

## PRACTICE QUESTIONS

### CAPITAL MARKET (DEALERS) MODULE

1. Appeal against the orders Securities and Exchange Board of India can be made to \_\_\_\_\_.  
[2 Marks]

- (a) Central Government
- (b) Securities Appellate Tribunal
- (c) Registrar of Companies
- (d) High Court

2. In case, a body corporate is applying for trading membership in the capital market segment of NSEIL,  
[3 Marks]

- (a) at least 5 directors should be graduates of whom one should be a professional.
- (b) atleast two directors should be graduates and have minimum of 2 years experience of securities market.
- (c) no prior experience is required.
- (d) all the directors should be graduates.

3. What is the purpose of 'Trade Log' report on the NEAT system?

[2 Marks]

- (a) There is no report as 'Trades Log' report.
- (b) To show the trades that have only been cancelled or modified orders for the dealers belonging to a trading member for the current trading day.
- (c) To show the details of the trade related activity by the trading member for a specific day.
- (d) To show the trades that was done by the trading member for the last seven days.

4. In ASBA, the amount is blocked in

[2 Marks]

- (a) Trading members account
- (b) Investors own account
- (c) Both A and B
- (d) None of the above

5. The Capital Market Segment of NSE commenced operations in

[1 Mark]

- (a) Sep-96
- (b) Nov-94
- (c) Aug-96
- (d) Nov-96

6. \_\_\_\_\_ obligates the depositories to maintain ownership records of securities and effect changes in such records electronically at the behest of the owner of the securities.  
[2 Marks]

- (a) The Depositories Act, 1996
- (b) The SEBI Act, 1992
- (c) The Securities Contract (Regulation) Act, 1956
- (d) The Companies Act, 1956

7. The first two characters in ISIN code for a security represents \_\_\_\_\_. [1 Mark]

- (a) issuer type
- (b) security type
- (c) country code
- (d) company identity

8. Which of the following is true regarding the norms and procedures pertaining to surrender of membership ?

- a) A trading member desirous of surrendering membership has to give its request in writing in a prescribed form
- b) The original SEBI registration certificates for all trading segments have to be submitted by the trading member.
- c) Sub-broker registration certificates have to be submitted
- d) All leased lines and VSATs will not be dismantled for the surrendering trading member. [3 Marks]

- (a) a,b,c
- (b) a,c
- (c) a,d
- (d) a,b,c,d

9. If the eighth and ninth character of the ISIN is mentioned as 04, what does it indicate [2 Marks]

- (a) security is security receipt
- (b) security is non-convertible preference share
- (c) security is a warrant
- (d) security is equity share / mutual fund

10. Activities in the 'Activity Log' screen on the NEAT system are displayed in \_\_\_\_\_. [2 Marks]

- (a) chronological order where within the order number, the details appear with the oldest activity first and the latest last
- (b) descending order of order numbers
- (c) ascending order of order numbers
- (d) reverse chronological order

11. The 'Snap Quote' screen in the NEAT system enables the user to view \_\_\_\_\_. [1 Mark]

- (a) instantaneous market information on a desired security.
- (b) best five quotes in the market.

- (c) quotes in the normal market.
- (d) None of the above.

12. Clearing and settlement of trades and risk management are central functions of NSCCL. [2 Marks]

- (a) FALSE
- (b) TRUE
- (c) Not Attempted

13. Who provides counter party guarantee for all trades executed on NSEIL? [1 Mark]

- (a) NSE Clearing House
- (b) NSEIL
- (c) NSDL
- (d) NSCCL

14. Which of the following is FALSE about auctions in the NEAT system? [2 Marks]

- (a) All auction orders are entered into the auction order book.
- (b) Auction matching takes place only across orders belonging to the same auction.
- (c) All auction trades take place at the last traded price for that day in the regular lot book in the normal market.
- (d) Auction order matching takes place at the end of the solicitor period for the auction.

