

## COMMON BUSINESS TERMONOLOGIES

### FINANCIAL, STOCK AND COMMODITY MARKET TERMNOLOGY

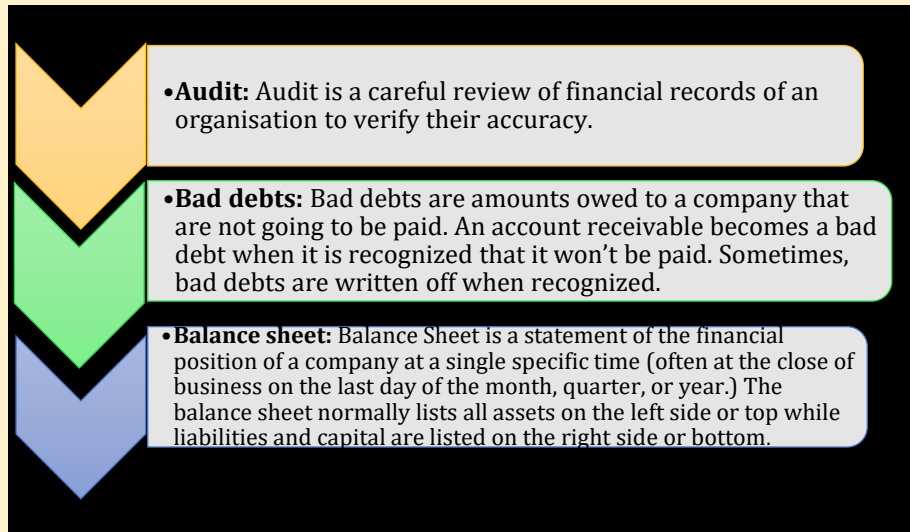
- **Agent:** A brokerage firm is said to be an agent when it acts on behalf of the client in buying or purchasing of shares. At no point of time in the entire transaction the agent will own the shares.
- **Amortize:** To amortize is to charge a regular portion of an expenditure over a fixed period of time
- **Annuity Due:** An annuity whose payments occur at the beginning of each period.
- **Annuity:** A series of payments of an equal amount at fixed intervals for a specified number of periods
- **Arbitrage:** Arbitrage is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets. For example: Purchase of gold in one nation and the simultaneous sale in another.

Asset: Asset means an economic resource that is expected to be of benefit in the future.

**Current Assets:** Current Assets are those assets that can be expected to turn into cash within a year or less. For example: Cash, marketable securities, accounts receivable, and inventory.

**Fixed Assets:** Fixed Assets cannot be quickly turned into cash without interfering with business operations. These are valuable items that last more than one year. For example: Land, buildings, machinery, vehicle, equipment, furniture, and long-term investments.

**Intangible Assets:** Intangible Assets are items such as patents, copyrights, trademarks, and other kinds of rights or things of value to a company, which are not physical objects. Often, they do not appear on financial reports.



**Bond:** Bonds is a type of long – term Promissory Note. Bonds can issued either be registered in the owner`s name ore issued as barer instruments. It is a written records of a debt payable in the future the bond shows amount of the debt, due date and interest rate.

**Book Value:** Book value means total assets minus total liabilities . Book value also means the value of an assets as recorded on the company`s books or financial reports Book value often different than true value. It more or less.

**Breakeven Point:** It is the amount revenue from sales which exactly equals the amount of expense. Breakeven Point is often expressed as the number of unit that must be sold to produce revenues exactly equals to expenses sales above the breakeven point produce a profit and below produces loss.

**Budget:** Budget is a detailed plan for the future, usually expressed in formal quantitative terms. It is also a detailed plan for the acquisition and use of financial and other resources over a specified time period.

**Bears:** These stock – market players are pessimists they expect share prices or any other type of investment to fall. In a `bear market` the general sentiment is that is prices are going to go lower and majority of dealers will sell as quickly as possible for fear of holding shares which diminish in value

**Base Price:** This is the price of a security at the beginning of all the trading day which is used to the Operational ranges for that day.

**Basket Trading:** Basket Trading is a facility by which investors are in a position to buy / sell all 30 scrips of Sensex in the proportion of current weight in the Sensex in one go.

**Bear Market:** A market in which stock prices are falling consistently.

**Bonus:** A free allotment of shares made in proportion to existing shares us of accumulated reserve.

**A bonus share does not constitute additional wealth to shareholders. It merely signifies recapitalization of reserve into equity capital. However, the expectation of bonus shares has a bullish impact on market sentiment and causes share prices to go up.**

**call Option:** An option that given to investor the right but not obligation to buy a particular stock at a specified time period.

**close Price:** The final price at which the stock is traded on a given particular trading day.

**Capital Budget:** The process of planning expenditure on assets whose cash flow are expected to extend beyond one year.

