

PRACTICE QUESTIONS

CAPITAL MARKET (DEALERS) MODULE

- Q:1 A trading member shall be deemed guilty of misconduct if he fails to _____ [1 Mark]
- (a) submit its audited accounts to the Exchange
 - (b) pay its subscription, fees, arbitration charges or any other money which may be due to the exchange
 - (c) to submit or makes any false or misleading statement in its clearing forms
 - (d) All of the above
- Q:2 The Message Window in the NEAT system allows a user to view messages broadcast by the Exchange such as, _____ [1 Mark]
- (a) corporate actions
 - (b) market news
 - (c) auctions related information
 - (d) All of the above
- Q:3 100 share of Reliance Ltd. are purchased on Monday. Provided there are no holidays in between, settlement should take place on _____ ? [2 Marks]
- (a) Wednesday (T+2)
 - (b) Tuesday (T+1)
 - (c) Thursday (T+3)
 - (d) Friday (T+4)
- Q:4. _____ is a volume related order condition. [2 Marks]
- (a) An order with a limit price condition only
 - (b) An order with a stop loss only
 - (c) An order with a Disclosed Quantity (DQ)
 - (d) None of the above
- Q:5 The branch manager receives End of Day reports for _____. [2 Marks]
- (a) his own orders only
 - (b) all dealers under the trading member
 - (c) all the dealers under that branch
 - (d) any authorized user
- Q:6 The following facility allows the user to have a drop down list of client codes at the account field: [2 Marks]
- (a) Client List Master
 - (b) Client Database Master

- (c) Client Code Master
- (d) Client Master Maintenance

Q:7 When the user invokes the order entry screen, the field(s) that are (is) taken as default are (is) _____. [2 Marks]

- (a) Symbol
- (b) Series
- (c) Book Type
- (d) All of the above

Q:8 In case the security has not been traded on a particular day, _____ at the NSE is to be considered as the closing price.? [2 Marks]

- (a) the average closing price for the last one week
- (b) the theoretical closing price
- (c) the latest available closing price
- (d) none of the above

Q:9 Auction is held in PQR for 10,000 shares.

The closing price of PQR on that day was Rs.259.00

The last traded price of PQR on that day was Rs.254.0

The close price of PQR last Friday was Rs.255.00

The previous day's close price of PQR was Rs.264.00

What is the maximum allowable price at which the member can put a sell order in the auction for PQR? (Assume Price Band applicable for Auction market is +/- 20%) [3 Marks]

- (a) Rs. 316.80
- (b) Rs. 390.65
- (c) Rs. 364
- (d) Rs. 394

Q:10 A trading member on the NSE, has a branch order value of Rs. 950 lakh for his Mumbai branch and Rs. 600 lakh for Delhi branch. Mumbai branch has two users 'X' and 'Y' with user order value limits of Rs. 300 lakh and Rs. 400 lakh respectively. Delhi branch has one user 'Z' with user order value limit of Rs. 550 lakh. The member applies for a new user at Mumbai. What is the maximum user order value that can be set for the new user? [3 Marks]

- (a) Rs. 100 lakh
- (b) Any amount, as there is no restriction on User Order Value
- (c) Rs. 250 lakh
- (d) Rs. 150 lakh

Q:11 Securities and funds pay out takes place on _____ working days after the trade date. [2 Marks]

- (a) 'T+3'
- (b) 'T+1'
- (c) 'T+2'
- (d) within 24 hours of sale

Q:12 NSE has implemented _____ in compulsory rolling settlement with effect from July 02, 2001. [1 Mark]

- (a) securities-based market-wide circuit breakers
- (b) index-based market-wide circuit breakers
- (c) market-wide based securities-wise circuit breakers
- (d) none of the above

Q:13 The clients introduced by an authorised person to a trading member, would be required to deliver securities and make payments directly in the trade name of the trading member. True or False? [1 Mark]