15. Is order cancellation and order modification allowed for orders entered in the retail debt market segment. [2 Marks]

- (a) FALSE
- (b) TRUE

16. The FIIs can invest in a company upto \_\_\_\_\_ % of the paid up capital of the company. This percentage can be increased upto the sectoral cap as applicable to the Indian Companies by passing a resolution of its board of directors. [2 Marks]

- (a) 32
- (b) 26
- (c) 28
- (d) 24

17. Are secured loans a part of Liability or Asset in balance sheet ? [1 Mark]

- (a) Liability
- (b) Asset
- (c) Not Attempted

18. Member can procure the CTCL Software from - a) Vendors empanelled with NSE  
b) Non-empanelled Vendors c) Develop in-house d) All of the above

[1 Mark]

- (a) b
- (b) a
- (c) c
- (d) d

19. The Client registration form is filled by the client when \_\_\_\_\_.

[2 Marks]

- (a) client delivers spurious shares
- (b) broker has to file FIR against client
- (c) client enrolls himself with the broker
- (d) client defaults in making payments

20. The corporate action indicator XB on the NEAT system stands for

[2 Marks]

- (a) ex-dividend
- (b) ex-bonus
- (c) ex-rights
- (d) ex-interest

21. Which of the following statements is NOT correct?

[1 Mark]

- (a) Depository is registered owner of the securities held in demat form.
- (b) Securities in a depository are fungible.
- (c) Securities in a depository are held in dematerialised form.
- (d) Dematerialised securities have distinct numbers.

22. Do clearing banks provide stock lending facilities ?

[1 Mark]

- (a) FALSE
- (b) TRUE
- (c) Not Attempted

23. SEBI has prescribed the Code of Conduct for the sub-brokers in \_\_\_\_\_.

[1 Mark]

- (a) Indian Contract Act, 1872
- (b) Securities Contracts (Regulation) Act, 1956
- (c) Companies Act, 1956
- (d) SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992

24. A stockbroker means a member of \_\_\_\_\_.

[1 Mark]

- (a) SEBI
- (b) any exchange
- (c) a recognised stock exchange

(d) any stock exchange

25. What price does a market order take, in case the security has never been traded on the NEAT system? [2 Marks]

- (a) The market order gets cancelled by the system.
- (b) Market orders cannot be entered for a security in which a trade has not taken place.
- (c) The market order takes the value of the base price and sits in the order book as a passive order.
- (d) None of the above

26. Member A places a buy order for 1000 shares of ABC Ltd. in the NEAT system at 11:22:01 for Rs.155 per share. Member B places a sell order for 2000 shares of ABC Ltd. at 11:22:02 for Rs.150 per share. Assume that no other orders were available in the system during this time. Whether the trade will take place and if yes, at what price? [1 Mark]

- (a) 1000 shares get traded at Rs. 150 per share.
- (b) 1000 shares get traded at Rs. 150.50 per share.
- (c) 1000 shares get traded at Rs. 152.50 per share.
- (d) 1000 shares will get traded at Rs. 155 per share.

27. VaR margin is charged at differential rate on the \_\_\_\_\_ position of the client in each security.

[2 Marks]

- (a) Only sale
- (b) Only buy
- (c) Gross outstanding
- (d) Net outstanding

28. Nifty index drops by 15% at 3:00 pm. Market will be halted \_\_\_\_\_.

[2 Marks]

- (a) by half an hour
- (b) for remainder of the day
- (c) for ten minutes
- (d) for fifteen minutes

29. What is FALSE about an outstanding order on the NEAT system?

[2 Marks]

- (a) It is an order that has been entered by the user and is partially matched.
- (b) It is a stop loss order that has not yet been triggered in the market.
- (c) It is an order that has been entered by the user and not yet been traded.
- (d) It is an order that has been entered by the user, but which has not yet been completely traded or cancelled.

30. Which of the following is NOT true about SEBI?

[2 Marks]

- (a) It determines the premium/discounts at which securities are to be issued.
- (b) It can specify the matters to be disclosed and the standards of disclosure required for the protection of investors in respect of issues.
- (c) Its regulatory jurisdiction extends over all intermediaries and persons associated with the securities market.
- (d) Its regulatory jurisdiction extends over corporates in the issuance of capital and transfer of securities.

31. Which of the following is NOT true about corporate securities market reforms? [1 Mark]

- (a) The secondary market overcame the geographical barriers by moving to screen based trading.
- (b) Counter-party risk is borne by investors.
- (c) The trading cycle in the stock exchanges follow rolling settlement.
- (d) The practice of allocation of resources among different competing entities as well as its terms by a central authority was discontinued.

