

1. Which is not included in a Registration statement?
 - a) Background of the issuer
 - b) Amount of money to be raised
 - c) Background of the investor
 - d) Use of proceeds
2. Which of the following is a non exempt security from the process of registering with SEC?
 - a) U.S. Government Securities
 - b) Agency Securities
 - c) Private Bond Issue
 - d) Municipal Securities
3. Blue Sky Law deals with
 - a) State securities registration
 - b) Federal Securities Registration
 - c) Global securities registration
 - d) All of the above
4. Few Issuer Benefits of accessing International Capital is/are
 - a) Expanding shareholder base across geographical location
 - b) Greater Liquidity
 - c) Both a & b
 - d) Lesser Liquidity
5. Who among the following are the legal owners of the company?
 - a) Bond holders
 - b) Common stock holders
 - c) Preferred stock holders
 - d) All of the above
6. Which among the following is **NOT** a feature of the common stock?
 - a) Ownership
 - b) Voting rights
 - c) Dividends
 - d) Fixed capital appreciation
7. Issued stock – Treasury stock = -----
 - a) Preference shares
 - b) Promoter holdings
 - c) Outstanding shares
 - d) Institutional holdings
8. Risk and Expected Returns in increasing order:
 - a) Common Stock, Bond, Preferred Shares
 - b) Preferred Shares, Bond, Common Stock
 - c) Bond, Common Stock, Preferred Shares
 - d) Bond, Preferred Shares, Common Stock
9. If a company ABC is with 10,000,000 outstanding shares is currently trading at \$25 a share and earnings over the last 12 months were \$10,000,000. The industry P/E ratio is 20. Which of the following is most likely correct for the company ABC?

P/E

ABC stocks are

- | | |
|-------|-------------|
| a) 1 | Overvalued |
| b) 1 | Undervalued |
| c) 25 | Overvalued |
| d) 25 | Undervalued |

10. The shares created by repurchase or buyback from shareholders are called

- a) Treasury Stocks
- b) Corporate Stocks
- c) Common Stocks
- d) Preferred Stocks

11. Which of the following is incorrect with respect to Debt and Equity

	Debt	Equity
A	Fixed maturity date	No fixed maturity date
B	Discretionary payment	Fixed periodic payments
C	First right to assets in case of default	Residual assets
D	Interest Expense	Dividends

12. An investor is holding 100 shares of Google. The treasury shares with the company are 100,000. Google declared dividends of \$10/share. The dividends received by the investor and the Treasury shares would be.

	Investor (\$)	Treasury stocks (\$)
a)	100	1,00,000
b)	1,000	10,00,000
c)	1,000	0
d)	0	10,00,000

13. Which of the following is true?

- a) A bond is the riskiest among all securities
- b) A bond is a risk less security
- c) A share is less riskier than a bond
- d) A bond is comparatively less risky than the other securities

14. A zero coupon bond

- I. Has zero coupon rate
- II. Has zero YTM
- III. Does not give any returns to the investor
- IV. Gives the par value of the bond at maturity

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

15. If you buy a one year maturity bond with a 10% coupon at \$950 with \$1000 as par value, what is the yield?

- a) 10.00%
- b) 15.79%
- c) 15.69%
- d) 15.00%

16. Bond's price is _____ to its yield

- a) Directly proportional
- b) Inversely proportional
- c) Not correlated
- d) None of the above

