INDIAN SCHOOL AL WADI AL KABIR

Class: XII	**Department: Commerce**
Subject:	**Business Studies**
OTQs & DTQs	**Chapter 10: Financial Markets**

Q. NO	OBJECTIVE TYPE QUESTIONS
1	Which of the following is not a money market instrument? a) Treasury bill b) Commercial paper c) Equity shares d) Certificate of deposit
2	The full form of SEBI is: a) Securities and Economic Board of India b) Securities and Exchange Board of India c) Stock and Exchange Bank of India d) Stock Exchange Bureau of India
3	_____________ is the process of holding securities in electronic form. (A) Financial Intermediation (B) Dematerialisation (C) Allocative function (D) Mobilisation of securities
4	Which of the following functions of the Stock Exchange gives investors the chance to disinvest and re-invest in securities? (A) Pricing of securities (B) Safety of transactions (C) Providing liquidity and marketability to existing securities (D) Providing scope for speculation
5	'Through the process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues.' The function of the stock exchange highlighted above is: (A) Spreading of equity cult (B) Providing liquidity and marketability to existing securities (C) Contributing to economic growth (D) Providing scope for speculation
6	Which of the following statements is incorrect? (A) Capital Market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and Invested. (B) Secondary market is the market where securities are sold by the company to the investor directly or through an intermediary. (C) Primary Market is the Market where only buying of securities takes place. Securities can not be sold there. (D) Money Market is a market for short term funds which deals in monetary assets whose period of maturity is upto one year.
7	The purpose of opening a Demat Account with a Depository Participant (DP) is: (A) For holding and transferring securities in the Demat form (B) For entering into an agreement with broker (C) For making payment to stock exchange for any purchase of securities (D) For enabling cash transactions in the securities market
8	Read the following statements: Assertion (A) and Reason (R). Assertion (A): The investing public gets a safe and fair deal on the stock market. Reason (R): The membership of stock exchange is well regulated and its dealings are well defined according to the existing legal framework.

	Choose the correct alternative from the following: (A) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A). (C) Both Assertion (A) and Reason (R) are incorrect. (D) Assertion (A) is correct, but Reason (R) is incorrect.
9	Read the following statements-Assertion (A) and Reason (R): Assertion (A): Money market instruments have a higher degree of liquidity as compared to capital market securities. Reason (R): Money market instruments are traded on the stock exchanges. Choose the correct alternative from the alternatives given below: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true and Reason (R) is false. (D) Assertion (A) is false and Reason (R) is true.
10	From 2003, all transactions in securities are to be settled within two days after the trade date. This system is known as: (A) Rolling settlement system (B) Rotational settlement system (C) Automatic settlement system (D) Mutual settlement system
11	**________** serves as an intermediary between the investor and the depository who is authorised to maintain the accounts of dematerialised shares. (A) Depository Participant (B) National Securities Depository Limited (C) Central Depository Services Limited (D) Stock Exchange
12	Read the following statements: Assertion (A) and Reason (R). *Assertion (A):* Holding shares in demat form is very convenient as it is just like a bank account. *Reason (R):* Securities and Exchange Board of India (SEBI) has made it mandatory for the settlement procedures to take place in demat form. Choose the correct alternative from the following: (A) Assertion (A) is false and Reason (R) is true. (B) Both Assertion (A) and Reason (R) are false. (C) Both Assertion (A) and Reason (R) are true, but Reason (R) is *not* the correct explanation of Assertion (A). (D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A**).**
13	Shikha, a first-time investor, was excited yet nervous about investing in the stock market as she felt it was risky. She sought guidance from her friend, Rama, who was an experienced investor. Rama assured Shikha that it is safe to invest in the stock market as the membership of stock exchange is regulated by Securities and Exchange Board of India (SEBI). She also told Shikha that SEBI performs various functions to protect the rights and interests of investors. Which of the following functions mentioned by Rama is *not* a protective function of SEBI? (A) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging, etc. (B) Conducting research and publishing information useful to all market participants. (C) Controlling insider trading and imposing penalties for such practices. (D) Promotion of fair practices and code of conduct in the securities market.
14	Which market facilitates the sale of existing securities? a) Primary market b) Secondary market c) Money market d) Capital market

