

UNIT-III CHAPTER 7

STOCK EXCHANGE

INTRODUCTION

The organized and regulated financial market where the securities like bonds, shares etc are bought and sold at prices governed by the forces of demand and supply is known as the stock exchange. It is also called as Stock Market or Share Market. The stock exchanges are the convenient places where trading in securities is conducted in a systematic manner as per the rules and regulations. This chapter deals with the various functions and useful services by the stock exchanges.

I. CHOOSE THE CORRECT ANSWERS

- _____ is the oldest stock exchange in the world.
a) London Stock Exchange
b) Bombay Stock Exchange
c) National Stock Exchange
d) Amsterdam Stock Exchange
- There are _____ stock exchange in the country.
a) 21 b) 24 c) 20 d) 25
- Stock exchange deal in
a) Goods b) Services
c) Financial Securities d) Country's Currency
- Stock exchange allow trading in _____
a) All types of shares of any company
b) Bonds issued by the Government
c) Listed Securities
d) Unlisted Securities
- Jobbers transact in a stock exchange _____.
a) For their Clients b) For their Own Transactions
c) For other Brokers d) For other Members
- A pessimistic speculator is _____.
a) Stag b) Bear
c) Bull d) Lame Duck
- An optimistic speculator is _____.
a) Bull b) Bear c) Stag d) Lame duck

- A bull operator believes in _____.
a) Increase in Prices b) Decrease in Prices
c) Stability in Prices d) No change in Prices

- _____ Means the price at which securities are bought and sold are recorded and made public.
a) Market Quotations
b) Trade Quotations
c) Business Quotations
d) Buyers Quotations

- The rules and regulations of Stock exchange is framed by _____ guide lines.
a) RBI b) Central Government
c) SEBI d) BSE

ANSWERS

1	a)	2	a)	3	c)	4	c)	5	b)
6	b)	7	a)	8	a)	9	a)	10	c)

II. VERY SHORT ANSWER QUESTIONS:

- What is meant Stock Exchange?**
 - ❖ Stock Exchange is an organized market for the purchase and sale of industrial and financial security.
 - ❖ It is also called as Stock Market or Share Market.
 - ❖ It is a convenient place where trading in securities is conducted in a systematic manner, as per certain rules and regulations.

2. Define Stock Exchange.

The Indian Securities Contracts (Regulation) Act of 1956, defines Stock Exchange as, "An association, organization or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities."

3. Write any 5 Stock Exchanges in India.

- ❖ Bombay Stock Exchange (BSE)
- ❖ National Stock Exchange of India (NSE)
- ❖ Calcutta Stock Exchange (CSE)
- ❖ Madras Stock Exchange(MSE)
- ❖ United Stock Exchange of India

4. What is meant by Remisier?

- ❖ It is the word derived from French which means "An Intermediary".
- ❖ A remisier who is also known as a Commissioned Dealers Representative is an agent of stock broking company.
- ❖ They receive a commission for each transaction handled as compared with an employee who received a fixed monthly salary.

5. Who is called a Broker?

- ❖ A broker is a person or a firm who arranges transactions between a buyer and a seller for a commission when the deal is executed.
- ❖ Sometimes the broker will also act as a seller or as a buyer becomes a principal party to the deal.

6. What are the types of Speculator?

The following are the types of Speculators.

- ❖ Bull
- ❖ Bear
- ❖ Stag
- ❖ Lame Duck

7. What is meant by Commodity Exchange?

- ❖ A stock exchange is an exchange where commodities are traded.
- ❖ Tradable commodities fall into the following categories:
 - Metals (e.g gold, silver, copper)
 - Energy (e.g crude oil, natural gas)
 - Agricultural (e.g rice, wheat,cocoa)
 - Livestock and Meat (e.g. live cattle, lean hog)

8. Mention the Recent Development in Stock Exchange?

- ❖ At present the structure of stock market in India has undergone a vast change due to liberalization process initiated by the Government.
- ❖ A number of new structures have been added to the existing structure of the Indian Stock Exchange.
- ❖ E.g – National Stock Market System(NSMS)

9. What is the stock trading time in India?

- ❖ The normal trading time for equity market is between 9.15 am to 3.30pm
- ❖ The trading time for Commodity market is between 10.00 am to 11.30 pm
- ❖ The normal trading time for Agri-community market is between 10.00 am to 5.00 pm.
- ❖ The stock market in India will be closed on Saturdays & Sundays.
- ❖ It is also closed during the national holidays.