17. Money raised from Mutual Fund can be invested in more than one security Instrument
- True
 - False
18. Dividends distributed through Mutual Funds are available only for
- Equity Funds
 - Bond Funds
 - Cash Investment Funds
 - Balanced Fund
- I, II and IV only
 - IV only
 - I, II and III only
 - All of the above
19. Both NAV and Offer Price remains the same for a particular Mutual Fund. What category does the Mutual Fund belongs to?
- Municipal Bond
 - US Government Treasury Bill
 - No Load Fund
 - Class A Shares
20. BNYM declares non-renouncable rights issue for its existing shareholders in the ratio of 2 for 10 shares held at an offer price of 20\$ each. If the current market price of each share of BNYM is \$28 and If I hold 100 shares and subscribe for rights issue what is the additional shares I would hold and what would be theoretical market price of the BNYM share post issue?
- 120 shares at \$28
 - 20 shares at \$28
 - 20 Shares at \$26.67
 - No change in no. of shares since it is non-renouncable
21. Suppose you buy an asset at \$50 and sell a futures contract at \$53. What is your profit at expiration after closing the positions and the asset price goes to \$49?
- \$1
 - \$4
 - \$4
 - \$3
22. Archit had booked a flat in an apartment complex of similar flats worth \$30 Million by paying a non-refundable deposit of \$3 Million to the builder. The apartment is expected to be delivered in 3 months or the agreement expires. **This deposit is not adjusted against the price of apartment.** At the end of third month, the apartment prices had risen to \$31 Million, will Archit exercise the option and what money Archit will Gain/ Lose?
- Exercise, Gain of \$1 Million
 - Not exercise, Loss of \$1 Million
 - Exercise, Loss of \$2 Million
 - Not Exercise, Loss of \$2 Million
23. If the investor is bullish (anticipates that price will go up) then he should
- sell a call option
 - sell a put option
 - sell a future
 - none of the above
24. Associates in INautix can avail their 20 days quota leave anytime from Jan to Dec in a calendar year is an example of which exercise style?
- London Option
 - American option
 - European Option
 - None of the above

25. A 'naked option' is
- Buy a long position in an asset and have a short position on a call option on the same asset
 - Trading an Option without a position on the underlying security
 - A strategy when investor buys a call and a put option at same strike price
 - None of the above
26. One of the advantages of forward markets is
- The contracts are private and customized
 - Trading is conducted in the evening over computers
 - Performance is guaranteed by the G-30
 - None are correct
27. BNYM declares non-renounceable rights issue for its existing shareholders in the ratio of 2 for 10 shares held at an offer price of \$20 each. If the current market price of each share of BNYM is \$28 and if I hold 100 shares and subscribe for rights issue what is the additional shares I would hold and what would be **theoretical market price** of the BNYM share post issue?
- 120 shares at \$28
 - 20 shares at \$20
 - 20 Shares at \$26.67
 - No change in number of shares since it is non-renounceable
28. Investment advisers who do not give advice as part of their principal business activity need not comply by the Investment Advisers Act
- True
 - False
29. Electric Utility holding organizations are under the direct purview of which act
- Trust Indenture Act of 1939
 - Investment Company Act of 1940
 - Public Utility Holding Company Act of 1935
 - Sarbanes-Oxley Act of 2002
30. Which act regulates the services provided by auditors of a company, apart from auditing?
- Sarbanes-Oxley Act of 2002
 - Trust Indenture Act of 1939
 - Investment Advisers Act of 1940
 - Securities Act of 1933
31. Which of the following statements is *false*?
- New issues are sold in Primary markets
 - Investors trade directly in a secondary market
 - In a call market stocks are traded at a specific time at prices determined by auction
 - In a continuous market, price is determined through auction or bid-ask quote
32. Which of the following is correct for a market maker?
- A market maker is a brokerage firm employee working as an account executive for clients
 - Several market makers are designated to a particular stock depending on the average daily volume
 - Market maker buys and sells securities for a customer
 - Market makers never maintains own inventory of securities for large trades
33. Mark the correct statement:
- A margin account does not require collateral
 - A margin account allows investor to borrow from broker against cash and securities in their account
 - IRA is an Institutional Registered Account
 - Option accounts allow investors to invest in options, bonds and stocks
34. Which of the following is incorrect about type of orders:

- a. A stop order becomes a market order when price reaches or passes a certain point.
 - b. A Stop-Limit order becomes a stop order after Activation
 - c. A market order buys or sells at the best price available.
 - d. A limit order allows buy/sell only at a specified or better price.
- 35. At NYSE, individuals can access the electronic markets and place orders directly.
 - a. True
 - b. False
- 36. As per Classic fee structure, ECN charges a small fee to all market participants using their network
 - a. True
 - b. False
- 37. The clearing function of the clearing corporation is designed to work out:
 - a. what counter parties owe
 - b. what counter parties are due to receive on the settlement date
 - c. Both a & b
 - d. None of the above
- 38. Trades in 'Rolling Segment' of the Clearing & Settlement are settled on:
 - a. Net Basis
 - b. Obligation arising out of every deal is settled separately
 - c. Settlement is not required
 - d. All of the above
- 39. Trade Allocation refers to:
 - a. Routing orders to different exchanges
 - b. Broker allocating trades to different trade/client accounts or portfolios
 - c. Exchange allocating trades to different brokers
 - d. Splitting order into different trades
- 40. What does a 'Dealer' mean?
 - a. A firm or person authorized to sell or buy securities for their own account
 - b. A firm or person authorized to sell or buy securities on behalf of client accounts
 - c. A firm or person authorized to sell or buy securities for their own account and on behalf of the client accounts
 - d. A firm or person authorized to sell or buy securities for the contra party
- 41. Trade Processing involves:
 - a. Recording of executions
 - b. Comparison of trades with contra broker
 - c. Confirmation of trade with client
 - d. All of the above
- 42. What is Re-Hypothecation?
 - a. Clients pledging securities in a margin account to secure a loan from broker.
 - b. Clients pledging securities in a margin account to secure a bank loan.
 - c. The process of releasing hypothecated securities after client paying back the loan amount.
 - d. Broker pledging hypothecated client owned securities in a margin account to secure a bank loan.
- 43. Which of the following statement is false?
 - a. Markup is the difference between the price the security was purchased at and the price the dealer charges to the retail investor
 - b. OTC trades are those which are executed on NYSE
 - c. Dealer takes the ownership of assets, bought in principal capacity, and is exposed to inventory risk.
 - d. Trade-for-Trade settlement follows settlement cycle

44. If a client XYZ sells 100 MSFT @ \$10 each. But on the settlement day if the client is able to deliver only 75 MSFT and the rest exchange buys from the auction market @ \$12 each and delivers to the contra broker. What is the amount XYZ needs to pay to the exchange for defaulting 25 MSFT stocks:
- a. \$300
 - b. \$250
 - c. \$50
 - d. \$120

45. Broker-Dealer XYZ places an order O1 for 100 quantity of MSFT on behalf of client A, Client B, and Client C (50 stocks for client A, 25 stocks for client B, and 25 stocks for client C). Order O1 gets executed in 3 trades:

T1: 50 MSFT @ \$10
T2: 25 MSFT @ \$11
T3: 25 MSFT @ \$12

Broker-Dealer allocates the stocks to the clients A, B, and C in which of the following fashion:

- a) Client A ->50 MSFT @ \$10, B->25 MSFT @ \$11, and C->25 MSFT @ \$12
 - b) Client A ->50 MSFT @ \$10, B->25 MSFT @ \$11.5 , and C->25 MSFT @ \$11.5
 - c) Client A ->50 MSFT @ \$11.5 , B->25 MSFT @ \$11, and C->25 MSFT @ \$12
 - d) Client A ->50 MSFT @ \$10.75, B->25 MSFT @ \$10.75, and C->25 MSFT @ \$10.75
46. Which one of these is NOT a Corporate Action?
- a. Merger
 - b. Spin Off
 - c. IPO
 - d. Stock Dividend
47. Trade Enrichment does NOT include:
- a. Adding Commissions/mark-up or mark down to Trades
 - b. Adding SEC fees
 - c. Taxes and Regulatory Disclosures
 - d. Check for funds availability in the clients account
48. Securities Act of 1933 regulates
- a. The sale of new issues to the public
 - b. Disclosure philosophy
 - c. All new issues to be registered with the SEC unless an exemption applies.
 - d. All of the above
49. SEC reviews registration statement during
- a. Pre Registration Period
 - b. Post Registration Period
 - c. Cooling Off period
 - d. Silent Period
50. A group of syndicates form an underwriter.
- a. True
 - b. False
51. In a Firm Commitment Underwriting, syndicate purchases entire issue and attempts to resell to the public.
- a. True
 - b. False
52. Who among the following would get fixed dividend payment?
- a. Preferred stock holders
 - b. Common stock holders
 - c. Board of Directors
 - d. Promoters