32. A portfolio contains securities with the expected return as follows: -

Security	Probability	Return
A	50	10
B	30	25
C	20	40

What will be the expected return of the portfolio? [1 Mark]

- (a) 1.75
- (b) 20.5
- (c) 1,980
- (d) 43

33. Which of the following is FALSE about order cancellation in the NEAT system? [2 Marks]

- (a) Order Cancellation functionality is available for all book types.
- (b) The user is allowed to cancel auction initiation and competitor orders in auction market.
- (c) Order Cancellation functionality can be performed only for orders which have not been fully or partially traded (for the untraded part of partially traded orders only).
- (d) Order Cancellation functionality can be performed during market hours and in pre open period

34. The maximum amount of claim payable from the IPF to the investor (where the trading member through whom the investor has dealt is declared a defaulter) is [2 Marks]

- (a) Rs. 15 lakh
- (b) Rs. 10 lakh
- (c) Rs. 17 lakh
- (d) Rs. 1 lakh

35. ABC Bank Ltd has a policy of continuous compounding of fixed deposits. Abhishek has deposited Rs. 60,000 at the interest rate of 12% for 3 years. How much would his deposit grow upto at the end of the term?

[2 Marks]

- (a) 82,068.81
- (b) 87,730.8
- (c) 77,047.12
- (d) 85,999.97
- (e) Not Attempted

36. When a user logs in for the first time in the trading system of CM segment, he has to enter the default password provided by the Exchange. What is this default password ?

[1 Mark]

- (a) NEAT
- (b) DEFAULTPSWD
- (c) NEATCM
- (d) NEATPASSWORD

37. Which of the following statement(s) is/are true pertaining to Mark - to - Market margin ?

- a) It is calculated by marking each transaction in security to the closing price of the security at the end of trading.
- b) The margin is collected from the member before the start of the trading of the next day.
- c) The MTM margin is collected on the gross open position of the member.

[1 Mark]

- (a) a,b
- (b) a,b,c
- (c) a,c
- (d) b,c

38. If the eighth and ninth character of the ISIN is mentioned as 12, what does it indicate

[2 Marks]

- (a) security is deep discount bond
- (b) security is a floating rate bond
- (c) security is regular return bond / promissory note
- (d) security is step discount bond

39. If a client buys shares worth Rs. 1,25,000 and sells shares worth Rs. 75,000 through a broker, then the maximum brokerage payable to him is \_\_\_\_.

[2 Marks]

- (a) Rs. 5,000
- (b) Rs. 24,000
- (c) Rs. 20,000
- (d) Rs. 16,000

40. In case of surrender of the membership at NSEIL, \_\_\_\_\_.  
[2 Marks]

- (a) the matter is treated as confidential
- (b) only the members are notified by way of a circular
- (c) the surrendering member is permitted to trade with a limited exposure
- (d) advertisement is issued in leading dailies

41. A trading member on the NSE, has set the branch order value unlimited for his Chennai branch and Rs. 650 lakh for Kolkata branch. Chennai branch has two users 'X' and 'Y' with user order value limits of Rs. 250 lakh and Rs. 300 lakh respectively. Kolkata branch has one user 'Z' with user order value limit of Rs. 350 lakh. The member applies for a new user at Kolkata. What is the maximum user order value that can be set for the new user?

[3 Marks]

- (a) Rs. 300 lakh
- (b) unlimited
- (c) Zero
- (d) Not more than Rs. 650 lakh

42. An application for arbitration can be filed within \_\_\_\_\_ from the date of dispute.  
[1 Mark]

- (a) 3 months
- (b) 45 days
- (c) 6 months
- (d) 1 year

43. SEBI (Intermediaries) Regulations 2008 are not applicable for foreign venture capital investors.

[1 Mark]

- (a) TRUE
- (b) FALSE

44. Which of the following requirements by intermediaries are laid down by the SEBI (Intermediaries) Regulations, 2008 for all the Intermediaries.

- a) Grant of Registration
- b) Code of Conduct
- c) Common procedure for action in case of default.

[1 Mark]

- (a) b,c
- (b) a,b,c
- (c) b
- (d) a,b

45. Which of the following is not a delivery report ?

[2 Marks]

- (a) Memberwise withheld securities statement



- (b) Margin Report
- (c) Client Allocation Details
- (d) Demat Final Delivery Statement

46. Who can set Branch Order Value limits on the NEAT system?

[2 Marks]

- (a) None of the above
- (b) Dealer
- (c) Corporate manager
- (d) Branch manager

47. If the eighth and ninth character of the ISIN is mentioned as 07, what does it indicate

[2 Marks]

- (a) security is non-convertible preference share
- (b) security is a warrant
- (c) security is equity share / mutual fund
- (d) security is secured debenture

48. If a client buys shares worth Rs. 90,000 and sells shares worth Rs. 1,10,000 through a stock-broker, then the maximum brokerage payable is \_\_\_\_\_.

