INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Subject: IDFM

Chapter: UNIT 1

Category: Practice Questions

1. Which of the following is not a function of the financial market?

A. Mobilization of funds
B. Pricing of securities
C. Floating of companies
D. Lower transaction Costs

2. Primary and Secondary markets develop simultaneously because they ______.

A. Complement each other.
B. Control each other.
C. Compete with each other.
D. Function independently.

3. Providing liquidity is an important function of financial markets. True or False

A. False
B. True

4. Which of the following is not a function of the financial system?

A. To regulate arbitrageurs' profits (excess returns).
B. To help the economy achieve allocational efficiency.
C. To facilitate borrowing by businesses to fund current operations.

5. The government of a country whose financial markets are in an early stage of development has hired you as a consultant on financial market regulation. Your first task is to prepare a list of the objectives of market regulation.

Which of the following is least likely to be included in this list of objectives?

A. Minimize agency problems in the financial markets.
B. Ensure that financial markets are fair and orderly.
C. Ensure that investors in the stock market achieve a rate of return that is at least equal to the risk-free rate of return.

Short Answers

1. Give any two characteristics of secondary market.

2. What is meant by ‘primary market’?

3. It is an institution which provides a platform for buying and selling of existing securities. Mention it.

4. Explain Capital Market. Give two parts of capital market.

5. Differentiate between the two segments of financial market on any five basis.