

QB365 Question Bank Software Study Materials

Stock Exchange Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

12th Standard

Commerce

Total Marks : 75

2 Marks

10 x 2 = 20

1) What is meant Stock Exchange?

Answer : Stock Exchange is an organised market for the purchase and sale of industrial and financial security. It is an organised market for buying and selling of corporate and other securities. It is also called as stock nmarket or share market.

2) Write any 5 Stock Exchanges in India.

Answer : (i) The Bombay Stock Exchange.
(ii) The Ahmedabad Stock Exchange
(iii) Bangalore Stock Exchange Ltd.
(iv) The Calcutta Stock Exchange
(v) The Madras Stock Exchange

3) What is meant by Remisier?

Answer : Renmisier is an agent of a member of a stock exchange. He obtains business for his principal i.e, the member. He gets a commission for that service. He is called Remiser.

4) Who is called a Broker?

Answer : (i) Brokers are commission agents, who act as intermediaries between buyers and sellers of securities.
(ii) They do not purchase or sell securities on their behalf.
(iii) They bring together the buyers and sellers and help them in making a deal.
(iv) Brokers charge a commission from both the parties for their service.

5) What are the types of Speculator?

Answer : Speculators are classified in to four types :
(i) Bull
(ii) Bear
(iii) Stage and
(iv) Lame duck

6) Define Stock Exchange.

Answer : According to Husband and Dockerary, "Stock exchanges are privately organized markets which are used to facilitate trading in securities."

7) What is meant by Commodity Exchange?

Answer : (i) A commodity exchange is an exchange whdre commodities are traded.
(ii) Tradable commodities fall into the following categories.
a) Metals (e.g.gold, silver, copper)
b) Energy (e.g. crude oil, natural gas)
c) Agricultural (e.g. rice, wheat, cocoa)
d) Live stock and meat (e.g. live cattle, lean hog)

8) What is Hedging?

Answer : They can also be used to protect yourself from fluctuations in the price of a share and letting you buy or sell the

shares at a pre-determined price for a specified period of time.

- 9) I am the person who purchased all the shares from the company and sell them on my behalf. Who am I?

Answer : Jobbers

- 10) Mrs. Bhuvaneshwari applies for shares in a new companies and expects to sell them at a premium, if she gets an allotment. What kind of speculator she is?

Answer : Stag

3 Marks

10 x 3 = 30

- 11) What are the limitations of Stock exchange? (any 3)

Answer : The limitations of stock exchange are as follows:

- (i) Lack of uniformity and control of stock exchanges.
- (ii) Absence of restriction on the membership of stock exchanges.
- (iii) Failure to control unhealthy speculation
- (iv) Allowing more than one stock exchange in the place.

- 12) Explain Bull and Bear.

Answer : Bull :

- (a) A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- (b) In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future.
- (c) He is called bull because just like a bull tends to throw his victim up in the air, the bull stimulates the price to rise. He is an optimistic speculator.

Bear :

- (a) A Bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.
- (b) A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future. A bear is a pessimistic speculator.

- 13) Explain Stag and Lame Duck.

Answer : (i) Stag:

- (a) A Stag is cautious speculator in the stock exchange.
- (b) He applies for shares in new companies and expects to sell them at a premium, if he gets and allotment.
- (c) He selects those companies whose shares are in more demand and are likely to carry a premium.
- (d) He sells the shares before being called to pay the allotment money. He is called a premium hunter.

(ii) Lame duck:

- (a) When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.
- (b) A bear speculator contracts to sell securities at a later date.
- (c) Moreover, the buyer is not willing to carry over the transactions.

- 14) Explain National Stock Market System. (NSMS).

Answer : National stock market system was advocated by the Higher powered group on the establishment of New stock Exchanges headed by Shri. M.J. Pherwani (popularly known as pherwani committee).

At present the National stock Market in India comprises the following:

- (i) National Stock Exchanges of India Limited (NSE)
- (ii) Stock Holding Corporation of India Limited (SHCIL)
- (iii) National clearing and Depository System (NCDS)
- (iv) Securities Trading Corporation of India. (STCI)

- 15) Explain National Stock Exchange. (NSE).

Answer : (i) NSE was incorporated in November, 1992.

(ii) It is a countrywide, screen based, Online and order driven trading system.

(iii) It uses satellite link to spread trading throughout the country thereby connecting members scattered all over the India.

(iv) Through computer network, member's orders for buying and selling within prescribed prices are matched by central computer with each other and instantly communicate to the trading member.

(v) NSE has two segments, i.e. Debt segment and capital segment. It has ushered in transparent, screen based and user friendly trading of global standards.

16) Briefly explain the stock exchanges in India.

Answer : (i) There are 24 stock exchange in the country, with 21 of them being regional in nature.

(ii) Three others that have been set up in the reforms era, viz., National Stock Exchange (NSE), the Over the Counter Exchange of India Limited (OTCEI) and Interconnected Stock Exchange of India Limited (ISE) have mandate to nationwide trading network.