10. Explain Dalal Street.

- ❖ Dalal Street is an area in downtown Mumbai, India.
- ❖ The largest stock exchange in India i.e: The Bombay Stock Exchange is situated here.
- ❖ It was named as Dalal Street after the Bombay Stock Exchange moved to the area in 1874 and became the first stock exchange recognized by the Indian Government
- ❖ The literal translation of Dalal in Marathi is a broker or intermediary.
- ❖ Today, Dalal Street is a metonym for the entire Indian financial sector much like Wall Street in the United States.

III. SHORT ANSWER QUESTIONS:

1. What are the limitations of Stock exchange?

The limitations of stock exchange are as follows

- i. Lack of uniformity and control of stock exchanges.
- ii. Absence of restriction on the membership of stock exchanges.
- iii. Failure to control unhealthy speculation.
- iv. Allowing more than one charge in the place.
- v. Non-insistence of margin requirement in stock exchange or in the case of produce exchanges.

- vi. No proper regulation of listing of securities on the stock exchange.

2. Explain Bull and Bear.

BULL:

- ❖ A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- ❖ In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future.
- ❖ He is called bull because just like a bull tends to throw his victim up in the air, the bull speculator stimulates the price to rise.
- ❖ He is an optimistic speculator.

BEAR:

- ❖ A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.
- ❖ A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future.
- ❖ A bear usually presses its victim down to ground. Similarly the bear speculator tends to force down the prices of securities.
- ❖ A bear is a pessimistic speculator.

3. Explain Stag and Lame Duck.

STAG:

- ❖ A stag is a cautious speculator in the stock exchange.
- ❖ He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.
- ❖ He selects those companies whose shares are in more demand and are likely to carry a premium.
- ❖ He sells the shares before being called to pay the allotment money.
- ❖ He is also called a premium hunter.

LAME DUCK:

- ❖ When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.

- ❖ A bear speculator contracts to sell securities at a later date.
- ❖ On the appointed time he is not able to get the securities as the holders are not willing to part with them.
- ❖ In such situations, he feels concerned.
- ❖ Moreover, the buyer is not willing to carry over the transactions.

4. Explain National Stock Market System. (NSMS)

National Stock Market System (NSMS)

- ❖ National stock market system was advocated by the - High Powered Group on the Establishment of New Stock Exchanges headed by Shri.M.J.Pherwani (popularly known as Pherwani Committee).
- ❖ At present the National Stock Market in India comprises the following:
 1. National Stock Exchange of India Limited (NSE)
 2. Stock Holding Corporation of India Limited (SHCIL)
 3. National Clearing and Depository System (NCDS)
 4. Securities Trading Corporation of India (STCI)
 5. National Securities Depository Limited (NSDL)

5. Explain National Stock Exchange. (NSE)

- ❖ NSE was incorporated in November, 1992.
- ❖ It is a country wide, screen based, online and order driven trading system.
- ❖ It uses satellite link to spread trading throughout the country thereby connecting members scattered all over the India.
- ❖ Through computer network, member's orders for buying and selling within prescribed price are matched by central computer with each other and instantly communicate to the trading member.
- ❖ NSE has two segments, i.e., Debt segment and Capital segment.
- ❖ It has ushered in transparent, screen based and user friendly trading of global standards.
- ❖ It has revolutionised stock trading in India.

