FINANCIAL MARKETS AND INSTITUTIONS17UEC411

K1 LEVEL

UNIT I

1. ________________ can be referred to as those centres and arrangements which facilitate buying and selling of financial assets, claims and services.

a) Financial asset **b) Financial markets**

c) Cash d) Others

2. A__________ is one which is used for production or consumption or for further creation of assets.

a) Financial asset b) Financial markets

c) Cash d) Others

3. The financial markets are classified into_________

a) 2 b) 3 c) 4 d) 5

4. The term______________ includes all kinds of organizations which intermediate and facilitate financial transactions of both individuals and corporate customer.

a) Financial asset b) Financial markets

c) Financial intermediaries d) Others

5. Financial intermediaries are classified into__________

a) 2 b) 3 c) 4 d) 5

6. The following one is a financial asset____

a) Gold b) Silver

c) Share d) Equity

7. Which one of the following is a cash asset?

a) Deposit created out of loans

b) Share

c) Bond

d) Post office certificate

8) Capital market deals with

a) Short term securities **b) Long term securities**

c) Short term & Long term securities d) All the above

9) Capital market divided into______________

a) 3 b) 4

c) 2 d) None of the above

10) Capital market instruments are

a) Debentures b) Commercial paper

c) Certificate of deposits d) Treasury bills

11. The component of a capital market is :

a) Treasury bill market

b) Government securities market

c) Commercial bill market

d) (a)and (b) together

12) Capital market instruments are

a) Equity shares b) Commercial paper

c) Certificate of deposits d) Treasury bills

13. Government bond is:

a) Short-term security

b) Long-term security

c) Medium-term security

d) Either short-term or long-term security

14. Capital market intermediaries mainly provide

a) Short-term fund

b) Long-term fund

c) Medium-term security

d) Others

15.____________is issued by business organizations for the purpose of raising their fixed capital.

a) Gold b) Silver

c) Stock d) Equity

16. ________________ is issued by a variety of organizations for the purpose of raising their debt capital.

a) Stock b) Share

c) Debt asset d) Equity

17.______________entails a fixed repayment schedule with regard to interest and principal

a) Stock b) Share

c) Debt capital d) Equity

18. Organized markets are standardized_______and ______governing their financial dealings.

a) Rules and Regulations b) Rules and Restrictions

a) Roles and Regulations a) None of the above

19. The financial market is classified into_______and__________.

a) Capital and money **b) Organized and Unorganized**

c) Primary and secondary d) Others

20. Who are the players in the Unorganized market?

a) Moneylenders, indigenous bankers, traders and public

a) Moneylenders, indigenous bankers, traders and public

a) Moneylenders, indigenous bankers, traders and public

a) Moneylenders, indigenous bankers, traders and public

UNIT II

1) Primary market deals with

a) New securities b) Old securities

c) New & old securities d) All the above

2) Expand IPO

a) Introduction public offering

b) Initial private offering

c) Initial public offering

d) Initial public operation

3) Public issues involves on_________

a) Brokers b) Bankers

c) Intermediaries d) None of the above

4) Rights shares are offered to____________shareholders

a) New **b) Existing**

c)Old d) All the above

5) To be appointed as registrar, registration with__________is essential

a) Sign **b) Seal**

c) Authority d) All the above

6)_________is the suitable method where small companies issue shares

a) Placement **b**) Order

c) Place d) Selling

7)______________is a process of admitting securities for trading on a recognized stock exchange

a) Order b) Old

c) Trading **d) Listing**

8) The direct sale of securities to investors is called____

a) Private placement b) Placement c) Private d) Others

9) SEBI is

a. Regulatory Authority

b. Statutory Authority

c. Both (a) and (b)

d. None of these

10) __________ work of investigator, analysis and processing of new project proposal

a) Distribution **b) Origination**

c) Underwriting d) Others

11) How many types of underwriters in India

a) 3 b) 4 **c) 2** d) 1

12) Find the non institutional underwriters.

a) SBI, RBI b) Commercial banks

c) LIC, UTI, IDBI, ICICI d) Others

13) ___________ is function of sale of securities to ultimate investors

a) Underwriting **b) Distribution**

c) Origination d) Others.