(iii) The ISE has been promoted by 15 regional stock exchanges in the country and is based at Mumbai.

(iv) The ISE provides a member-broker of any of these stock exchanges an access into the national market segment.

(v) The NSE, OTCEI, ISE and majority of the regional stock exchanges have adopted the Screen Based Trading System (SBTS) to provide automated and modern facilities for trading in a transparent, fair and open manner with access to investors across the country.

17) Write a short note on

(i) Jobbers

(ii) Gambling.

Answer : (i) Jobbers:

(a) Jobbers are security merchants dealing in shares, debentures as independent operators.

(b) They buy and sell securities on their own behalf and try to earn through price changes.

(c) In India, they are called Taravaniwalas.

(ii) Gambling:

(a) There is no reasoning involved in gambling.

(b) It accentuates fluctuations in price and it is unethical and illegal.

(c) It does not perform economic function.

18) What is NIFTY? and Explain it.

Answer : (i) The word Nifty originates from 2 words, 'National' and 'Fifty'.

(ii) Nifty basically means the index of the 50 most actively traded stocks from across all sectors.

(iii) Nifty represents the top stocks of the NSE and when we talk about Nifty going up, it means that all the heavyweight stocks of NSE across all sectors are moving up.

(iv) Nifty consists of top 50 companies from 24 different sectors.

(v) Nifty is computed from the performance of top stocks from different sectors.

(vi) Some mutual funds use Nifty as a benchmark. The performance of the mutual funds is assessed against the performance of the Nifty.

19) What is Gambling?

Answer : (i) There is no reasoning involved in gambling.

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20) What is Speculation?

Answer : (i) Speculation involves trading a financial instrument involving high risk, in expectation of significant returns.

(ii) The motive is to take maximum advantage from fluctuations in the market.

(iii) Spectrators are prevalent in the markets where price movements of securities are highly frequent and volatile.

5 Marks

5 x 5 = 25

21) Explain the functions of Stock Exchange. (Any 5)

Answer : The various functions of stock exchange are as follows:

(i) Ready and continuous market:

- (a) Stock exchange is a market for existing securities.
- (b) If an investor wants to sell his securities, he can easily and quickly dispose them off on a stock exchange.

(ii) Correct evaluation of securities:

- (a) The prices at which securities are bought and sold are recorded and made public.
- (b) These prices are called "market quotations".

(iii) Protection to investors :

- (a) All dealings in a stock exchange are in accordance with well-defined rules and regulations.
- (b) For example, brokers cannot charge higher rate of commission for their services. Any malpractice will be severely punished.

(iv) Proper channalisation of capital :

- (a) People like to invest in the shares of such companies which yield good profits.
- (b) The savings of individuals are directed towards promising companies which declare good dividends over a period of time.

(v) Aid to capital formation :

- (a) The publicity which the stock exchange gives to various industrial securities and their prices.
- (b) Stock exchanges thus ensure a steady flow of capital into industry and assist industrial development.

22) Explain the features of Stock Exchange.(Any 5)

Answer : The various features of stock exchanges are as follows:

(i) Market for securities :

Stock exchange is a market, where securities of corporate bodies, government and semi-government bodies are bought and sold.

(ii) Deals in second hand securities :

- (a) It deals with shares, debentures, bonds and such securities already issued by the companies.
- (b) In short, it deals with existing or second hand securities and hence it is called secondary market.

(iii) Association of persons :

A stock exchange is an association of persons or body of individuals which may be registered or Unregistered.

(iv) Recognition from central Government :

Stock exchange is an organised market. It requires recognition from the Central Government.

(v) Working as per Rules :

- (a) Buying and selling transactions in securities at the stock exchange are governed by the rules and regulations of stock exchange as well as SEBI Guidelines.
- (b) No deviation from the rules and guidelines is allowed in any case.

23) Distinguish between Stock Exchange and Commodity Exchange.(any 5)

Answer :

S.No.	Feature	Stock Exchange	Commodity Exchange
1.	Meaning	Stock exchange is an organised market for the purchase and sale of industrial and financial security.	A commodity exchange is an exchange where commodity are traded
2.	Function	Providing easy marketability	Offering hedging or price insurance services and liquidity to securities
3.	Participants	Investors and speculators	Producers, dealers, traders and a body of speculators
4.	Period of dealings	Cash, ready delivery and dealings for account for a fortnight	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings.
5.	Forward Contract	Forward dealings are simplified as securities are fully standardized.	Standards are to be fixed for deliverable grades to facilitate futures contract.
6.	Price Quotation	As regards forward dealings, only one quotation is possible.	For future dealings, multiple quotations are possible.

24) Briefly explain the important stock exchanges in the world. (any six).

Answer : As of 2016, there are 60 stock exchanges in the world. Of these, there are 16 exchanges with a market capitalization of dollar1 trillion or more, and they account for 87% of global market capitalization. Apart from the Australian Securities Exchange, these 16 exchanges are all in North America, Europe, or Asia.

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