IV. LONG ANSWER QUESTIONS:

1. Explain the functions of Stock Exchange. (Any 5)

1. Ready and Continuous Market:

- ❖ Stock Exchange is, in fact, a market for existing securities.
- ❖ If an investor wants to sell his securities, he can easily and quickly dispose them off on a stock exchange.
- ❖ This easy marketability of securities increases their liquidity (conversion of securities into cash easily and quickly) and consequently raises their value.

2. Correct Evaluation of Securities

- ❖ The prices at which securities are bought and sold are recorded and made public.
- ❖ These prices are called "market quotations".
- ❖ One can easily evaluate the worth of one's securities on the basis of these quotations.
- ❖ The lender can easily assess the worth of security offered for loan.

3. Protection to Investors

- ❖ All dealings in a stock exchange are in accordance with well-defined rules and regulations.
- ❖ For example, brokers cannot charge higher rate of commission for their services.
- ❖ Any malpractice will be severely punished.
- ❖ Stock exchange provides reasonable measure of safety and fair dealing in buying and selling of securities.

4. Proper Channelization of Capital

- ❖ People like to invest in the shares of such companies which yield good profits.
- ❖ The savings of individuals are directed towards promising companies which declare good dividends over a period of time.

5. Aid to Capital Formation

- ❖ The publicity which the stock exchange gives to various industrial securities and their prices and the facilities provided by it for their

purchase and sale induce people to save and invest.

- ❖ Stock exchanges thus ensure a steady flow of capital into industry and assists industrial development.

2. Explain the features of Stock Exchange. (Any 5)

1. Market for Securities

Stock exchange is a market, where securities of corporate bodies, government and semi-government bodies are bought and sold.

2. Deals in Second Hand Securities

- ❖ It deals with shares, debentures bonds and such securities already issued by the companies.
- ❖ Since it deals with the second hand securities it is known as secondary market.

3. Regulates Trade in Securities

- ❖ Stock exchange does not buy or sell any securities on its own account.
- ❖ It merely provides the necessary infrastructure and facilities for trade in securities to its members and brokers who trade in securities.
- ❖ It regulates the trade activities so as to ensure free and fair trade.

4. Allows Dealings only in Listed Securities

- ❖ Stock exchanges maintain an official list of securities that could be purchased and sold on its floor.
- ❖ Securities which do not figure in the official list of stock exchange are called unlisted securities.
- ❖ Such unlisted securities cannot be traded in the stock exchange.

5. Association of Persons

- ❖ A stock exchange is an association of persons or body of individuals which may be registered or unregistered.

3. Explain the Benefits of Stock Exchange.

A. Benefits to the Community

i. Economic Development

It accelerates the economic development by ensuring steady flow of savings into productive purposes.

ii. Fund Raising Platform

It enables the well-managed, profit-making companies to raise limitless funds by fresh issue of shares from time to time.

iii. Tools to Divert Resources

Scarce resources are thus diverted to efficiently run enterprises for better utilization.

iv. Capital Formation

It encourages capital formation.

v. Fund Raiser for Government

It enables Government to raise funds for undertaking projects through sale of securities on the stock exchange. Thus stock exchange serves as a platform for raising public debt.

B. Benefits to the Company

i. Enhances Goodwill or Reputation

Companies whose shares are quoted on a stock exchange enjoy greater goodwill and credit standing.

ii. Wide Market

There is a wide and ready market for such securities.

iii. Raises huge funds

Stock Exchange can raise huge funds easily by issue of shares and debentures.

iv. Increases bargaining strength

Companies whose shares rise in the stock exchange command higher bargaining power in the event of further expansion, merger or amalgamation.

C. Benefits to Investors

i. Liquidity

Stock exchange helps an investors to convert his shares into cash quickly and thus increases the liquidity of his investments.

ii. Adding collateral value of security

The fact that a security is dealt on a stock exchange makes it a good collateral security for obtaining loan from banks.

iii. Investor protection

The stock exchange safeguards, investor's interest and ensures fair dealing by strictly enforcing its rules and regulations.

iv. Assessing real worth of security

An investor can easily assess the real worth of securities in his hands, as market quotations are published daily in the newspapers and in websites.

v. Mechanism to trade security

Stock Exchange provides a mechanism by which purchase and sale of listed securities take place in a matter of few minutes.