14) Expand SEBI

a) Stock exchange board of india

b) Securities exchange board of india

b) Stock export bank of india

b) Stock exchange board of industry

15) The number of shares which are less than the market lot are called____________

a) Lot b) Odd

c) Odd lots d) Bull

16. An underwriting agreement may take ____________forms

a) 2 b) 4 **c) 3** d) 1

17. Underwriting is jointly done by a group of underwriters in this method_______

a) Consortium method b) Outright purchase

c) Standing behind the issue d) Others

18. ___________consists in outright sale of securities through the intermediary of issue houses or share brokers.

a) Offer for sale **b**) Order

c) Place d) Selling

19. A private placement deal can be successfully executed much faster than a_________

a) Public offering **b**) Order

c) Place d) Selling

20. The issue expenses in case of private placement is______

a) Low b) High

c) Medium d) Selling

UNIT III

1) Securities contracts regulation act

a) 1956 b) 1946 c) 1936 d) 1926

2) Stock exchanges are privately organized markets which are used to facilitated trading in

a) Securities b) Bonds C) Funds D) Capital

3) Stock market occupies a pivotal position in the

a) Financial System b) Indian system c) Economic System d) All The Above

4) Stock exchange mobiles the saving of the public and promote investment through

a) Capital Formation

b) Working Capital

c) Leverage

d) None of the above

5) Expand NSE

a) National Share Earnings

b) National Stock Exchange

c) None Stock Exchange

d) All The Above

6) Expand OTCEI

a) Over The Counter Exchange Of India

b) Over The Exchange Of India

c) Over The Counter Of India

d) None Of The Above

7) Expand BSE

a) Bombay stock exchange b) Based share exercise

b) Bombay stock engagement d) All the above

8) Listing of securities means that the securities are admitted for trading on

a) Recognized stock exchange

b) Mutualised stock exchange

c) Listed stock exchange

d) All the above

9) The listed share are generally divided in to _______ category

a) 3 b) 4 **c) 2** d)1

10) _________ shares represent large and well established companies having a broad investor base.

a) Group B shares b) **Group A shares**

b) Group C shares d) None of the above

11) The price of listed securities are quoted _______ in the market

a) Weekly b)Yearly

c) **Daily** d) Above all

12) A broker is none other than a _______

a) Intermediater **b) Commission agent**

c) Members d) Others

13) The broker should register his name as a broker with the __________

a) BSE b) NSE

c) SEBI d) All

14) The importance function of a broker is to execute his client's orders_________

a) Selling and buying **b) Swiftly and carefully**

c) Share and receive d) None of the above

15) Big brokers transact their business through their__________

a) Trader b) Members

c) Authorized clerks d) Above all

16) A ____________ is an active member in the BSE

a) Jobbers b) Brokers

c) Clerks` **d) Tarawaniwalas**

17) A __________ is a professional independent broker who deals in securities on his own behalf.

a) Jobbers b) Brokers

c) Clerks` d) Tarawaniwalas

18) A ___________ is nothing but a brokers

a) Jobbers **b) Commission brokers**

c) Clerks d) Traders

19) Authorised clerks are given ______________ to act on behalf of brokers

a) Power of attorney b) Power of authority

c) Power of strength d) Others

20) Expand BOLT

a) Buy online trading **b) Bombay online trading**

c) Bombay trading d) All the above

UNIT IV

1) Money market is a market for____________

a)Long term loans **b) Short term loans**

c) Medium term loans d) None of the above

2) Money market is a market for-----------------and-----------------of short term funds

a) Sending Receiving b) Buying selling

c) Lending borrowing d) None of the above

3) Money market funds for a period of ____________

a) Erecting one year b) Not receding one year

c) More them one year d) Not at all

4) Money market supplies funds for financing____________ of industries and short period requirements of the governs

a) Current business operations working capital requirements

b) Working capital requirements

c) Resource allocation

d) Current business operations

5) The money market instrument is:

a) Bond b) Debenture

c) Stock certificate d**) Certificate of deposit**

6) The market for short-term loans is known as:

a) Call money market

b) Treasury bill market

c) Money market

d) Acceptance market

7) Bills drawn and accepted payable tree months are called

a) Indigenous bills **b) Treasury bills**

c) Clean bills d) Supply bills

8) The market which helps commercial banks to maintain their sir requirements is:

a) Call loan market b) Discount market

c) Acceptance market d) Commercial bill market

9) The certificate which evidences an unsecured corporate debt of short-term maturity is:

a) Short-term loan certificate b) Certificate of deposit

c) Inter-bank participation certificate **d) Commercial paper**

10) The major player in the Indian money market is:

a) Cooperative banks b) Indigenous banks

c) Commercial banks d) Reserve bank of India

11)_________ and__________ are the major institutions in the money market.

a) Rural bank and commercial bank

b) Central bank and commercial bank

C) Commercial banks

d) Reserve bank of India

12) Money marketing instrument generally do not have ________

a) Primary market b) Open market

c) New market d) **Secondary market**

13) Money market transaction mostly take place _____

a) Directly b) **Over the phone**

c) New market d) Secondary market

14) Money market is __________ place

a) No formal b) Formal

c) Permanent d) Other

15) Money market transactions have to be conducted without the help of_______

a) Sellers **b) Brokers** c) Trader d) Others

16) TB means

a) Treasury bills b) Discount bill

c) Trading bill d) None of these

17) Treasury bills may be classified into __________

a) 1 b) 2 **c) 3** d) 4

18) Expand DFHI

a) Discount finance house of india

b) Direct finance house of india

c) Discount finance of india

d) Discount finance house of institution

19) Expand CRR

a) Cash rate **b) Cash reserve ratio**

c) Current ratio d) Cash reserve

20) Which year CD is introduced

a) 1950 b)1938 c) 1952 **d)1960**

UNIT V

1). Merchant banking is concerned with _____ of people and _____ the fund to business enterprise.

a) Mobilizing, Savings , Directing

b) Leasing, Directing

c) Receiving, Withdrawing

d) Deposits , Withdrawing

2). An Merchant banking institution which covers a wide range of activities such as_______

a) Management of customer services, portfolio, credit syndication , acceptance credit, counseling insurance etc

b) Management of customer services, portfolio, credit syndication.

c) Management of customer services

d) Management of customer services, portfolio

3) The area of activity of merchant bankers are ________

a) Preference Share.

b) Equity And Equity-Related Finance

c) Financial operation

d) Others

4) Merchants bankers are ________

a) Work Oriented

b) Management Oriented

c) Customer Oriented

d) Work oriented

5) Merchant bankers act as _________

a) Investor b) Customer

c) Intermediary d) Other

6) Merchant bankers main job is to transfer capital from those______

A) Who own it to those who need it

B) Who need it

c) Who want it

d) None of the above

7) Merchant banking division in ____________

a) 1970 b) 1971 **c) 1972** d) 1973

8) Merchant banker act as __________

a) Banker, commission broker,intermediater

b) Manager, consultant, advisor or rendering corporate advisory service

c) Trader, broker

d) None of the above

9) _____________ refers to assistance rendered by merchant banks to get mainly term loans for projects

a) Loan sanction **b) Loan syndication**

c) Withdrawal d) All the above

10) Merchant banking helps corporate clients to raise syndicated loans from ___________

a) RBI **b) Commercial banks** c) SBI d) IDBI

11) Rating indicates the _______status of a company.

a) Leverage b) Operation

c) Financial d) All

12) Credit rating is a onetime evaluation out ______ appraisal.

