference Shares

b) Participating Preference Shares

c) Redeemable Preference Shares

d) Convertible Preference Shares

Q: 11 Which of the following statement is true about debenture?

I. A debenture is a kind of public borrowing.

II. Fixed Interest is payable on debenture.
III. Debenture holders are creditors of the Company.
IV. The market price and redemption value of debentures cannot differ.

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

Q: 12 ____________is an instrument used in India to facilitate the access to foreign money by Indian corporations and Public Sector Undertaking.

a) Certificate of Deposit (CD)
b) Global Depository Receipt (GDR)
c) Foreign Currency Convertible Bond (FCCB)
d) External Commercial Borrowings (ECB)

External Commercial Borrowings (ECB) are loans or borrowings raised by Indian corporations and PSUs from foreign lenders to access foreign funds.

Q: 13 Which of the following is part of the ECB (External Commercial Borrowing) Framework for raising loans?

a) **Track I:** Medium term foreign currency denominated ECB with minimum average maturity of 3/5 years.

b) **Track II:** Long term foreign currency denominated ECB with minimum average maturity of 10 years.

c) **Track III:** Indian Rupee (INR) denominated ECB with minimum average maturity of 3/5 years.

d) All of the above

Q: 14 The ECB Framework enables permitted resident entities to borrow from recognized non-resident entities in the following forms___________.

I. Loans including bank loans

II. Securitized instruments

III. Buyers' credit

IV. Suppliers' credit

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

Q: 15 Under the automatic route for raising ECB, the cases are examined by____________.

a) Ministry of Finance
b) Reserve Bank of India (RBI)
c) Authorized Dealer Category-I banks
d) Securities and Exchange Board of India (SEBI)

Q: 16 Which of the following is true regarding the approval route for ECB?

a) Borrowers apply directly to RBI without involving banks.
b) Borrowers send their requests to RBI through SEBI.
c) Borrowers send requests to RBI through their Authorized Dealer banks.
d) It is only available for government entities.

Q: 17 Foreign Currency Exchangeable Bonds (FCEBs) can be issued_____________.

a) Only under the automatic route
b) Under both automatic and approval routes
c) Only under the approval route
d) Under neither route

Q: 18 What is the minimum average maturity period for an ECB under Track I when the borrowing amount exceeds USD 50 million?

a) 1 year
b) 3 years
c) 5 years
d) 7 years

3 years for ECB upto USD 50 million or its equivalent

Q: 19 Which of the following entities is not listed as an eligible borrower under Track I ECB?

a) Companies in manufacturing and software development sectors.

b) Small Industries Development Bank of India (SIDBI).

c) Export Import Bank of India (Exim Bank)

d) Securities and Exchange Board of India.

Recognised Lenders/Investors

- International banks.
- International capital markets.
- Multilateral financial institutions
- Regional financial institutions
- Government owned financial institutions.
- Export credit agencies.
- Suppliers of equipment.
- Foreign equity holders.

Q: 20 All-in-Cost (AIC) refers to the total cost incurred by an Indian borrower when raising funds through External Commercial Borrowings (ECBs). It includes interest, fees, expenses, and charges paid to the lender over the loan's tenure. The all-in-cost (AIC) ceiling for ECBs with a minimum average maturity of 3 to 5 years is____________.

a) 150 basis points over 6-month LIBOR

b) 300 basis points per annum over 6-month LIBOR

c) 450 basis points per annum over 6-month LIBOR

d) No ceiling prescribed

- For ECB with **average maturity period of more than 5 years** - 450 basis points per annum over 6-month LIBOR or applicable bench mark for the respective currency.

Q: 21 Under Track I, ECB proceeds cannot be used for which of the following without prior approval from RBI?

a) Import of capital goods
b) Refinancing existing ECB
c) Import of second-hand goods
d) New project setup

Q: 22 What is the minimum average maturity period required for ECBs under Track II, regardless of the amount borrowed?

a) 3 years
b) 5 years
c) 7 years
d) 10 years

Q: 23 Which of the following is not an eligible borrower under Track II?

a) Holding companies
b) Core Investment Companies (CICs)
c) Real Estate Investment Trusts (REITs)
d) Individuals

Q: 24 The all-in-cost ceiling for ECB under Track II is capped at____________.

a) 300 basis points per annum over benchmark
b) 450 basis points per annum over benchmark

c) 500 basis points per annum over benchmark
d) No cap on spread

Q: 25 Which of the following is a recognised lender under Track II?

a) Only foreign governments
b) Only RBI-approved agencies
c) All entities recognised under Track I
d) Only international capital markets

Q: 26 Under Track II The ECB proceeds can be used for all purposes excluding the following__________

I. Real estate activities

II. Investing in capital market

III. Using the proceeds for equity investment domestically

IV. Purchase of land

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

Q: 27 Which of the following statements regarding individual limits under the automatic route of ECB is/are correct?

1. Companies in the infrastructure and manufacturing sectors can raise up to USD 50 million or equivalent per financial year.
2. Companies in the software development sector can raise up to USD 200 million or equivalent.