<table>
<tr><td>15</td><td>Through the process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues.' The function of the stock exchange highlighted above is:
(A) Spreading of equity cult
(B) Providing liquidity and marketability to existing securities
(C) Contributing to economic growth
(D) Providing scope for speculation</td></tr>
<tr><td>16</td><td>Which of the following functions of the Stock Exchange gives investors the chance to disinvest and re-invest in securities?
(A) Pricing of securities
(B) Safety of transactions
(C) Providing liquidity and marketability to existing securities
(D) Providing scope for speculation</td></tr>
<tr><td>17</td><td>'Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries' is ………………… of Securities and Exchange Board of India.
(A) Regulatory Function
(B) Development Function
(C) Protective Function
(D) Both (B) and (C).</td></tr>
<tr><td>18</td><td>SEBI was established in:
a) 1990
b) 1991
c) 1992
d) 1993</td></tr>
<tr><td>19</td><td>The document prepared in the process of online trading of securities that is legally enforceable and helps to settle disputes / claims between the investor and the broker:
(a) Broker-client agreement
(b) Trade confirmation slip
(c) Contract Note
(d) Demat Account</td></tr>
<tr><td>20</td><td>National Security Depository Ltd is an:
(a) Depository
(b) Beneficial owner
(c) Depository Participant.
(d) Issuer</td></tr>
<tr><td>21</td><td>Match the following:
<table>
<tr><td>(a) The most popular method of raising funds by public companies in the primary market.</td><td>(i) Right issue</td></tr>
<tr><td>(b) A company sells securities in-block at an agreed price to brokers who, in turn, resell them to the investing public.</td><td>(ii) Offer through prospectus</td></tr>
<tr><td>(c) Allotment of securities by a company to institutional investors and some selected individuals.</td><td>(iii) Offer for sale</td></tr>
<tr><td>(d) The shareholders are offered a privilege to buy new shares in proportion to the number of shares the already possess.</td><td>(iv) Private placement</td></tr>
</table>
</td></tr>
</table>

22	Meca Ltd. a reputed automobile manufacturer needs Rupees ten crore as additional capital to expand its business. Atul Jaian, the CEO of the company wanted to raise funds through equity. On the other hand the Finance Manager, Nimi Sachdev said that the public issue may be expensive on account of various mandatory and non-mandatory expenses. Therefore, it was decided to allot the securities to institutional investors. Name the method through which the company decided to raise additional capital
	DESCRIPTIVE TYPE QUESTIONS
1	**Differentiate between Capital Market and Money Market on the basis of :** (i) Participants (ii) Liquidity **(iii)Duration**
2	State any three protective functions of Securities and Exchange Board of India.
3	What is SEBI? Explain its objectives and any three protective functions.
4	After doing a course in online trading, Arsh started an online portal for stock trading under the name 'Investment Guru'. He met his school friend Ajay after a long time in a bank where Ajay had come to open a D-Mat account. Arsh urged Ajay to invest in the forthcoming IPO of a blue-chip companies whereas Ajay was inclined to buy existing securities of the other companies to build his investment portfolio. In context of the above case: i) Identify the two different types of capital market being referred to by quoting lines from the para. ii) State any four differences between the two different types of capital markets as identified in part (1).
5	Incorporated in 1990, Raju Dairy Ltd., is one of the leading manufacturers and marketers of dairy-based branded foods in India. In the initial years, its operations were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of dairy based products including fresh milk, flavoured yogurt, ice creams, butter milk, cheese, ghee, milk powders etc. In order to raise capital to finance its expansion plans, Raju Dairy Ltd. has decided to approach capital market through a mix of Offer for sale of Rs. 4 crore shares and a public issue of Rs. 2 crore shares. In context of the above case: Name and explain the segment of capital market being approached by the company. Identify the two methods of floatation used by the company to raise the required capital. Give one difference between them.
6	A developmental financial institute issues a money market instrument. It is issued by the financial institute during the time of tight liquidity. This helps the firm to mobilize large amount of funds in a short period of time. Which money market instrument is highlighted in the above case? What are the characteristics of a money market instrument? Which other type of body can issue this money market instrument? When?
7	Ganesh Steel Ltd.' is a large and creditworthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money- market. 1. Name and explain the money-market instrument the company can use for the above purpose. 2. What is the duration for which the company can get funds through this instrument? 3. State any other purpose for which this instrument can be used
8	Rajni Auto manufacturers have decided to give a special privilege to the existing shareholders to subscribe to the new issue of shares where they will be given shares according to the proportion of shares held by them. The company always gives special treatment to loyal stakeholders. Last year the company was dealing through the capital market where both the buying and selling of securities were taking place. The owner of the company is a man of ethical business. He recently wrote an article about the watchdog of stock market. The article gained a lot of popularity and now is part of the curriculum of MBA students. Which method of floatation was used by Rajni Auto manufacturers? Which type of capital market was this company dealing in?

9	Discuss briefly about the functions of Stock Exchange?
10	State the first three steps involved in the screen-based trading for buying and selling of securities.