

Roots Institute of Financial Markets

RIFM



Practice Book

Securities Market (Basic) Module



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Forward

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- Derivatives Market (Dealers) Module
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Securities Market (Basic) Module

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Chapter-1 Securities market

1. Is the following statement is true?

Transfer of resources from those with idle resources to others who have a productive need for them is most efficiently achieved through securities market.

- A. True
- B. False

2. Savers and investors are constrained by ----- to invest and save

- A. Social abilities
- B. Economy abilities
- C. Individual abilities
- D. None of the above

3. What are the economic units who demand securities in lieu of funds and others who supply the funds?

- A. Under competitive market conditions in both goods and market
- B. Price of securities which reflect the present value of future prospect of the issuer.
- C. Adjusted risks
- D. All of them

4. Is the following statement is true?

The issuers and investors are the consumers of services rendered by the intermediate while the investors are consumer of securities, issued by issuers.

- A. True
- B. False

5. Investors who receives funds in exchange of securities and those who receives securities in exchange for funds needs reassurance. By whom such assurance is being given?

- A. Laws and custom
- B. Regulator
- C. Intermediaries
- D. None of the above

6. Securities can be issued at



- A. Discount
- B. Face value
- C. Premium
- D. Any of the above

7. Which of the following allotment is considered as private placement

- A. Allotment to 50 persons
- B. Allotment to less than 50 persons
- C. Allotment to more than 50 persons
- D. None of the above

8. In which market securities are traded after being offered to the public

- A. Primary market
- B. Secondary market
- C. None of the above

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Answer Sheet Chapter 1					
1	A	15	B	29	C
2	C	16	A	30	A
3	D	17	F	31	A
4	A	18	B	32	C
5	A	19	A	33	C
6	D	20	B	34	A
7	B	21	B	35	A
8	B	22	A	36	B
9	A	23	B	37	A
10	C	24	C	38	B
11	B	25	D	39	A
12	B	26	A	40	B
13	D	27	B	41	D
14	D	28	C	42	A



Chapter -2 Primary Market

11. A company can issue shares to applicant in a firm allotment category at lower price than price earlier offered.
- A. True
 - B. False
12. In case of “offers for sale by unlisted company promoter shareholding should not be less than _____% of the post issue capital.
- A. 25%
 - B. 15%
 - C. 20%
 - D. None of the above
13. The promoters should bring the full amount of the promoters contribution including premium at least _____day/s prior to the issue opening date.
- A. 30 d.ays
 - B. 21 days
 - C. 1 days
 - D. None of the above
14. When the requirement of promoters contribution is not applicable
- A. Public issue of securities which has been listed on a stock exchange for at least 3 years and has a track record of dividend payable for at least 3 immediate preceding years,
 - B. companies where no identifiable promoter or promoter group exists,
 - C. rights issues
 - D. all of the above
15. The locked in securities can't be pledged as collateral securities for loan with banks or FF is provided the pledge of shares is one of the term of sanction of loan.
- A. True
 - B. False
16. What is the lock in period for sweat equity shares?
- A. 3 years from the date of allotment
 - B. 2 years from the date of allotment
 - C. 30 days from the date of allotment



D. None of the above

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Answer Sheet Chapter 2

1	A	32	C	63	B	94	C	125	A
2	B	33	C	64	A	95	C	126	B
3	A	34	C	65	B	96	A	127	B
4	B	35	A	66	A	97	A	128	C
5	A	36	D	67	A	98	A	129	C
6	A	37	A	68	A	99	C	130	A
7	C	38	A	69	B	100	D	131	A
8	A	39	A	70	B	101	C	132	D
9	D	40	A	71	B	102	A	133	C
10	A	41	B	72	B	103	B	134	A
11	B	42	A	73	A	104	B		
12	C	43	A	74	C	105	C		
13	C	44	A	75	B	106	A		
14	D	45	A	76	B	107	A		
15	A	46	B	77	B	108	B		
16	A	47	B	78	D	109	B		
17	B	48	A	79	B	110	A		
18	A	49	A	80	A	111	B		
19	A	50	A	81	C	112	B		
20	A	51	A	82	A	113	A		
21	C	52	A	83	A	114	B		
22	A	53	B	84	B	115	A		
23	A	54	A	85	B	116	C		
24	A	55	D	86	B	117	C		
25	A	56	A	87	B	118	A		
26	A	57	B	88	A	119	B		
27	C	58	B	89	B	120	C		
28	C	59	A	90	A	121	B		
29	A	60	C	91	B	122	B		
30	A	61	A	92	A	123	B		
31	B	62	A	93	C	124	A		