a) Ongoing b) Going

c) Doing d) Nothing

13) The credits rating information services of india limited was set up in ______________

a) 1997 **b) 1987** c) 1986 d) 1983

14) Investment information and credit rating agency of india was promoted in ___________

a) 1990 **b) 1991** c) 1992 d) 1993

15) Credits analysis and research limited was floated in __________

a) 1992 **b) 1993** c) 1994 d) 1995

16) CRISIL and CARE have been approved by the ___________

a) SBI **b) RBI** c) IDBI d) IFCI

17) CRISIL employs a multi layered decision making process in

a) Assigning ratings b) Assigning values

c) Assigning scores d) All the above

18) CRISIL employs both _______ and ________

a) Selling, buying b) Sending, receiving

c) Qualitative and Quantitative d) None of these

19) AAA refers to___________

a) Highest security b) Security

c)Lowest Security d) No Security

20) BBB refers to____

a) Highest security **b) Moderate security**

c)Lowest security d) No security

FINANCIAL MARKETS AND INSTITUTIONS

K2 LEVEL

UNIT I

1. What is mean by financial system?

A financial system made up of the suppliers and demanders of capital, the financial institutions and financial markets.

2. What is a role of financial system for economic development?

One major role of a financial system is to help transform savings of individuals, firms or governments into investments by others.

3. What are included in the financial system?

a. Financial markets

b. Financial Institutions

c. Financial intermediation

4. What is mean by Financial markets?

Markets where financial securities, such as stocks and bonds, are traded.

5. What is mean by Financial Institutions?

These are institutions that mobilize savings by issuing financial instruments that are tailored to the savings and transaction needs of savers, and using these funds, provide loans or financial assets that are tailored to the needs of borrowers. Some major financial institutions include; Commercial banks, Insurance companies, Investment companies, Mortgage companies.

6. What is mean by Financial intermediation?

Intermediation helps the process of savings and investment in the economy. Financial intermediation reduces the risk of capital loss, transaction costs and provides investors and entrepreneurs with funding in quantities and convenient repayment schedules.

7. Define 'Capital Market'.

Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. The buying/selling is undertaken by participants such as individuals and institutions.

8. What is the purpose of capital market?

Capital markets help channelize surplus funds from savers to institutions which then invest them into productive use. Generally, this market trades mostly in long-term securities.

9. List the types of capital market.

Capital market consists of primary markets and secondary markets.

10. Write any two features of financial instruments.

- ✓ Easily transferred from one hand to another without many cumbersome formalities.
- ✓ They have a ready market.

UNIT II

1. What is new issue market?

New issue markets deal with trade of new issues of stocks and other securities

2. What is mean by IPO?

In a primary market, companies, governments or public sector institutions can raise funds through bond issues and corporations can raise capital through the sale of new stock through an initial public offering (IPO).

3. What is mean by underwriting?

The process of selling new shares to investors is called underwriting.

4. What is mean by primary issue or right issue ?

Underwriters, corporations can make a primary issue or right issue of its debt or stock, which involves the issue by a corporation of its own debt or new stock directly to institutional investors or the public or it can seek additional capital from existing shareholders.

5. What is function of new issue market?

New issue market plays the crucial function of facilitating the capital formation within the economy.

6. How the securities issued in new issue market?

The securities issued at the new issue market can be issued in face value, premium value, and at par value.

7. What is mean by Public Issue?

A stock exchange lists the securities and the corporate raises funds through Initial Public Offering(IPO).

8. What is mean by Rights Issue?

Existing shareholders are offered more shares at a discounted price and on a pro-rata basis.

9. What is mean by Preferential Allotment?

A corporate issues shares at a price which may or may not be related to the current market price of the same security.

10. Who are the participants in new issue market?

Broker-dealer, Day trader, Floor broker, Floor trader, Investor, Market maker, Proprietary trader, Quantitative analyst, Financial law and Regulator

UNIT III

1. What is Secondary market?

Secondary market deals with the exchange of existing or previously-issued securities. Another important division in the capital market is made on the basis of the nature of security traded, i.e. stock market and bond market.

2. What is the function of secondary market?

In the secondary market, securities are sold by and transferred from one investor or speculator to another.

3. Who is a Stock Broker?

A Stock Broker buys and sells stocks for us our agents.

4. How stock broker is classified?

The stock broker is classified as an agent and broker.