4. Distinguish between Stock Exchange and Commodity Exchange

Sl.No	Nature of Difference	Stock Exchange	Commodity Exchange
1.	Meaning	Stock Exchange (also called Stock Market or Share Market) is one important constituent of capital market. Stock Exchange is an organized market for the purchase and sale of industrial and financial security. It is convenient place where trading in securities is conducted in a systematic manner i.e. as per certain rules and regulations.	A commodity exchange is an exchange where commodities are traded. Tradable commodities fall into the following categories. Metals (e.g. gold, silver, copper) Energy (e.g. crude oil, natural gas) Agricultural (e.g. rice, wheat, cocoa) Livestock and meat (e.g. live cattle, lean hog)
2.	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities
3.	Object	Object is facilitating capital formation and making best use of capital resources	Object is facilitating goods flow through risk reduction

4.	Participants	Investors and Speculators	Producers, dealers, traders and a body of speculators.
5.	Period of dealings	Cash, ready delivery and dealings for account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings
6.	Articles Traded	Industrial securities such as stocks and bonds and government securities.	Only durable, graded and goods having large volume of trade, price uncertainty and uncontrolled supply
7.	Speculation	Speculation ensures saleability of securities affording a broad, ready, liquid and continuous market of securities.	Speculation ensures assumption and absorption of
8.	Forward contract	Forward dealings are simplified as securities are fully standardized	Standards are to be fixed for deliverable grades to facilitate futures
9.	Cornering	As seller has to deliver the agreed securities, cornering is easy	Cornering is difficult as the seller has option to deliver standard or other deliverable
10.	Price Quotation	As regards forward dealings, only one quotation is possible	For future dealings, multiple quotations

5. Explain Lombard Street and Wall Street.

Lombard Street:

- ❖ Lombard Street, London, is a street notable for its connections with the City of London's merchant, banking and insurance industries, stretching back to medieval times.
- ❖ From Bank junction, where nine streets converge by the Bank of England, Lombard Street runs southeast for a short distance before bearing left into a more easterly direction, and terminates at a junction with Grace Church Street and Fenchurch Street.
- ❖ Its overall length is 260 meters.
- ❖ It has often been compared with Wall Street in New York City.

Wall Street:

- ❖ Wall Street is a street in lower Manhattan that is the original home of the New York Stock Exchange and the historic headquarters of the largest U.S. brokerages and investment banks.
- ❖ The term Wall Street is also used as a collective name for the financial and investment

community, which includes stock exchanges and large banks, brokerages, securities and underwriting firms, and big businesses.

- ❖ Today, brokerages are geographically diverse, allowing investor's free access to the same information available to Wall Street's tycoons.

ADDITIONAL QUESTIONS:

I. CHOOSE THE CORRECT ANSWERS

1. **Amsterdam Stock Exchange was established in the year ____.**

a) 1602
b) 1702

c) 1802
d) 1902
2. **The first stock exchange was established in the year ____.**

