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SEBI Grade A - Expected Questions on Security Market

Answer Key -

1. D	2. C	3. E	4. D	5. C
6. B	7. A	8. A	9. B	10. D
11. B	12. C	13. E	14. C	15. C
16. E	17. D	18. D	19. B	20. A
21. C	22. E	23. E	24. C	25. E
26. C	27. E	28. C	29. C	30. D
31. A	32. B	33. C	34. A	35. D
36. B	37. C	38. C	39. A	40. C
41. B	42. E	43. E	44. B	45. C
46. A	47. B	48. E	49. B	50. D
51. A	52. B	53. D	54. B	55. C
56. B	57. E	58. D	59. B	60. E
61. D	62. D	63. E	64. B	65. B
66. C	67. B	68. C	69. B	70. B
71. C	72. A	73. B	74. E	75. A
76. A	77. D	78. A	79. B	80. C





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81. D	82. B	83. C	84. D	85. E
86. B	87. A	88. C	89. D	90. D
91. C	92. B	93. A	94. E	95. A
96. C	97. A	98. E	99. E	100. C

Explanation -

1. Over the Counter Derivatives are traded privately between two parties. Therefore it involves counterparty defaulting.

2. Swap is an agreement between two parties to exchange cash on or before a specified future date based on underlying value of commodity, currency or stocks in OTC market. Swaps are designed by banks and financial institutions.

3. Promissory notes are not G-secs. All other options are government securities issued by central or state governments.

4. Presiding officer of SAT is appointed by Central government in consultation with Chief justice of India or his nominee.

5. Contango which is also termed as Badla charge.

6. Bombay stock exchange ltd is Asia's first stock exchange. Its headquarter is at Dalal street, Mumbai.

7. Price risk management and price discovery are two important function of commodity future trading. pricerisk management is also called as hedging.

8. To protect the interest of investors in securities and develop securities market SEBI act 1992 established Securities and exchange board of India.

9. 1992 - NSE was incorporated as tax paying company
1993 - Recognised under SCR Act 1956
1994 - Capital market segment of NSE commenced options

10. SAT is a statutory body established under section 15K of SEBI act 1992.

11. Bear trap is situation in which the reversal of rising trend is falsely signalled.

Bull trap is opposite of it when the reversal of declining trend is falsely signalled it is termed as Bull trap.

12. Cost, servicing, Debt equity ratio, Debt service capabilities, company law and SEBI regulations etc are factors





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affecting issuers for choosing any instruments

13. There are three types of instrument -
Hybrid instruments
Pure Instruments
Derivatives instruments

14. Position traders hold positions for long term that may extend from weeks to months to years. They use combination of technical and fundamental analysis for trading decision.

15. National stock exchange - 1992
Bombay stock exchange
Native share and stock broker association - 1887
Ahmedabad share and stock broker association - 1894

16. When there is no warrant or rights attached to the issues they are termed as vanilla issue.

17. Apart from these, it also provides Dispute Settlement Mechanism.

18. FCCB can be traded on stock exchange. FCCB are equity linked debt securities through which holder can convert bond into equity or Depositories Receipt after certain period of time.

19. Public debt office is the registry or depository of government securities in India

20. Backwardation is defined as when prices of spot contract are maturing earlier are higher than future contract.

21. Equity share capital is defined as equity share capital which is not preference share capital under section 43 of Companies act 2013

22. Exchange traded funds are mutual funds. It represents the securities traded on exchange.

23. CRISIL, ICRA, ONICRA, FITCH, SMERA and CARE are India's credit rating agencies.

24. The tenure of presiding officer of SAT is 5 years or 68 years of age whichever is earlier. He is eligible for reappointment. For members of SAT the tenure is 5 years and 62 years of age.

25. T V Mohandas Pai chaired a 24-member panel constituted by SEBI for the issues related to regulations and development of IPOs.

26. Promoters or director or selling shareholder or if the director is fugitive economic offender are not eligible for IPO.

27. When a person entered into agreement with his client and registered as an intermediary under SEBI act and he fails to fulfil the requirements of the agreement, then the penalty for this act is one lakh each day or one crore whichever is less.

