

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

- a) True
- b) False

18. Dividends distributed through Mutual Funds are available only for

- I. Equity Funds
- II. Bond Funds
- III. Cash Investment Funds
- IV. Balanced Fund

- a) I, II and IV only
- b) IV only
- c) I, II and III only
- d) All of the above

Use the following information for questions 19 through 21

Year ago, Rich bought 100 units each from Growth Fund, Blue Chip Fund and Income Fund at NAV \$10, no-load funds. Currently NAV are listed at \$15, \$13, \$10.5. Dividends are declared after current NAV for the first time for Blue Chip at 25% and Income Fund at 30%.

19. For Rich, Most Profitable Fund is

- a) Growth Fund
- b) Blue Chip fund
- c) Income Fund
- d) Growth Fund

20. After Dividends are announced, the NAV would fall by the amount, which has been declared

- a) True
- b) False
- c) Not Necessarily, depends on Fund
- d) True, except for Blue Chip

21. When I purchased NAV at \$10 year ago, 12B-1 Fee would have been deducted only after my first dividend and trailing commission fee deducted before NAV was offered to Rich.

- a) True
- b) False

22. Both NAV and Offer Price remains the same for a particular Mutual Fund. What category does the Mutual Fund belongs to?

- a) Municipal Bond
- b) US Government Treasury Bill
- c) No Load Fund
- d) Class A Shares

23. 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?

- a) 120 shares at \$28
- b) 20 shares at \$28
- c) 20 Shares at \$26.67
- d) No change in no. of shares since it is non-renouncable

24. 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?

- a) -\$1
- b) \$4
- c) -\$4
- d) \$3

25. 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
26. 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

Use the following information for questions 27 through 29

The investor has bought the following options

- Type – Call, Strike price – 100, Premium paid - 5
- Type – Put, Strike price – 100, Premium paid - 5

27. What does he gain/lose if the stock is trading at 100 at expiry?
- 10
 - 10
 - 0
 - None of the above
28. What does the investor gain/lose if the stock is trading at 110 at expiry?
- 10
 - 10
 - 0
 - None of the above
29. What does the investor gain/lose if the stock is trading at 80 at expiry?
- 10
 - 10
 - 0
 - None of the above
30. 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
31. 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
32. 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

33. 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?
- a) 120 shares at \$28
 - b) 20 shares at \$20
 - c) 20 Shares at \$26.67
 - d) No change in number of shares since it is non-renounceable
34. Investment advisers who do not give advice as part of their principal business activity need not comply by the Investment Advisers Act
- a) True
 - b) False
35. Electric Utility holding organizations are under the direct purview of which act
- a) Trust Indenture Act of 1939
 - b) Investment Company Act of 1940
 - c) Public Utility Holding Company Act of 1935
 - d) Sarbanes-Oxley Act of 2002
36. Which act regulates the services provided by auditors of a company, apart from auditing?
- a) Sarbanes-Oxley Act of 2002
 - b) Trust Indenture Act of 1939
 - c) Investment Advisers Act of 1940
 - d) Securities Act of 1933
37. Which of the following statements is *false*?
- a) New issues are sold in Primary markets
 - b) Investors trade directly in a secondary market
 - c) In a call market stocks are traded at a specific time at prices determined by auction
 - d) In a continuous market, price is determined through auction or bid-ask quote
38. Which of the following is correct for a market maker?
- a) A market maker is a brokerage firm employee working as an account executive for clients
 - b) Several market makers are designated to a particular stock depending on the average daily volume
 - c) Market maker buys and sells securities for a customer
 - d) Market makers never maintains own inventory of securities for large trades
39. Mark the correct statement:
- a) A margin account does not require collateral
 - b) A margin account allows investor to borrow from broker against cash and securities in their account
 - c) IRA is an Institutional Registered Account
 - d) Option accounts allow investors to invest in options, bonds and stocks
40. 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.
41. At NYSE, individuals can access the electronic markets and place orders directly.
- a) True
 - b) False
42. As per Classic fee structure, ECN charges a small fee to all market participants using their network
- a) True
 - b) False

43. 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
44. 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
45. 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
46. 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
47. 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
48. 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.
49. 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
50. 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

