

## Assignment 2

1) explain stock market

Ans. The stock market, also known as the equity market or share market, is a centralized marketplace where investors buy and sell shares or ownership stakes in publicly traded companies. It is a vital component of the financial system, facilitating the allocation of capital and enabling companies to raise funds for growth and expansion.

Key aspects of the stock market:

1) Publicly traded companies: The stock market primarily deals with shares of publicly traded companies. These are companies that have issued shares to the public and are listed on stock exchanges, allowing investors to buy and sell those shares.

2) Stock exchanges: Stock exchanges serve as organized marketplaces where buyers and sellers come together to trade stocks. Examples of well-known stock exchanges include the New York Stock Exchange (NYSE), NASDAQ, London Stock Exchange, and Tokyo Stock Exchange. Stock exchanges provide a transparent and regulated platform for trading securities.

3) Stock prices and valuation: The stock market determines the prices of stocks through the interaction of supply and demand.

The stock market plays a crucial role in capital formation, as it allows companies to raise funds for investment and expansion. It provides individuals and institutional investors with opportunities to participate in the growth and profitability of companies. Additionally, the stock market serves as a barometer of economic conditions and investor sentiment, making it an essential indicator for economic analysis and forecasting.

2)

Explain the functions of stock market

Ans:

1) Capital Formation: One of the primary functions of the stock market is to facilitate capital formation. Companies can raise capital by issuing shares to the public through initial public offerings (IPOs) or subsequent offerings.

2) Liquidity Provision: The stock market provides liquidity to investors by creating a secondary market for buying and selling shares. Investors who hold shares can easily convert their investments into cash by selling them on the stock exchange.

3) Price Discovery: The stock market serves as a platform for price discovery, reflecting the collective assessment of investors regarding the value of companies and their prospects. The interaction of supply and demand in the stock market determines the prices at which shares are traded.

4) Risk Sharing: The stock market allows investors to diversify their investment portfolios and share risks. By purchasing shares of different companies across various industries, investors can spread their investment risk.

5) Investment Opportunities: The stock market offers a wide range of investment opportunities to individuals and institutional investors. Investors can choose from different types of stocks, such as blue-chip stocks, growth stocks, dividend-paying stocks, or small-cap stocks, based on their risk tolerance, investment objectives, and time horizon.

3) Notes on Bombay stock exchange

Ans: The BSE was established in 1875 as the Native Share and Stock Brokers' Association, making it the oldest stock exchange in Asia. It is located in Mumbai, formerly known as Bombay, hence the name Bombay Stock Exchange. The BSE operates under the regulatory framework of the Securities and Exchange Board of India (SEBI). SEBI regulates and supervises the functioning of the stock exchanges in India to ensure fair trading practices, investor protection, and market integrity. The BSE has several indices that serve as benchmarks for the Indian stock market.

o get listed on the BSE, companies need to meet certain criteria set by the exchange. These criteria include financial performance, market capitalization, track record, and corporate governance standards. Listing on the BSE provides companies with access to capital from investors and enhances their visibility in the market.

The BSE operates through an electronic trading platform known as the BSE Online Trading (BOLT) system. It facilitates efficient and transparent trading of securities. The BOLT system ensures order matching, trade execution, and price discovery in a real-time environment. The BSE has made efforts to expand its international presence and attract foreign investors. It has established the BSE International Exchange at GIFT City in Gujarat, which allows trading in global financial products like equity derivatives, currency derivatives, and commodity derivatives.

The BSE is a key component of the Indian financial system and plays a crucial role in the capital market ecosystem. It provides a platform for companies to raise capital, facilitates liquidity and price discovery, and contributes to the overall economic growth and development of India.



4)

Notes on national stock exchange

Ans:

The NSE was incorporated in 1992 and commenced operations in 1994. It was established as a demutualized electronic exchange to provide a transparent and efficient trading platform for various financial instruments. The NSE operates under the regulatory framework of the Securities and Exchange Board of India (SEBI). SEBI regulates and supervises the functioning of the stock exchanges in India to ensure fair trading practices, investor protection, and market integrity. The NSE has several widely followed indices that serve as benchmarks for the Indian stock market. The most prominent index is the Nifty 50, which represents the performance of the top 50 companies listed on the exchange. The NSE also has sector-specific indices like Nifty Bank, Nifty IT, Nifty Pharma, and others.

The NSE operates on an electronic trading platform known as the National Exchange for Automated Trading (NEAT) system. It is a fully automated trading system that enables seamless order routing, order matching, and trade execution. The NEAT system ensures transparency, efficiency, and real-time price discovery.