53. The product of total number of shares of a company and its share price at a given point of time is called as ----- of that company

- a. Capital appreciation
- b. Capital formation
- c. Market Capitalization
- d. Capital structure

54. Shareholder's Equity is equal to

- a) Liabilities - Assets
- b) Assets – Liabilities
- c) Liabilities + Assets
- d) Assets * Liabilities

55. A company has issued 10,000,000 shares with a face value of \$10 and the current market price of shares being \$100; a 5-for-2 stock split would impact the Share price and number of company's outstanding shares as follows:

	Stock Price (in \$)	Outstanding Shares
a)	40	25,000,000
b)	50	20,000,000
c)	250	4,000,000
d)	100	10,000,000

56. Which of the following is incorrect

- a. Board of directors are agents between Management and the shareholders
- b. Board of directors are appointed by the shareholders
- c. Management appoints Board of directors
- d. Dividend payout is decided by the Board of Directors in annual meeting.

57. Which of the following is incorrect

- a. Double taxation is applicable for Corporations in the USA
- b. Corporations have life of 100 years
- c. In corporation, shareholders have limited liability
- d. Corporation has all legal rights as an individual

58. Which of the following is unfavorable event for the stock market

- a. High economic growth predicted
- b. Investor friendly budget
- c. Stable government
- d. Economic crisis

59. I buy bonds to acquire ownership of the company.

- a. True
- b. False

60. Who among the following can issue a bond?

- I. US Treasury
 - II. State Municipalities and agencies
 - III. An informal group of people
 - IV. Foreign Governments
- a) I and IV
 - b) I, II, and III
 - c) I and II
 - d) I, II and IV

61. Which of these is not a bond rating agency?

- a. Standard & Poor's
- b. Moody's
- c. Equifax
- d. Fitch

62. A 2 year maturity bond with YTM 12%, coupon 10% and par value \$1000 is being offered at \$970 today. This bond being offered at _____
- Discount
 - Premium
 - At par
 - None of the above
63. You are buying a bond with an intention of selling it after a year. Do you hope that the interest rates:
- fall
 - rise
 - remain same
 - doesn't matter
64. There is always assured guarantee for returns from Mutual Fund. Its independent of Market fluctuations and Investor's money would only grow.
- True
 - False
65. Returns from the Mutual Funds can be rated as
- Growth > Blue Chip > Income
 - Large Cap > Mid Cap > Small Cap
 - Index Fund > International Fund > Sector Fund
 - Based on Investor's Buy Price
- IV only
 - II only
 - I and IV only
 - III and IV only
66. Municipal Bonds and Security Bonds are issued by US Federal Government and are exempt from Federal Income Tax.
- True
 - False
 - True, but depends on Entry load and Exit load
 - True, but depends on NAV and Offer Price
67. Front Load is 3%. Exit Load is 1%. Mutual Fund was offered at \$10. What is the profit/loss incurred, if it's redeemed now at NAV of \$10?
- \$0.40 Profit
 - \$0.50 Loss
 - \$0.10 Loss
 - \$0.40 Profit
68. Price of NAV is computed during
- Throughout the day
 - Pre-Market Hours
 - Market Hours
 - Post-Market Hours
69. Archit had booked a flat in an apartment complex of similar flats worth \$30 million by paying a non-refundable deposit of \$3 million to the builder. The flat is expected to be delivered in 3 months. **This deposit is not adjusted against the price of apartment.** In the above case, what Option Archit had entered it with the builder?
- Long Put
 - Short Call
 - Short Put
 - Long Call