5. What is Sensex?

Sensex is an index based on shares traded on the Bombay Stock Exchange. The Sensex and the NIFTY are barometers of the Indian market.

6. What is Index?

It is an indication of market trend, showing specified portfolio of share price's movements. It is a basket of securities and the average price movement of the basket securities indicates the index movement.

7. What is Corporate Action?

The corporate actions are an action or event initiated by a company which has direct impact on the shareholders of the company. In such circumstances the share holders may respond to the company's decision. Corporate action may include declaration of dividend, issue of bonus shares, splitting shares into smaller denominations etc., such actions impact the market price of the shares.

8. Who is jobber?

A jobber is a professional independent broker who deals in securities on his own behalf.

9. Who is Tarawaniwalas?

A Tarawaniwalas is an active member in the BSE. But, a tarawaniwalas can act both as a broker as well as a jobber.

10. Write any two functions of brokers.

1. Client registration
2. Execution of orders

UNIT IV

1. Define Money market.

According to Crowther, "The Money market is a name given to the various firms and institutions that deal in the various grades of near money".

2. Write any two functions of Money market.

1. To maintain monetary equilibrium. It means to keep a balance between the demand for and supply of money for short term monetary transactions

2. To promote economic growth. Money market can do this by making funds available to various units in the economy such as agriculture, small scale industries, etc

3. What are instruments are availed in Money market?

Money market consists of negotiable instruments such as call money market, treasury bills, commercial bills, commercial papers, certificates of deposit, inter-bank participation certificate and Repo instruments.

4. What is mean by call money market?

It refers to the market for extremely short period loans, say one day to fourteen days.

5. What is Commercial Paper?

A short term promise to repay a fixed amount that is placed on the market either directly or through a specialized intermediary. It is usually issued by companies with a high credit standing in the form of a promissory note redeemable at par to the holder on maturity and therefore, doesn't require any guarantee. Commercial paper is a money market instrument issued normally for tenure of 90 days.

6. What is Treasury Bills?

A Treasury Bills is nothing but a promissory note issued by the government under discount for a specified period stated therein.

7. List the types of Treasury Bills.

1. 91 days Treasury bills
2. 182 days Treasury bills
3. 364 days Treasury bills

8. Who are the major participants in Money market?

RBI,SBI,DFHI,STCI, Commercial banks, State government, Corporate customers and Public.

9. What are all the financial institutions participated in Money market?

LIC,GIC,UTI,IDBI,ICICI,IFCI and NABARD.

10. What is Repo?

Repo means another term for repurchase agreement. *Repurchase agreement* where a seller of a security agrees to buy it back from a buyer (investor) at a higher price on a specified date.

UNIT V

1. What is mean by Merchant banking?

Merchant banking is a combination of Banking and consultancy services. It provides consultancy to its clients for financial, marketing, managerial and legal matters.

2. Write the functions of merchant banking.

The services of merchant bank cover project counseling, pre-investment activities, feasibility studies, project reports, the design of the capital structure, issue management, underwriting, loan syndication, mobilization of funds from Non-Resident Indians, foreign currency finance, mergers, amalgamation, takeover, venture capital, buyback, and public deposits

3. What is Portfolio Management?

A merchant bank provides advisory services to institutional investors, on account of investment decisions. They trade in securities, on behalf of the clients, with the aim of providing them portfolio management services.

4. What is Loan Syndication?

Loan Syndication means service provided by the merchant bankers, in raising credit from banks and financial institutions, to finance the project cost or working capital of the client's project, also termed as project finance service.

5. List the Qualities of a Merchant Banker.

Ability to analyze, abundant knowledge, ability to built up relationship, innovative approach and Integrity

6. What is mean by Credit Rating?

Credit Rating is an assessment of the borrower (be it an individual, group or company) that determines whether the borrower will be able to pay the loan back on time, as per the loan agreement.