- (a) True
- (b) False

Q:14 Security wise User Order Quantity Limit (SUOQL) can be modified anytime during trading hours. True or False? [2 Marks]

- (a) True
- (b) False

Q:15 _____ can be traded in the Limited Physical Market? [1 Mark]

- (a) Illiquid shares
- (b) Futures and Options
- (c) Odd lots
- (d) Government Securities

Q:16 Securities Delivered Statement: This statement provides information on _____? [1 Mark]

- (a) delivering centre
- (b) total number of shares to deliver for each security
- (c) quantity delivered and quantity of shares delivered short
- (d) all of the above

Q: 17 If a client buys shares worth Rs. 5,25,000 and sells shares worth Rs. 4,75,000 through a broker, then the maximum brokerage payable to broker is ____.
[2 Marks]

- (a) Rs. 25,000
- (b) Rs. 15,000
- (c) Rs. 10,000
- (d) Rs. 20,000

Q: 18 An advertisement released by a trading member can contain a recommendation regarding purchase or sale of any particular share or security of any company. True or False?
[2 Marks]

- (a) True
- (b) False

Q: 19 No payment for transaction in which a Trading Member is taking position as a principal will be allowed to be made from the client's account? [2 Marks]

- (a) True, unless his clients approves the payment
- (b) True
- (c) True, only if his clients are making payments on time
- (d) False

Q: 20 The Trading Members shall keep the dematerialised securities of Constituents in a separate beneficiary account distinct from the beneficiary account maintained for holding their own dematerialised securities. True or False?
[1 Mark]

- (a) True
- (b) False

Q: 21 A portfolio contains securities with the expected return as follows: -

Security	Probability	Return
A	30	10
B	40	12
C	30	15

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

- (a) 12.80
- (b) 23
- (c) 12.30
- (d) 14.70

Q:22 _____ assumes the counter party risk of each member and guarantees financial settlement. [2 Marks]

- (a) SEBI
- (b) Central Depository Services Ltd. (CDSL)
- (c) The National Depository Services Ltd. (NSDL)
- (d) The National Securities Clearing Corporation Ltd. (NSCCL)

Q:23 What does 'OM' indicate as an activity in the 'Activity Log' screen in the NEAT system? [1 Mark]

- (a) Order Matched
- (b) Order Cancelled
- (c) Trade Modified
- (d) Order Modified

Q:24 One of the requirements for admission to membership on the NSE is to pass an on-line examination under NSE's Certification in Financial Markets (NCFM). [1 Mark]

- (a) True
- (b) False

Q:25 Where a recognised stock exchange acting in pursuance of any power given to it by its bye-laws, refuses to list the securities of any company, the company shall be entitled to be furnished with reasons for such refusal and the company may appeal to the _____ against such refusal. [1 Mark]

- (a) SEBI
- (b) recognized stock exchange
- (c) Securities Appellate Tribunal (SAT)
- (d) High Court

Q:26 Surveillance and Control (SURCON) is that period after market close during which, the users have _____ only. [1 Mark]

- (a) order entry access
- (b) trade cancellation access
- (c) trade modification access
- (d) inquiry access

Q:27 A stock-broker shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission. Is the above statement True or False, under the Code of Conduct Guidelines prescribed under SEBI (Stock Brokers & Sub-brokers) Regulations, 1992. [2 Marks]

- (a) True
- (b) False

Q:28 At the end of the trade cycle, the trades are _____ to determine the obligations of the trading members to deliver securities/funds as per settlement schedule. [2 Marks]

- (a) grossed
- (b) aggregated
- (c) netted
- (d) offset

Q:29 The NSCCL interposes itself as a central counterparty between the counterparties to trades and nets the positions so that a member has security wise net obligation to receive or deliver a security and has to either pay or receive funds. True or False? [1 Mark]

- (a) True
- (b) False

Q:30 For liquid securities, the VaR margins are based on the _____ of the Security. [2 Marks]