28. SEBI increased the minimum net worth requirement for registration of debenture trustees from 2 crore to 10 crore.





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29. CAG is responsible for audit of Board account and forward reports annually to central government and government present reports before each house of parliament.
30. India International exchange INX is India's first international stock exchange started its operation in 2017. It was established by BSE.
31. Sensex i.e. Sensitive and Index the term coined by Deepak Mohoni
32. Only statement b is correct as
Statement a - SEBI act 1992 established SEBI to regulate the securities market.
Statement c - In native share and stock brokers' association only natives of India participated.
33. Upfront commission charges are abolished for regulators. Front loading commission is only allowed in case of SIP.
34. N R Narayan Murthy is the chairman of the committee formed by SEBI to advice on matters related to development of alternative investment and startup ecosystem in country
35. Minimum paid up capital for IPO is 10 crore and 3 crore for FPO.
36. FTSE 100 index - UK
Hang Seng index - Hong Kong
RTSI index - Russia
37. Central government has power to remove members of SEBI from the office.

38. LODR stands for Listing Obligations and Disclosure Requirements.
39. A person on entity, holding debenture stock for benefit of another party is a debenture trustee.
40. Green shoe option is also called as over allotment provision. It allows underwriters to buy upto 15% of the shares at the offer price if public demand of share exceeds and share trades above its offering price.
41. SCORES is a web based platform provided by SEBI through which market intermediaries and listed companies can receive online complaints from investors and solve it.
42. According to new KYC norms for FPI released by SEBI
- A. NRIs, OCIs and RIs are allowed to be the part of FPIs if their holding is less than 25%.
 - B. Custodians should maintain records in original for at least 5 years.
 - C. NRIs, OCIs (Overseas Citizens of India) and RIs (Resident Indians) have been permitted to hold non-controlling stake in FPIs
43. Money market deals with lending and borrowing for short term say one year or less.
44. Civil courts have no say in the matters of SAT.
45. QIP stands for Qualified institutional placement. It is a method of securities issue by Securities and exchange board





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of India that allow to raise capitals from domestic market.

46. A committee organised by SEBI to advise the matters related to secondary market and suggest to improve market safety efficient and transparency is headed by Jayanth R Verma.

47. Arbitrage is a technique when buying or selling of commodity or security involves strategy to expect profit when price resume a more appropriate theoretical or historical relationship.

48. It is also called as BSE 30. It started its operation from 1986.

49. Preferential allotment allowed alternative mechanism of resource mobilisation in which a listed issuer issues shares or convertible securities to a selected group of persons.

50. Ashish Kumar Chauhan is chairman of BSE and non executive chairman of INX.

51. As per the ICDR regulations, A merchant banker responsible for stabilising price of equity shares under a green shoe options is Stabilising agent.

52. When a company take over the control of another company it is termed as Acquisition.

Amalgamation - When two entities combined and form a new entity.

53. 51% of equity share capital within 12 months from the publication in official

gazetted by the public other than shareholders having trading rights.

54. Rules made by stock exchange will come in effect only after approval from central government.

55. ISIN - International securities identification Number is a 12 digit number allotted for a security.

56. The appeal can be file before Securities appellate tribunal within 15 days and can be extended by SAT to one month if there is any sufficient cause for not filing appeal

57. First request for rematerialisation by filling remat request form.

Depository participant intimate depository about the request through system.

Depository participant submit the request to registrar.

Registrar updates accounts and dispatches certificate to investors.

58. According to the Securities contracts rules 1957, public sector company whose public shareholding below 25% on the commencement of Securities contract regulation (second amendment) 2018 can increase its public shareholding to at least 25% within 2 years

59. Merger - When two organisation merge and form new organization. Vertical, Horizontal, conglomerate, Market extension and product extension are the type of mergers.



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60. Takeover means a company take over the management of another company.

61. Article 280 of Indian constitution deals with Finance commission of India. It was formed in 22 November 1951.

62. Secondary market is also known as stock market or existing securities market. It ensures free and unrestricted transfer of securities.