Chapter-4

Government Securities Market

17. Which of the following issue is on yield basis?
- A. The coupon is pre-determined and the bidders quote price per Rs.100 face value of the security at which they desire to purchase the security.
 - B. The coupon of the security is decided is own auction and security carries the same coupon till maturity.
 - C. RBI determines the maximum rate of yield or the minimum offer price as the case may be.
 - D. None of the above
18. Which of the following issue is on the basis of bids received?
- A. The coupon is pre-determined and the bidders quote price per Rs.100 face value of the security at which they desire to purchase the security.
 - B. The coupon of the security is decided is own auction and security carries the same coupon till maturity.
 - C. RBI determines the maximum rate of yield or the minimum offer price as the case may be.
 - D. None of the above
19. . If bids quoted higher than the maximum rate of yield or lower than the minimum price, the such bids are_____
- A. Accepted
 - B. Rejected
 - C. Freezed
 - D. None of the above
20. At whose discretion, Allocation of securities are to non competitive bidders are made?
- A. SEBI
 - B. RBI
 - C. Companies Act,1956
 - D. None of the above
21. At a price higher than the weighted average price arrived at on the basis of the competitive bids accepted at the auction.
- A. True
 - B. False
 - C.
22. The National amount of securities that would be allocated to retail investors on non competitive basis is restricted to a maximum_____% of the aggregate nominal amount



of the issue.

- A. 10%
- B. 15%
- C. 25%
- D. 5%

23. For what period tap sales may be extended?

- A. 11 days
- B. 21 days
- C. 1 day
- D. 30 days

24. . On what basis new securities in conversion of maturing treasury bills be issued?

- A. Auction basis
- B. Pre announced coupon basis
- C. Both A & B
- D. Either of A & B



Answers sheet Chapter 4

1	A	25	C	49	A	73	C
2	A	26	D	50	C	74	D
3	A	27	B	51	A	75	B
4	C	28	A	52	D	76	C
5	B	29	C	53	A	77	C
6	B	30	D	54	D	78	B
7	A	31	A	55	D	79	D
8	B	32	A	56	A	80	B
9	D	33	C	57	C	81	B
10	A	34	B	58	B	82	B
11	C	35	D	59	D	83	D
12	B	36	A	60	C	84	C
13	D	37	B	61	D	85	C
14	B	38	D	62	C	86	A
15	C	39	A	63	B	87	A
16	A	40	C	64	C	88	C
17	B	41	C	65	B	89	D
18	C	42	A	66	A	90	D
19	B	43	C	67	B	91	A
20	B	44	D	68	D	92	D
21	A	45	A	69	C	93	C
22	D	46	B	70	C	94	D
23	C	47	B	71	D		
24	D	48	B	72	A		



Chapter-7
Mathematics and statistics

7. Standard Deviation is used as a proxy measure for risk of a security?
- A. True
B. False
8. Security a gives a return of 14% with a dispersion of 6% while B gives a return of 20% with a dispersion of 7% what security is more risk?
- A. A
B. B
9. Higher the variability, lesser is the risk
- A. True
B. False
10. Where Beta is one it indicates?
- A. Security has more unavoidable risk or is more volatile than market a whole.
B. Security has less systematic risk or is less volatile than market
C. The volatility of section on the security is same as the market
D. None of the above
11. When Beta is more than 1, it indicates?
- A. Security has more unavoidable risk or is more volatile than market a whole.
B. Security has less systematic risk or is less volatile than market
C. The volatility of section on the security is same as the market
D. None of the above
12. When Beta is less than 1, it indicates
- A. Security has more unavoidable risk or is more volatile than market a whole.
B. Security has less systematic risk or is less volatile than market
C. The volatility of section on the security is same as the market
D. None of the above
13. What is the portfolio return, if expected returns for the three assets such as A,B and C are 15%,12% and 10% assuming that the amount of investment made in these asset are Rs.10,000 Rs,20,000 and Rs.30,000 respectively. Calculate weighted expected return?