a) 1947
b) 1957

c) 1998
d) 1988

- 3. Most popular stock exchange in the world is _____.**
 a) Tokyo Stock Exchange
 b) Singapore Stock Exchange
 c) Dubai Stock Exchange
 d) London Stock Exchange
- 4. The prices at which securities are bought and sold and made public is known as _____.**
 a) Market Quotations b) Skimming Price
 c) Market Prices d) None of the above
- 5. The Interconnected Stock Exchange of India Limited has been promoted by _____ regional stock exchanges in the country.**
 a) 20 b) 25
 c) 45 d) 15
- 6. _____ are the security merchants dealing in shares, debentures as independent operators.**
 a) Jobbers b) Brokers
 c) Both A & B d) None
- 7. A _____ is a cautious speculator in the stock exchange.**
 a) Lam Duck b) Bull
 c) Bear d) Stag
- 8. Which of the following is correct?**
 a) Bull speculator is also known as Tejiwala
 b) Bear speculator is also known as Mandiwala
 c) Both A & B
 d) None
- 9. The government of India enacted the Depositories Act in the year _____.**
 a) 1996 b) 1986
 c) 1886 d) 1896
- 10. _____ is the index of the stocks in Bombay Stock Exchange.**
 a) SENSEX b) NIFTY
 c) STTI d) None
- 11. The literal translation of Dalal in Marathi is _____.**
 a) Broker b) Intermediary
 c) Both A & B d) None
- 12. What is the full form of SENSEX?**
 a) Sensitivity Index b) Stock Index
 c) Securities Index d) None
- 13. Which stock exchange is also called as Big Board?**
 a) New York Stock Exchange
 b) Bombay Stock Exchange
 c) Delhi Stock Exchange
 d) Tokyo Stock Exchange
- 14. Orders that are transacted at best available prices are classified as _____.**
 a) Post Order b) Available order
 c) Market order d) None
- 15. Which of the following might you see roaming a stock market?**
 a) Goats b) Cows
 c) Mice d) Bulls
- 16. Which of the following term is used to describe a payout made to shareholders representing the share of a corporation's profit?**
 a) Profit b) Interest
 c) Dividend d) None
- 17. In options Market, the right to sell a security is called as _____.**
 a) Put Option b) Call Option
 c) Sell Option d) None
- 18. In options market, the right to buy a security is known as _____.**
 a) Put Option b) Call Option
 c) Sell Option d) None
- 19. Jobbers are also called as _____ in India.**
 a) Tejiwala b) Mandiwala
 c) Taravaniwala d) None
- 20. _____ does not perform economic function.**
 a) Speculation b) Gambling
 c) Both a & b d) None

ANSWERS									
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
a	b	d	a	d	a	d	c	a	a
11.	12.	13.	14.	15.	16.	17.	18.	19.	20.
c	a	a	c	d	c	a	b	c	b

21. Assertion (A): When a company earns profit prior to its incorporation, it is called capital profit.

Reason (R): Capital profit cannot be used for distribution as dividend to the shareholders.

In the context of the above statements, which one of the following is correct?

Codes:

- (A) (A) is correct, but (R) is wrong.
- (B) Both (A) and (R) are correct.
- (C) (A) is wrong, but (R) is correct.
- (D) Both (A) and (R) are wrong

22. Assertion (A): Dividend paid out of pre-acquisition profit by the subsidiary company to the holding company is deducted from the cost of investment.

Reason (R): Dividend paid out of pre-acquisition profit by the subsidiary company should be treated as a return of capital to the holding company.

Which one of the following is correct?

- (A) Both (A) and (R) are correct.
- (B) (A) is correct, but (R) is wrong.
- (C) (A) is wrong, but (R) is correct.
- (D) Both (A) and (R) are wrong.

23. Assertion (A): A company should pay minimum dividend to its shareholders.

Reason (R): Dividends are heavily taxed than capital gains.

Codes:

- (A) Both (A) and (R) are correct.
- (B) Both (A) and (R) are incorrect.
- (C) (A) is not correct, but (R) is correct.
- (D) (A) is correct, but (R) is wrong.

24. Assertion (A): Stock exchange helps an investor to convert his shares into cash quickly.

Reason(R): Stock Exchange is an organized market for the purchase and sale of industrial and financial security.

Codes:

- (A) Both (A) and (R) are correct.
- (B) Both (A) and (R) are incorrect.
- (C) (A) is not correct, but (R) is correct.
- (D) (A) is correct, but (R) is wrong.

25. Assertion (A): Gold, Silver, Oil, Natural Gas Agriculture are tradable commodities under commodity exchange.

Reason(R) : A commodity exchange is an exchange where commodities are traded.