- (a) volatility
- (b) returns
- (c) liquidity
- (d) exposure limit

Q:31 The stamp duty on transfer of demat securities has been waived. True or False? [1 Mark]

- (a) True
- (b) False

Q:32 No person shall be admitted as trading member of a recognized stock exchange if he has been adjudged bankrupt or a receiver order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge. True or False? [1 Mark]

- (a) True
- (b) False

Q:33 The stop loss orders are prioritised in the stop loss book with the _____ [1 Mark]

- (a) most likely order to trigger first and the least likely to trigger last.
- (b) least likely order to trigger first and the most likely to trigger last.
- (c) time-price priority algorithm
- (d) none of the above

Q:34 The orders with _____ attribute disclose only a part of the total order quantity to the market. [1 Mark]

- (a) Immediate or Cancel (IOC)
- (b) Stop Loss (SL)
- (c) Disclosed Quantity (DQ)
- (d) none of the above

Q:35 Two buy orders enter into the system and are unmatched :

- 1) 200 shares @ Rs. 72.75 at time 10:30 a.m.
- 2) 300 shares @ Rs. 72.75 at time 10:31 a.m.

Which order will get a priority for getting executed. [1 Mark]

- (a) Order no. 1.
- (b) Order no. 2
- (c) both will have equal priority
- (d) none

Q:36 Statement 1 : An active buy order matches with the best passive sell order if the price of the passive sell order is less than or equal to the price of the active buy order.

Statement 2 : An passive buy order matches with the best active sell order if the price of the passive buy order is less than or equal to the price of the active sell order.

Which of the above statements is True?

[2 Marks]

- (a) Statement 2
- (b) Statement 1
- (c) Both statements are true
- (d) Both statements are false

Q:37 The pre-set Market price protection percentage is by default set to _____ of the LTP. [2 Marks]

- (a) 10%
- (b) 2%
- (c) 3%
- (d) 5%

Q: 38 A user can simultaneously view a regular inquiry (e.g. MBP) and the Snap Quote display on the trading screen. True or False? [2 Marks]

- (a) True
- (b) False

Q: 39 Fixed Deposit Receipts (FDRs) issued by approved banks can be submitted as a(n) _____ to NSCCL by trading members. [2 Marks]

- (a) surety.
- (b) indemnity
- (c) warranty
- (d) additional base capital

Q: 40 A trading member on the NSE, has set the branch order value unlimited for his Chennai branch and Rs. 800 lakh for Kolkata branch. Chennai branch has two users 'X' and 'Y' with user order limits of Rs. 550 lakh and Rs. 500 lakh respectively. Kolkata branch has one user 'Z' with user order value limit of Rs. 550 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) Not more than Rs. 950 lakh
- (b) Zero
- (c) unlimited
- (d) Rs. 250 lakh

Q: 41 Upfront margin rates applicable for all securities in Trade for Trade - segment (TT) is _____. [2 Marks]

- (a) 50%
- (b) 100 %
- (c) 200%
- (d) 150%

Q: 42 Penalties are charged to members for _____ [3 Marks]

- (a) failure to fulfil their funds obligations
- (b) failure to fulfil their securities deliverable obligations
- (c) Margin Shortages
- (d) all of the above

Q: 43 Rahul is supposed to receive Rs. 1,00,000 from Chandra after 3 years. If the interest rate is 8%, what is the present value of the amount due from Chandra? [2 Marks]

- (a) 71,686.34
- (b) 79,383.22

- (c) 81,232.25
- (d) 91,444.9

Q:44 Institutional transactions are identified by the use of the _____ at the time of order entry. [2 Marks]

- (a) user code
- (b) user id
- (c) participant code
- (d) client id

Q:45 Two sell orders enter into the system and are unmatched :

- 1) 200 shares @ Rs. 72.75 at time 10:30 a.m.
- 2) 300 shares @ Rs. 72.70 at time 10:31 a.m.