- A. 15
- B. 12
- C. 10
- D. 11.50

14. Using CAPM model, find the return required on the investment If $R_f=8\%$, $\beta_s=1.2$, $R_m=12\%$

- A. 16.8%
- B. 18%
- C. 12.8%
- D. 205

15. .Using CAPM model, find the return required on the investment If $R_f= 6\%$, $\beta_s=1.6$, $R_m=10\%$

- A. 12.4%
- B. 15%
- C. 11%
- D. 16%



Answer Sheet Chapter 7

1	B	30	B	47	C
2	C	31	C	48	D
3	A	32	C	49	C
4	C	33	A	50	C
5	C	34	B	51	B
6	A	35	B	52	D
7	A	36(I)	C	53	B
8	A	36(II)	B	54	B
9	B	36(II)	A	55	A
10	C	36(IV)	D	56	A
11	A	36(V)	C	57	B
12	C	36(VI)	D	58	C
13	D	36(VII)	B	59	A
14	C	36(VIII)	A	60	B
15	A	36(IX)	C	61	A
16	B	37(I)	A		
17	B	37(II)	B		
18	B	37(III)	C		
19	C	37(IV)	A		
20	D	37(V)	B		
21	D	38	A		
22	D	39	B		
23	A	40	C		
24	B	41	A		
25	D	42	B		
26	A	43	A		
27	C	44	C		
28	B	45	C		
29	C	46	A		



Sample Paper 1

1. The following are participants in the securities markets _____.
 - A. Debenture Trustees
 - B. Venture Capital Funds
 - C. All of the above

2. The securities markets have the following category (ies) of participant (s) _____.
 - A. issuers of securities
 - B. investors in securities
 - C. intermediaries
 - D. All of the above

3. In private placement, issuance is done to _____.
 - A. more than 50 persons
 - B. less than 100 persons
 - C. less than 50 persons
 - D. less than 10 persons

4. Which entity provides novation : _____.
 - A. NSCCL
 - B. NSE
 - C. NSDL
 - D. CDSL

5. _____ deals with issue, allotment and transfer of securities and various aspects relating to company management.
 - A. Companies Act, 1956
 - B. Depositories Act, 1996
 - C. Capital Issues (Control) Act, 1947
 - D. None of the above

6. _____ envisages transfer of ownership of securities electronically by book entry without making the securities move from person to person.
 - A. Companies Act, 1956
 - B. Depositories Act, 1996
 - C. Capital Issues (Control) Act, 1947
 - D. None of the above



7. A company making a public issue of securities has to file a draft prospectus with ____.
- A. RBI
 - B. SEBI
 - C. Ministry of Finance
 - D. None of the above
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.
- A. True
 - B. False
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
- A. 50%
 - B. 15%
 - C. 20%
 - D. 30%



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



Sample Paper 2

8. A trading member has the following position in a particular security TELCO:
- | Client | Buy Quantity | Sell Quantity |
|--------|--------------|---------------|
| A. | 5200 | 1000 |
| B. | 3000 | 500 |
| C. | 2000 | 5600 |
| D. | 0 | 4800 |
9. The difference between primary markets and secondary markets is _____.
- A. Corporates raise resources directly from the investors through the primary market, whereas in the secondary markets, investors buy and sell securities to one another
 - B. Primary markets deal in shares whereas secondary markets in debentures
 - C. Primary markets are legal whereas secondary markets are not
 - D. The initial public issues are made in primary market whereas all subsequent issues are made in the secondary markets
10. Which of the following is not a speculative transaction?
- A. a contract in respect of stocks and shares entered into by a dealer or investor therein to guard against loss in his holdings of stocks and shares through price fluctuations
 - B. a contract entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss arising in ordinary course of business
 - C. a contract entered into by a person to guard against loss through future price fluctuations in respect of his contracts for actual delivery of goods manufactured by him or merchandise sold by him
 - D. none of the above is speculative transactions
11. Assume security A with a beta of 1.1 is being considered at a time when risk free rate of return is 5% and market return is expected to be 14%. What is the required rate of return according to Capital Asset Pricing Model?
- A. 18.9
 - B. 21.9
 - C. 14.9
 - D. 16.9
12. Which one of the following is NOT an immediate measure taken by NSCCL in case a member fails to meet any obligation?
- A. Squares up open positions.



- B. Reduces exposure limits.
C. Uses trade guarantee fund to discharge his obligations.
D. Disables trading terminal until member's obligations are fully discharged
13. Stock price of XYZ Ltd. is trading at Rs.60. The firm is expected to declare dividend of Rs.6 per share and is expected to grow at rate of 12per cent per year. What is the cost of equity under dividend growth model?
- A. 22%
B. 20%
C. 18%
D. 12%
14. S&P CNX Nifty includes _____most liquid stocks that trade on NSEIL.
- A. 50
B. 30
C. 500
D. 100
15. Register of transactions (Sauda Book) shall be preserved for a period of ____ years by the stock broker as per the Securities Contracts (Regulation) Rules, 1957.
- A. 7
B. 5
C. 6
D. 10
16. An order which is activated when a price crosses a limit is _____ in F&O segment of NSEIL.
- A. Market order
B. Fill or kill order
C. Stop loss order
D. None of the above



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



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