Codes:

- (A) Both (A) and (R) are correct.
- (B) Both (A) and (R) are incorrect.
- (C) (A) is not correct, but (R) is correct.
- (D) (A) is correct, but (R) is wrong.

ANSWERS									
21	b	22	a	23	a	24	a	25	a

II. VERY SHORT ANSWER QUESTIONS:

1. What is meant by future market?

A future market is an auction market in which participants buy and sell commodity and future contracts for delivery on a specified future date.

2. What is meant by Gambling in share market?

- ❖ Gambling means to play at any game of chance of stakes.
- ❖ To stake or risk money, or anything of value, on the outcome of something involving chance.
- ❖ It accentuates fluctuations in price.
- ❖ It is unethical and illegal.
- ❖ It does not perform economic function.

III. SHORT ANSWER QUESTIONS:

1. What is meant by NIFTY?

- ❖ The word Nifty originates from 2 words, "National" and "Fifty".
- ❖ Nifty means the index of the 50 most actively traded stocks from across all sectors.
- ❖ Nifty consists of top 50 companies from 24 different sectors.
- ❖ On NSE futures and options are available for trading with the Nifty as an underlying index.
- ❖ Nifty is calculated by using the market capitalization weighted method according to which weights are assigned according to the size of the company.

2. Write a note on Jobbers:

- ❖ Jobbers are security merchants dealing in shares, debentures as independent operators.
- ❖ They buy and sell securities on their own behalf and try to earn through price changes.
- ❖ Jobbers can not deal on behalf of public and are barred from taking commission.
- ❖ In India they are called Taravaniwalas.

3. How do Stock exchanges protect the investors?

- ❖ All the dealings in a stock exchange are in accordance with well-defined rules and regulations.
- ❖ For example, brokers can not charge higher rate of commission for their services.
- ❖ Any malpractice will be severely punished.
- ❖ Thus stock exchange provides reasonable measure of safety and fair dealing in buying and selling of securities.

4. Write short notes on Stock Holding Corporation of India Limited (SHCIL)

- ❖ The Stock Holding Corporation of India Ltd (SHCIL) is committed to speed up trading, clearance and settlement services for securities and monetary instruments.
- ❖ SHCIL came into being in 1986.
- ❖ SHCIL is the first depository participant registered with SEBI and acts as an agent of the National Securities Depository.
- ❖ It started its actual operations in 1988.
- ❖ It has its head office in Bombay, and its branch

network covers Kolkatta, Delhi and Chennai.

5. Write short notes on Securities Trading Corporation of India (STCI)

- ❖ The Reserve Bank of India set up Securities Trading Corporation of India Limited (STCI) in May 1994, under the provisions of the Indian Companies Act, 1956, jointly with public sector banks and All-India financial institutions.
- ❖ The main objective of establishing the Corporation was to foster the development of an active secondary market for Government securities and bonds issued by public sector undertakings.
- ❖ It had an authorized and paid-up capital of Rs. 500 crores of which, RBI contributed 50.18 percent.
- ❖ The RBI in December 1997 divested part of its equity in STCI in favor of the Bank of India, an existing shareholder of the Company.

6. Write short notes on National Clearance and Depository System (NCDS)

- ❖ This system was created chiefly to help overcome the problem of settlement and clearance of transactions consequent to enormous workload on the clearing agencies and share transfer agencies.
- ❖ The problems mainly arose out of systematic risk like counter party risk, credit risk, bad deliveries, long delayed delivery, counterfeit scrips, and forged scrips.

7. Write short notes on National Securities Depository Limited (NSDL)

- ❖ The Government of India enacted the Depositories Act in August 1996, paving the way for setting up of depositories in India.
- ❖ Thus, pioneering the concept of depositories and ushering in an era of paperless settlement of securities.
- ❖ National Securities Depository Ltd (NSDL) was inaugurated as the first depository in India on November 8, 1996.
- ❖ Trading in dematerialized securities on the National Stock Exchange (NSE) commenced in December 26, 1996.
- ❖ The Bombay Stock Exchange, (BSE) also extended the facility of trading in dematerialized securities from December 29, 1997.