[3 Marks]

- (a) Rs. 4,000
- (b) Rs. 6,000
- (c) Rs. 2,000
- (d) Rs. 5,000

49. If the eighth and ninth character of the ISIN is mentioned as 08, what does it indicate

[2 Marks]

- (a) security is equity share / mutual fund
- (b) security is non-convertible preference share
- (c) security is secured debenture
- (d) security is an unsecured debenture

50. NSE's Certification in Financial Markets is NOT a \_\_\_\_\_ testing and certification system.

[1 Mark]

- (a) nation-wide
- (b) conventional
- (c) fully automated
- (d) online

51. The securities market has two segments primary and secondary. Is the above statement True or False

[1 Mark]

- (a) FALSE
- (b) TRUE

52. Auction is held in XYZ for 10,000 shares.  
The closing price of XYZ on that day was Rs.146.00  
The last traded price of XYZ on that day was Rs.141.00  
The close price of XYZ last Friday was Rs.142.00  
The previous day's close price of XYZ was Rs.151.00  
What is the maximum allowable price at which the member can put a sell order in the auction for XYZ? (Price band applicable for Auction market is +/-15%)

[3 Marks]

- (a) Rs. 167.90
- (b) Rs. 173.65
- (c) Rs. 163.30
- (d) Rs. 162.15

53. In case of failure to give delivery in a limited physical market, close out price is \_\_\_\_\_% over the actual trade price.

[2 Marks]

- (a) 20
- (b) 25
- (c) 15
- (d) 30

54. \_\_\_\_\_ price is the price for orders after the orders get triggered from the stop loss book

[1 Mark]

- (a) Limit
- (b) Trigger
- (c) Not Attempted

55. A depository participant \_\_\_\_\_

[1 Mark]

- (a) is an investor who buys/sells shares through the depository.
- (b) trades in the dematerialised shares.
- (c) destroys the share certificates and makes a credit entry for his clients.
- (d) is an agent of the depository and takes physical share certificates from his clients and sends them for dematerialisation.

56. Under the Member Constituent Agreement, trading members are required to make the clients aware of which of the following

- a) trading segment in which the trading member is admitted
- b) SEBI Registration number
- c) basic risks involved in trading on the Exchange

[1 Mark]

- (a) b,c
- (b) a,b
- (c) a,c
- (d) a,b,c

57. Mr. Desai has decided to deposit Rs. 100,000 in the bank annually. If the bank has a policy of continuous compounding and the prevailing interest rate is 11.5% how much would his deposit grow upto in 2 years? [2 Marks]

- (a) 166,141.11
- (b) 171,507.54
- (c) 185,570.7
- (d) 224,871.26

58. Which of the following is deemed to be price sensitive information

- a) periodical financial results of the company
- b) intended declaration of dividends (both interim and final)
- c) issue of securities or buy back of securities
- d) any major expansion plans or execution of new projects

[1 Mark]

- (a) b,c,d
- (b) a,b,c,d
- (c) c,d
- (d) a,b,c

59. Which of the following statements is FALSE about the NEAT system?

[1 Mark]

- (a) All orders placed on NEAT must necessarily result in trades.
- (b) Orders are matched automatically by the computer keeping the system transparent, objective and fair.
- (c) All orders received on the system are sorted with the best priced order getting the first priority for matching.
- (d) Similarly priced orders are sorted on time priority basis.

60. If the third character of the ISIN is mentioned as 'E' what does this denote ?

[2 Marks]

- (a) The issuer is company, statutory corporation, banking company
- (b) The issuer is mutual fund
- (c) The issuer is state government
- (d) The issuer is municipal corporation

## Answers

1 (b)	21 (d)	41 (a)
2 (b)	22 (b)	42 (c )
3 (c )	23 (d)	43 (a)
4 (b)	24 (c )	44 (b)
5 (b)	25 (c )	45 (b)
6 (a)	26 (d)	46 (c )
7 (c)	27 (d )	47 (d)
8 (a)	28 (b)	48 (d)
9 (b)	29 (b)	49 (d)
10 (a)	30 (a)	50 (b)
11 (a)	31 (b)	51 (b)
12 (b)	32 (b)	52 (b)
13 (d)	33 (b)	53 (a)
14 (c )	34 (a)	54 (a)
15 (b)	35 (d)	55 (d)
16 (d)	36 (c )	56 (d)
17 (a)	37 (b)	57 (d)
18 (d)	38 (d)	58 (b)
19 (c )	39 (a)	59 (a)
20 (b)	40 (d)	60 (a)