Which order will get a priority for getting executed. [1 Mark]

- (a) Order no. 1.
- (b) Order no. 2
- (c) both will have equal priority
- (d) none

Q:46 In NSCCL, a _____ is a clearing member but not a trading member. [2 Marks]

- (a) self clearing member
- (b) participant
- (c) broker
- (d) custodian

Q:47 What does 'AUI' indicate as a message code in 'Full Message window' in the NEAT system? [1 Mark]

- (a) Auction Initiation Messages
- (b) Auction User Interface messages
- (c) All messages related to user interface
- (d) All messages related to Auctions

Q:48 Two buy orders enter into the system and are unmatched :

- 1) 200 shares @ Rs. 72.75 at time 10:30 a.m.
- 2) 300 shares @ Rs. 72.80 at time 10:31 a.m.

Which order will get a priority for getting executed. [1 Mark]

- (a) Order no. 1.
- (b) Order no. 2

- (c) both will have equal priority
- (d) none

Q:49 NSCCL becomes the legal counterparty to the net settlement obligations of every member. This principle is called _____. [1 Mark]

- (a) 'notation'
- (b) 'settlement fulfillment'
- (c) 'novation'
- (d) 'obligation guarantee'

Q:50 The trading members can participate in the Exchange initiated auctions by entering orders as a _____. [2 Marks]

- (a) participant
- (b) initiator
- (c) solicitor
- (d) none of the above

Q:51 One of the Custodial Trade Reports is the _____. [1 Mark]

- (a) Client Obligation Report
- (b) Custodial Trade Pending Confirmation
- (c) Clearing Member Report
- (d) None of the above

Q:52 If a client buys shares worth Rs. 1,00,000 and sells shares worth Rs. 1,00,000 through a stock-broker, then the maximum brokerage payable is _____. [3 Marks]

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

Q:53 Which of the following do not issue securities in the primary market? [1 Mark]

- (a) FIIs
- (b) State Governments
- (c) Companies
- (d) None of the above

Q:54 *Auction Square Up Debit Statement*: This report gives details of unauctioned deliveries that are squared-up by the Exchange. True or False? [2 Marks]

- (a) True
- (b) False

Q:55 A trading member shall be deemed guilty of un-businesslike conduct for any of the following or similar acts or omissions namely: [2 Marks]

- (a) if it transacts its own business or the business of its constituent in fictitious names
- (b) If it makes a fictitious transaction
- (c) circulates or causes to be circulated, any rumours;
- (d) all of the above

Q:56 Mr. Desai has decided to deposit Rs. 200,000 in the bank annually. If the bank has a policy of continuous compounding and the prevailing interest rate is 8% how much would his deposit grow upto in 2 years? [2 Marks]

- (a) 434,141.15
- (b) 413,502.54
- (c) 485,123.70
- (d) 433,820.81

Q:57 Mr. Shah has decided to deposit Rs. 300,000 in the bank annually. If the bank has a policy of continuous compounding and the prevailing interest rate is 12% how much would his deposit grow upto in 3 years? [2 Marks]

- (a) 1,234,146.15
- (b) 1,113,502.54
- (c) 1,085,123.70
- (d) 1,083,467.63

Q:58 What does 'P' indicate as a status in the 'Auction Inquiry' screen in the NEAT system? [1 Mark]

- (a) Auction is pending and yet to begin.
- (b) Auction is deleted.
- (c) There is no such status indicator as 'P' in the Auction Inquiry screen.
- (d) Auction is over.

Q:59 On Line Backup is a facility that the user can invoke to take a backup of all order and trade related information for the user. True or False. [2 Marks]

- (a) True
- (b) False

Q:60 Security sigma means the _____ of the security computed as at the end of the previous trading day. [2 Marks]

- (a) mean
- (b) volatility
- (c) impact cost
- (d) none of the above

Answers :

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