8. Write short notes on SENSEX

- ❖ Sensex is an index of the stocks in BSE (Bombay Stock Exchange).
- ❖ Sensex has a list of 30 stocks. BSE decides the stocks that are to be listed on Sensex.
- ❖ The criteria for picking a stock to be listed on Sensex is volume of the trade of that stock and total volume of the stock in BSE.
- ❖ Based on the above said factors, BSE regularly prepares a set of 30 stocks which will be together called as SENSEX.
- ❖ BTW Sensex means sensitive Index Now each stock is allotted a weight-age according to a criteria and the criteria also keeps on changing with time.
- ❖ So now stocks are normally traded in BSE each day and price of stocks is determined according to demand and supply

9. Write short notes on Future Market

- ❖ A Future market is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date.
- ❖ Examples of futures markets are the New York Mercantile Exchange, the Kansas City Board of Trade, the Chicago Mercantile Exchange, the Chicago Board of Options Exchange and the Minneapolis Grain Exchange.
- ❖ Originally, trading was carried on through open yelling and hand signals in a trading pit, though in the 21st century, like most other markets, futures exchanges are mostly electronic.

10. Write short notes on option Market

- ❖ An 'Option' is a type of security that can be bought or sold at a specified price within a specified period of time, in exchange for a non-refundable upfront deposit.
- ❖ An options contract offers the buyer the right to buy, not the obligation to buy at the specified price or date.
- ❖ Options are a type of derivative product.
- ❖ The right to sell a security is called a 'Put Option', while the right to buy is called the 'Call Option'.

IV. LONG ANSWER QUESTIONS:**1. Write a note on stock trading timings in India.**

- ❖ There are two major stock exchanges in India- Bombay stock exchange (BSE) and National stock exchange (NSE).
- ❖ the timing of both BSE & NSE is the same.
- ❖ the stock market in India is closed on weekends i.e. Saturday and Sunday.
- ❖ It is also closed on the national holidays. The normal trading time for equity market is between 9:15 a.m to 03:30 p.m, Monday to Friday.
- ❖ The trading time for commodity (MCX) market is between 10:00 a.m. to 11:30 a.m. Monday to Friday.
- ❖ The normal trading time for Agri-community (NCDEX) market is between 10:00 a.m. to 05:00 p.m.
- ❖ Monday to Friday. In addition, there is no lunch break or tea break in the Indian stock market timings.
- ❖ The timings of the Indian stock market are divided into three sessions:
 1. Normal session (also called continuous session)
 2. Pre-opening session
 3. Post-closing session

2. What are the types of Speculator? Explain Types of Speculators

- ❖ Speculators in a stock market are of different types. They carry their names depending on their motive of trading in the stock exchange.
- ❖ They are named after animals as their behavior could be compared best with the behavior of animals.

Bull

- ❖ A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- ❖ In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future.
- ❖ He is called bull because just like a bull tends to throw his victim up in the air, the bull speculator stimulates the price to rise. He is an optimistic speculator.

Bear

- ❖ A bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.
- ❖ A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future.
- ❖ A bear usually presses its victim down to ground.
- ❖ Similarly the bear speculator tends to force down the prices of securities.
- ❖ A bear is a pessimistic speculator.

Stag

- ❖ A stag is a cautious speculator in the stock exchange.
- ❖ He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.

- ❖ He selects those companies whose shares are in more demand and are likely to carry a premium.
- ❖ He sells the shares before being called to pay the allotment money. He is also called a premium hunter.

Lame Duck

- ❖ When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.
- ❖ A bear speculator contracts to sell securities at a later date.
- ❖ On the appointed time he is not able to get the securities as the holders are not willing to part with them.
- ❖ In such situations, he feels concerned. Moreover, the buyer is not willing to carry over the transactions.