3. Entities engaged in microfinance activities can raise up to USD 100 million or equivalent.
4. All other eligible entities can raise up to USD 500 million or equivalent.

a) Only 1 and 2
b) Only 2, 3 and 4
c) All 1, 2, 3 and 4
d) Only 1, 3 and 4

Q: 28 What are key security options for ECBs?

a) Charge on immovable assets
b) Pledge of financial securities
c) Corporate or personal guarantees
d) All of the above

Q: 29 Where can ECB proceeds meant for foreign currency expenditure be parked temporarily?

a) In equity shares of Indian companies
b) In real estate abroad
c) In highly liquid and low-risk foreign currency assets
d) In gold reserves

Q: 30 Which of the following is NOT a permissible way to park ECB proceeds domestically?

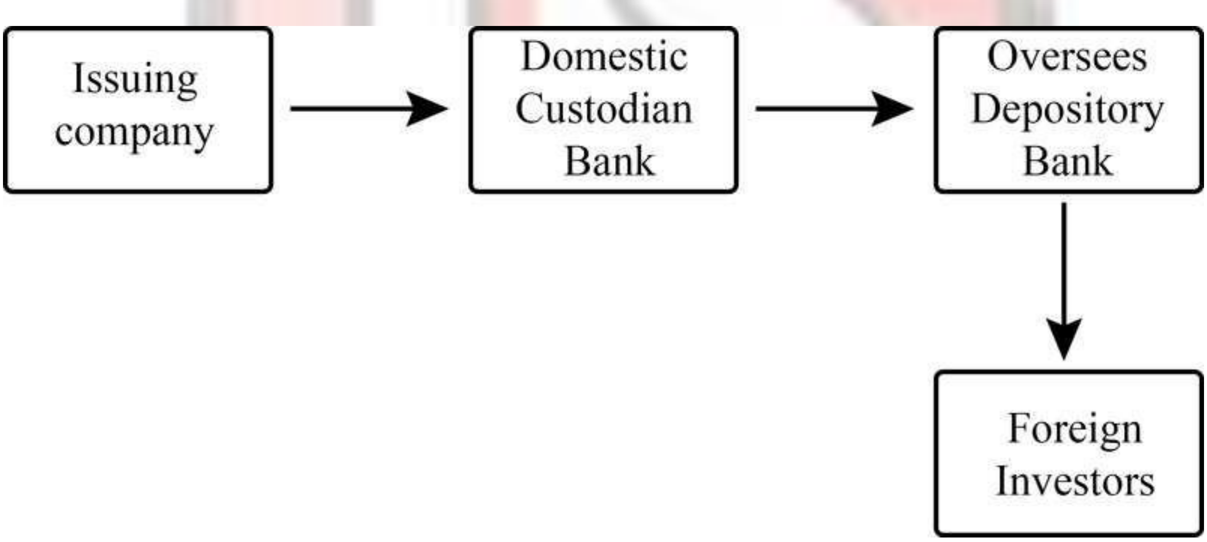
a) In unencumbered term deposits with AD Category I banks for up to 12 months
b) In the borrower's Rupee account with an AD Category I bank
c) Immediate repatriation to India for Rupee expenditure
d) In fixed deposits with NBFCs

Q: 31 Which of the following are required for conversion of ECB into equity?

a) Compliance with FDI automatic route or FIPB approval
b) Adherence to sectoral caps on foreign equity
c) Compliance with pricing guidelines for share issuance
d) All of the above

Q: 32 ______________ is a negotiable certificate representing shares in a foreign company traded on a local stock exchange. It allows investors to hold equity shares of foreign companies without the need to trade directly on a foreign market.

a) Foreign Currency Convertible Bond (FCCB)
b) Participatory Note (P-Note)
c) Depository Receipt (ADR)
d) External Commercial Borrowing (ECB)



Q: 33 Which of the following is true about GDR (Global Depository Receipt)?

a) It is used by companies to list their stocks in the Indian market only.
b) GDRs are only issued by companies listed in the U.S.

c) GDRs enable companies to raise capital from global markets by issuing shares that can be traded in multiple countries.
d) GDRs are only available for government-owned entities.

Q: 34 What is the primary difference between an ADR and a GDR?

a) ADRs are for companies based in emerging markets, while GDRs are for developed market companies.
b) ADRs are traded only in the U.S., while GDRs can be traded in multiple international markets.
c) ADRs can only represent debt instruments, while GDRs represent equity.
d) There is no difference between ADRs and GDRs; both are the same.

Q: 35 What does IDR (Indian Depository Receipt) represent?

a) It represents a foreign company's debt obligations in India.
b) It represents an Indian company's shares traded in foreign markets.
c) It represents shares of a foreign company listed and traded in India.
d) It represents Indian bonds issued abroad.

Q: 36 Which of the following is an advantage of investing in ADR or GDR?

a) Investors can invest in foreign companies without dealing with foreign exchange or international regulatory hurdles.
b) ADRs and GDRs have lower transaction costs compared to direct foreign investments.
c) ADRs and GDRs are not subject to local tax laws.
d) Both ADRs and GDRs provide full voting rights to investors in the foreign company.