51. 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
52. Which one of these is NOT a Corporate Action?
- a) Merger
 - b) Spin Off
 - c) IPO
 - d) Stock Dividend
53. 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
54. 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
55. SEC reviews registration statement during
- a) Pre Registration Period
 - b) Post Registration Period
 - c) Cooling Off period
 - d) Silent Period
56. A group of syndicates form an underwriter.
- a) True
 - b) False
57. In a Firm Commitment Underwriting, syndicate purchases entire issue and attempts to resell to the public.
- a) True
 - b) False
58. Who among the following would get fixed dividend payment?
- a) Preferred stock holders
 - b) Common stock holders
 - c) Board of Directors
 - d) Promoters
59. 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
60. Shareholder's Equity is equal to

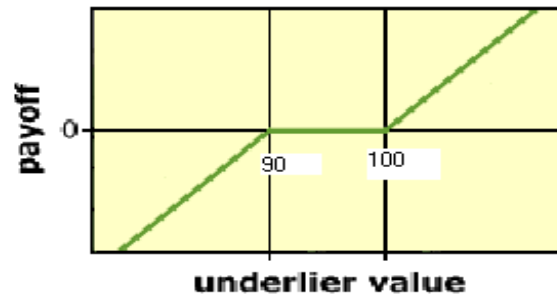
- a) Liabilities - Assets
 - b) Assets – Liabilities
 - c) Liabilities + Assets
 - d) Assets * Liabilities
61. A company has issued 10,000,000 shares with a face value of \$10 and the current market price of shares being \$100; a 5-for-2 stock split would impact the Share price and number of company's 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 |
62. 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.
63. 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
64. 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
65. I buy bonds to acquire ownership of the company.
- a) True
 - b) False
66. 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
67. Which of these is not a bond rating agency?
- a) Standard & Poor's
 - b) Moody's
 - c) Equifax
 - d) Fitch
68. 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 _____
- a) Discount
 - b) Premium
 - c) At par
 - d) None of the above
69. You are buying a bond with an intention of selling it after a year. Do you hope that the interest

rates:

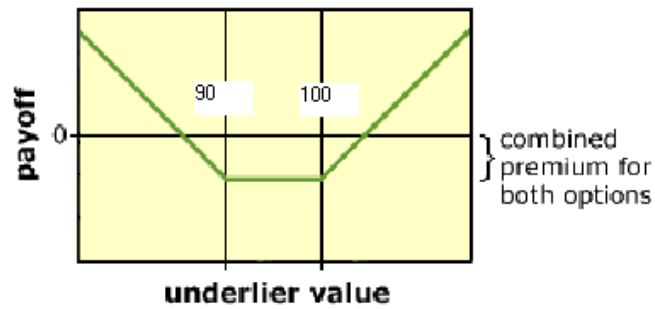
- a) fall
 - b) rise
 - c) remain same
 - d) doesn't matter
70. There is always assured guarantee for returns from Mutual Fund. Its independent of Market fluctuations and Investor's money would only grow.
- a) True
 - b) False
71. Returns from the Mutual Funds can be rated as
- I. Growth > Blue Chip > Income
 - II. Large Cap > Mid Cap > Small Cap
 - III. Index Fund > International Fund > Sector Fund
 - IV. Based on Investor's Buy Price
- a) IV only
 - b) II only
 - c) I and IV only
 - d) III and IV only
72. Municipal Bonds and Security Bonds are issued by US Federal Government and are exempt from Federal Income Tax.
- a) True
 - b) False
 - c) True, but depends on Entry load and Exit load
 - d) True, but depends on NAV and Offer Price
73. 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?
- a) \$0.40 Profit
 - b) \$0.50 Loss
 - c) \$0.10 Loss
 - d) \$0.40 Profit
74. Price of NAV is computed during
- a) Throughout the day
 - b) Pre-Market Hours
 - c) Market Hours
 - d) Post-Market Hours
75. 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?
- a) Long Put
 - b) Short Call
 - c) Short Put
 - d) Long Call
76. Which of the following are issued to existing shareholders to maintain their current share holding percentage?
- a) Rights
 - b) Warrants
 - c) Options
 - d) Forwards