63. Interest rate are of different types includes - rates for bank to offer loan, rates for government borrowing, rates for small savings etc. To determine the interest following factors are important -

- Demand and supply of money
- Inflation rate
- Government borrowings
- RBI and government policies

64. BSE launched Future contract on Oman crude oil.

65. Limit order is an order to buy or sell a share at a specified price.

66. Finance commission is a quasi judicial body under article 280 of Indian constitution. Recommendation made by commission is advisory not binding to President.

67. Country's first Real estate investment trust offer with SEBI is filed by Blackstone and Embassy Group.

68. Trading on Tur and Urad dal was banned in 2007 after a spike in prices. And they have been trading below MSP.

69. It is a kind of legal relation between client and trading members. Both keep the copy of contract note.

70. Pre opening session is started from 9:00AM to 9:15 AM.

71. Finance commission consist of chairman and four members appointed by President

- Chairman, who has knowledge of public affairs
- A person with knowledge of finance and accounts
- A judge of high court
- A person having special knowledge of economics.
- A person with experience in financial matters and administration.

72. Buy stop order - When the stop price is above the current market price.
Sell stop order - Stop price is below the current market price.

73. Sub brokers are agents of broker. he bring clients to the stock brokers.

74. The designated depository participants will have to provide number of foreign portfolio investors to SEBI by fifth working day of each month.

75. 15th finance commission takes 2011 census as the base for devolution of funds instead of 1971 census which created anger among some states.

76. Authorized clerks are the assistant of stock broker. He is responsible for trading when broker is not present.

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77. Section 17 A of Securities contracts(Regulations) Act 1956 deals with public issue and listing of securities.

78. SEBI is planning to conduct forensic audits to check whether the assets and liabilities are properly stated in books.

79. Parliament specified the qualification of chairman and members of finance commission.

80. Fixed deposits are term deposits and short term financial options with minimum investment period of 30 days.

81.

1. It offers networking opportunities.
2. It helps in developing new products and technology.
3. They have the authority to influence decisions of investors.

82. Foreign central bank can purchase or sell dated government securities in secondary market.

83. Tarapore committee was set up by RBI to recommend suggestions on full convertibility of rupee on capital account.

84. According to Foreign exchange management act (transfer of issue of security by person resident outside India) 2017, RBI has the power to regulate, restrict the transfer or issue of any security.

85. According to unpublished price sensitive information, information

related to Dividends, Changing in capital structure, Mergers, Financial results may affect price of securities.

86. Squaring off is the process by which investors or traders buy or sell shares and later reverse their trade to complete a transaction

87. Bear market is a market in which stock prices are falling.
Bull market is a market in which stock prices are rising

88. Financial stability and development council is headed by finance minister i.e. Arun Jaitley

89. Venture capital funds use money of investors to fund the project which have potential to grow. They are registered under SEBI (venture capital fund) 1996.

90. FPI, NRI and OCI can hold and sell IDRs.

91. Blue chip is best rated shares with highest status as investment based on return, yield, safety and liquidity.

92. Preference shares are of different types these are -
Cumulative preference shares
Non cumulative preference shares
Convertible preference shares
Participating preference shares
Redeemable preference share
Fully convertible cumulative preference shares





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93. The securities which are easily interchangeable with another in same class is termed as fungible securities.

94. Debenture is a document used as evidence of debt. it is of five types -

- Secured
- Redeemable
- Perpetual
- Bearer
- Registered

95. Stepped coupon bond - The interest rates of bond stepped up or down during tenure of bond.

96. Bill of exchange is a written order carries an order to pay specified sum of money to designated person

97. Hard underwriter guarantees a fixed amount to issue.

98. NASDAQ HQ - New York, US

99. Under SEBI (Prohibition of insider trading rules) 2015 company secretary perform certain functions like

- Notify closure and re open of trading windows.
- Maintain records for a period of 5 years
- Monitor the trading by employees and connected persons

100. Issues are classified as

- Public issue
- Right issue
- Bonus issue

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