70. Which of the following are issued to existing shareholders to maintain their current share holding percentage?
- Rights
 - Warrants
 - Options
 - Forwards
71. Which of the following contract terms is NOT set by the futures exchange?
- the price
 - the deliverable commodities
 - the dates on which delivery can occur
 - the expiration months
- I, II and IV only
 - None of the above
 - I, II and III only
 - All of the above
72. Archit had booked a flat in an apartment complex of similar flats worth \$30 million by paying a non-refundable deposit of \$3 million to the builder. The flat is expected to be delivered in 3 months. This deposit is not adjusted against the price of apartment.
- If the apartment prices had crashed to \$28 million, what will Archit do and how much he will loose or gain in this case?
- Let the option expire to lose \$2 million
 - Let the option expire to lose \$3 million
 - Exercise the option to Gain \$1 million
 - Exercise the option to lose \$5 million
73. The objective(s) to regulate the financial industry is(are) –
- To better manage the cross-border markets, that exist today
 - Participate in discussions involving international standards and best practices development
 - Increasing the attractiveness, development and safety of working in Financial market
 - All of the above
74. What is the challenge to the Regulatory Competition strategy?
- Adequate regulatory standards are not maintained to attract investors
 - Investors will participate only in those markets which have sufficient regulatory protections
 - Institutions and persons subject to regulation are allowed to move from one regime to another
 - Corporate issuers will only participate in markets where the burden of regulatory compliance is reasonable
75. Which act ensures that the investor is protected in case the Broker-Dealer firm fails?
- Investment Advisers Act of 1940
 - Investment Company Act of 1940
 - Trust Indenture Act of 1939
 - Securities Investor Protection Act of 1970
76. Analyst should be allowed to interact and aid in the profit maximization of the Investment Banking wing of their consultancy firm
- True
 - False
77. Which of the following is correct about OTC markets?
- Serve small markets only
 - Operates as order-driven market where buyers and sellers submit bids and dealer sells stock from exchange's inventory
 - Operates as auction market where buyers and sellers are driven by price

- d. NASDAQ is used as quotation system for OTC market in US
78. A custodian manages a customer's account by settling trades, collecting incomes and advising clients on stock investments.
- True
 - False
79. A short position indicates securities sold by the investor without holding that security
- True
 - False
80. Which of the following is NOT a function of an exchange?
- Stock Exchange provides advisory function to investors regarding the listed companies
 - The Stock Exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public
 - Stock exchange creates investment opportunities for small investors
 - Stock exchange works as a barometer of the economy.
81. Which of the following is true:
- NASDAQ is owned and operated by NYSE
 - NASDAQ quotes are available only 2 levels
 - NASDAQ does not allow pre and post-market trading
 - The Super Montage system allows anonymous order
82. Which of the following is incorrect about ECNs:
- ECNs primarily trade in stocks and currencies
 - Unmatched orders on ECN are posted on the network for other subscribers to view
 - Through credit fee structure, ECNs provide credit to liquidity removers and charge debit to liquidity providers
 - ECNs are registered as brokers/dealers with SEC
83. Settlement is the process which involves legal transfer of:
- Funds
 - Securities
 - Both a & b
 - None of the above
84. Which of the following statement, pertaining to trading, is correct?
- Settlement happens before clearing of trades
 - Clearing and Settlement happen at the same time
 - Clearing and Settlement should happen on T-Day
 - Clearing happens before Settlement
85. Order Ticket gives the following information:
- Purchase or Sale, Type of Order, Clearing Member Identifier
 - Security, Exchange Identifier, Quantity
 - Type of Order, Broker Identifier, Solicitation or Unsolicitation
 - Purchase or Sale, Exchange Identifier, Long or Short Sale
86. What is an Order?
- It's an instruction to buy or sell securities
 - It's a potential business
 - Both a & b
 - Order is bunch of trades
87. What is Regulation T?
- For Initial Margin, one can borrow up to 50% of the purchase price of securities that can be purchased on margin.
 - For Initial Margin, dealers can't do margin trading using clients' funds.

- c. For Initial Margin, brokers can't do margin trading using clients' funds.
- d. For Initial Margin, individuals or firms can't trade securities worth more than 1 million \$ in a single day

88. Factors determining Order Routing:

- a. Speed, Liquidity and Cost
- b. Client preference and Cash availability
- c. Regulation T and Margin Trading
- d. All of the above

89. Which of the following statement is correct?

- a. Both rolling settlement and trade-for-trade settlement follow same settlement calendar
- b. Both rolling settlement and trade-for-trade settlements follow different settlement calendar
- c. Rolling settlement is for the securities whose price is greater than 100\$
- d. Trade-for-trade settlement is for the securities which are less risky.