7. Write any two importance of Credit Rating.

1. Better Investment Decision: No bank or money lender companies would like to give money to a risky customer. With credit rating, they get an idea about the credit worthiness of an individual or company (who is borrowing the money) and the risk factor attached with them. By evaluating this, they can make a better investment decision.
2. Safety Assured: High credit rating means an assurance about the safety of the money and that it will be paid back with interest on time.

8. List the Credit Rating Agencies in India.

CRISIL, ICRA,CARE,ONICRA,SMERA and Brickwork Ratings India Private Limited

9. What is CRISIL?

Credit Rating Information Services of India Limited is the first credit rating agency of the country which was established in 1987. It calculates the credit worthiness of companies based on their strengths, market share, market reputation and board. It also rates companies, banks and organizations, helping investors make a better decision before investing in companies

10. Write the credit rating is symbols.

It offers 8 types of credit rating which are as follows:

- AAA, AA, A – Good Credit Rating
- BBB, BB – Average Credit Rating
- B, C, D – Low Credit Rating

FINANCIAL MARKETS AND INSTITUTIONS

K3 LEVEL

UNIT I

1. Trace out the development of the financial system in india.
2. Examine the recent trends in capital market operations.
3. What are financial instruments? What are their characteristic features?
4. Classify financial assets and bring out their features.
5. Discuss the role of the financial system in the economic development of a country.

UNIT II

1. Distinguish between New issue market and stock exchange.
2. List the function of new issue market.
3. Discuss the role of different players in the new issue market.
4. State the role of SEBI in the realm of public issue of securities?
5. Explain the process involved in the issue of securities.

UNIT III

1. Examine the role of Stock Exchanges in the financial system of a country.
2. Analyze the method of trading in a Stock Exchange.
3. Distinguish between jobbers and brokers.
4. State the criteria for listing of securities and explain how the listed securities are classifies.
5. Describe the procedure for online trading and bring out its merits.

UNIT IV

1. Distinguish between a Money Market and a Capital Market.
2. List out the features of a Money Market.
3. Discuss the importance of a commercial bill market.
4. What are the merits of a treasury bill market?
5. What do you know about certificate of deposit?

UNIT V

1. Examine the guidelines for Merchant Bankers issued by SEBI.
2. What is merchant banking? Discuss in detail the various functions performed by merchant bankers.
3. Examine the functions of Credit Rating.

4. Trace the origin of credit rating in the international context.
5. What are the benefits of credit rating?

FINANCIAL MARKETS AND INSTITUTIONS

K4 LEVEL

UNIT I

1. Classify the Indian financial market with chart and explain the features of each market.
2. Explain the role of SEBI in capital market operations.
3. Show the classification of Indian financial markets in the form of a chart and explain the features of each market.
4. What legislative measures have been taken by the government to support the Indian financial system?
5. Briefly explain the financial market operations and its impact in economic developments.

UNIT II

1. Elaborate the "methods of floating new issue".
2. Examine the recent trends in the primary market in India.
3. Explain the various new instruments introduced in the new issue market.
4. What are the advantages of underwriting?
5. Analyze the principal steps involved in the public issue of shares.

UNIT III

1. Discuss the various kinds of brokers and their assistants.
2. Discuss the registration of stock brokers in a stock exchange.
3. Examine the current settlement procedure of trading transactions.
4. What do you mean by listing of securities? Describe the listing procedure and point out its merits and demerits.
5. Briefly explain the advantages of listing of securities.

UNIT IV

1. Discuss the various components of a Money Market instruments and bring out their features.
2. Explain the steps have been taken in recent years to make the Indian Money Market a developed one.
3. List down the various money market instruments and state their features in brief.

4. Give the structure of the Indian money market and point out its deficiencies.

5. What are steps taken by the RBI to promote the bill market in India.

UNIT V

1. Explain the qualities required for a Merchant Bankers. 2. 2. 2.

2.Discuss the guidelines issued for Merchant Bankers.

3. Discuss the problems of Merchant Bankers in India.

4. What are rating symbols? What do they connote? Give a brief account of the rating symbols of the leading credit rating agency in India.

5. Explain the working of various credit rating agencies in India.