77. If an investor buys a call option at strike price 100 and a put option at 90, what will the payout curve look like?

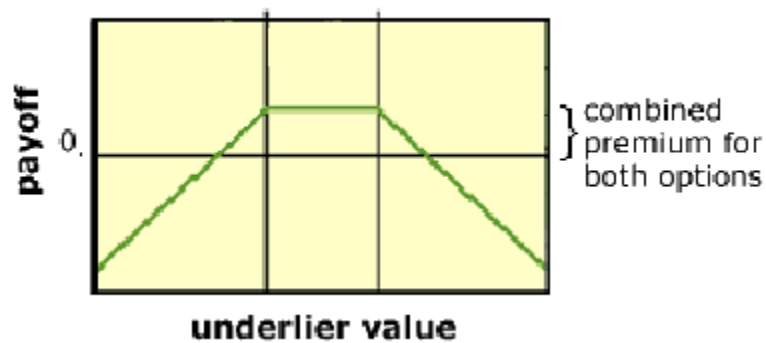
a)



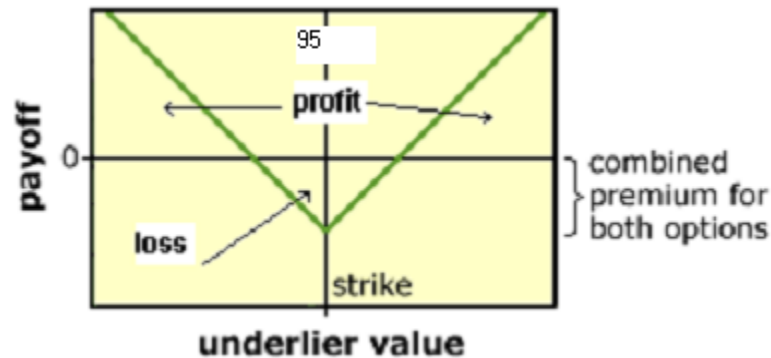
b)



c)



d)



78. 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
79. 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
80. 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
81. 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
82. 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
83. Analyst should be allowed to interact and aid in the profit maximization of the Investment Banking

wing of their consultancy firm

- a) True
- b) False

84. Which of the following is correct about OTC markets?
- a) Serve small markets only
 - b) Operates as order-driven market where buyers and sellers submit bids and dealer sells stock from exchange's inventory
 - c) Operates as auction market where buyers and sellers are driven by price
 - d) NASDAQ is used as quotation system for OTC market in US
85. A custodian manages a customer's account by settling trades, collecting incomes and advising clients on stock investments.
- a) True
 - b) False
86. A short position indicates securities sold by the investor without holding that security
- a) True
 - b) False
87. Which of the following is NOT a function of an exchange?
- a) Stock Exchange provides advisory function to investors regarding the listed companies
 - b) The Stock Exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public
 - c) Stock exchange creates investment opportunities for small investors
 - d) Stock exchange works as a barometer of the economy.
88. Which of the following is true:
- a) NASDAQ is owned and operated by NYSE
 - b) NASDAQ quotes are available only 2 levels
 - c) NASDAQ does not allow pre and post-market trading
 - d) The Super Montage system allows anonymous order
89. Which of the following is incorrect about ECNs:
- a) ECNs primarily trade in stocks and currencies
 - b) Unmatched orders on ECN are posted on the network for other subscribers to view
 - c) Through credit fee structure, ECNs provide credit to liquidity removers and charge debit to liquidity providers
 - d) ECNs are registered as brokers/dealers with SEC
90. Settlement is the process which involves legal transfer of:
- a) Funds
 - b) Securities
 - c) Both a & b
 - d) None of the above
91. Which of the following statement, pertaining to trading, is correct?
- a) Settlement happens before clearing of trades
 - b) Clearing and Settlement happen at the same time
 - c) Clearing and Settlement should happen on T-Day
 - d) Clearing happens before Settlement
92. Order Ticket gives the following information:
- a) Purchase or Sale, Type of Order, Clearing Member Identifier
 - b) Security, Exchange Identifier, Quantity
 - c) Type of Order, Broker Identifier, Solicitation or Unsolicitation
 - d) Purchase or Sale, Exchange Identifier, Long or Short Sale
93. What is an Order?

- a) It's an instruction to buy or sell securities
 - b) It's a potential business
 - c) Both a & b
 - d) Order is bunch of trades
94. What is Regulation T?
- a) For Initial Margin, one can borrow up to 50% of the purchase price of securities that can be purchased on margin.
 - b) 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
95. 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
96. 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.
97. 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
98. Which of these is NOT a function of Stock Recording Department?
- a) Recording positions
 - b) Tracking movements
 - c) Auditing positions
 - d) Placing Orders
99. 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
100. 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