90. A client ABC holding a margin account with Broker-Dealer XYZ, wants to buy following stocks:

- i. 100 MSFT @ \$10
- ii. 50 GE @ \$5

What is the minimum amount that the client ABC needs to maintain with broker-dealer XYZ for placing the above orders?

- a) \$1250.00
- b) \$937.50
- c) \$2250.00
- d) \$625.00

91. Which of these is NOT a function of Stock Recording Department?

- a. Recording positions
- b. Tracking movements
- c. Auditing positions
- d. Placing Orders

92. Which of the following is NOT part of Order Capture Stage?

- a. Check for correctness of order information like Order Type, Security, and Account Number
- b. Check for funds availability in the clients account
- c. Check for eligibility of account for this type of order
- d. None of the above

93. Market price of Bank A tanked from \$24 on Sep-1-2008 to \$0.2 on Dec-1-2008. What is the Corporate action Bank A is likely to come up?

- a. Stock Split
- b. Reverse Split
- c. Spin Off
- d. Stock Dividend

94. If an investor paid \$5 for a put option with an exercise price of \$58 that is in-the-money \$2, the price of the underlying is closer to:

- a) 51
- b) 60
- c) 56
- d) 65

95. Calculate the "Underwriting spread" with the given details:
- Stock value of ABC at IPO was \$110 per share
 - ABC gave it at \$100 per share to the underwriter, Citi
 - ABC listed on exchange at \$100 per share
 - The issue size was 1million shares and was oversubscribed by 10 times
- \$100,000,000
 - \$98,000,000
 - \$10,000,000
 - \$110,000,000
96. Reebok started the year with total assets of \$50,000 and total liabilities of \$40,000. During the year the business recorded \$105,000 in revenues, \$55,000 in expenses. Stockholders' equity at the end of the year was
- \$60,000.
 - \$90,000.
 - \$50,000.
 - \$110,000
97. A company has issued a floating rate note with a coupon rate equal to the three-month Libor + 65 basis points. Interest payments are made every quarterly on 31 March, 30 June, 30 September, and 31 December. On 31 March and 30 June, the three month Libor is 1.55% and 1.35% respectively. The coupon rate for the interest payment made on 30 June is:
- 2.20%
 - 1.55%
 - 2.00%
 - 1.35%
98. An investor buys a call Option contract of stock A with Spot Price of underlying security is \$ 102, Strike Price is \$ 100 and Premium is \$4. On Expiry of the Option the Spot price is \$108. Net profit for the Investor is ____
- \$ 8
 - \$ 6
 - \$ 2
 - \$ 4
99. Consider the following example; purchased equipment on Nov 1 for \$50,000 with an immediate cash payment of \$20,000 and the rest payable in one months' time. Analyze the different accounts affected in the accounting equation in the example.
- Assets (+ Equipment \$50,000 – Cash \$20,000) = Liabilities (\$50,000) + Owners Equity (\$0)
 - Assets (+ Equipment \$50,000) = Liabilities (\$30,000) + Owners Equity (\$20,000)
 - Assets (+ Equipment \$50,000 – Cash \$20,000) = Liabilities (\$30,000) + Owners Equity (0)
 - Assets (\$0) = Liabilities (- \$50,000) + Owners Equity (\$50,000)
100. A trader enters into a short position of 20 futures contracts at an initial futures price of \$85.00. Initial margin, per contract is \$7.50. Maintenance margin, per contract is \$7.00. Each contract is for one unit of the underlying asset. Over the next three days, the contract settles at \$86.00, \$84.25, and \$85.50, respectively. Assuming the trader does not withdraw any funds from his/her margin account during the period, but does post variation margin sufficient to meet any maintenance margin calls, the balance in the margin account will be:
- \$150.00 at initiation and \$150.00 at settlement on Day 3
 - \$150.00 at initiation and \$160.00 at settlement on Day 3
 - \$140.00 at initiation and \$150.00 at settlement on Day 3
 - None of the above