**capital Gains Yield:** The capital gain during a given year divided by the beginning price.

**Debentures:** A type of debt instrument that is not secured by physical assets or collateral. Debenture are backed only by the general credit worthness and reputation of the issuer A debenture is an unsecured form of investment.

**Debenture:** Although debtors are considered an asset if you are owed a vast amount, this might indicate problems collecting monies owed and possible cash flow difficulties A debtor is a company or individual who owes money

**Defensive stock:** A stock that provides a constant dividends and stable earnings even in the periods of economic downturn i.e. even in the extreme critical situation of the stock market these companies continue to pay the dividends at a constant rate.

**Depreciation:** Depreciation is a way of spreading the cost of an asset over its expected useful economic life. It is an expense allowance made for wear and tear on an asset over its estimated useful life

**Equity (Net Worth):** The capital supplied by common stock holders common stock, paid – in capital, retained earnings, occasionally, certain reserve. Total equity is common equity plus preferred stock.

**Exchange Rate:** The number of units of given currency that be purchased for one unit of another currency.

**Face Value:** It is the cash denomination or the amount the holder of the individual security going to earn from the issuer of the security at the time maturity. It is also known as par value.

**Financial Instrument:** A financial instrument is anything that range from cash, deed, negotiable instrument evidence that shows the existence of a transaction or agreement.

**Portfolio:** Holding of any individual or institution. A portfolio may include various type of securities of different companies operating in different sectors.

**Pre – Opening Session:** The ore- open session is for duration of 15 minutes i.e. from 9: 00 AM. In pre-Open session order entry. modification and cancellation takes place.

**Financial Intermediary:** A financial intermediary is basically a party or person who acts as a link between a provider who provides securities and the user, who purchases the securities. Share brokers, and almost all the banks, are the best examples of financial intermediarie

**Government Bonds:** A government bond, which is also known as a government security, is basically any security that is held with the government and has the highest possible rate of interest.

**Holding Period:** The holding period is the time duration during which a capital asset is held/owned by an individual or corporation. The holding period is taken into consideration, while pledging the asset as collateral.

**Liquidation:** A liquidation occurs when the assets of a division are sold off piecemeal, rather than as an operating entity.

**Mutual Fund:** A pool of money managed by experts by investing in stocks, bonds and other securities with the objective of improving their savings. These experts will create a diversified portfolio from these funds.

**Price Earnings (P/E) Ratio:** The market price of a share

of stock divided by the earnings (Profit) per share. P/E ratios can vary from sky high to dismally low, but may not reflect the true of a company.

**Trading Session:** The period of time stock market is open for trading for both seller and buyers, within this time frame all the orders of the day must be placed. (9: 15 AM to 3: 30 PM) Here all the orders placed in pre- opening session are matched and executed.

**Yield:** It is the measure of return on investment in term of percentage. Stock yield is calculated by dividing the current price of the share by the annual dividend paid by the company for that share. for example, if the current price of the share is ` 100 and the dividend paid is INR 5 per share annually then the stock yield is 5%.

**Yield to call (YTC):** The rate of return earned on a bond if it is called before its maturity date.

**Zero Coupon Bond:** A bond that pays no annual interest but is sold at a discount below par, thus providing compensation to investors in the form of capital appreciation.



Question  
&  
Answer

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# Past Examination Question

MAY - 2018

## Question 1

For more Info Visit - [www.KITest.in](http://www.KITest.in)

**4 P's of Market are:**

- |   |   |
|---|---|
| (a) Plain, Price, Production, Publicity | (b) Plain, Production, Place, and Promotion |
| (c) Plain, Price, Product, Promotion    | (d) Product, Price, Place, Promotion        |

**Answer: d****Explanation:**

Commercially, business is all about, marketing management Essentially it comprises of the famed 4P's marketing which are Product, Price, Place, and Promotion.

**Question 2****Bid is the opposite of:**

- |                 |            |
|-----------------|------------|
| (a) Ask / Offer | (b) Equity |
| (c) Call        | (d) None   |

**Answer: a****Explanation:**

Bid is the price at which market maker buys from the investor and offer in the price at which he offers to sell the stock to the investor. The offer's higher than Bid

**Question 3****The process of estimating future demand by anticipating what buyers are likely to do. under a given set to the marketing conditions:**

- |                        |                        |
|------------------------|------------------------|
| (a) Cross Marketing    | (b) Forecasting        |
| (c) Market Development | (d) Internal Marketing |

**Answer: b****Explanation:**

The process of estimating future demand by anticipating what buyers are likely to do under a given set of marketing conditions is known as forecasting.

**Question 4****Consolidation means:**

- |   |                               |
|---|-------------------------------|
| (a) Combination of two or more entities that occurs when entities transfer all their net assets to a new entities created for purpose | (b) A security by an issuer   |
| (c) An option given to investor   | (d) Commission charged by the |

broker

**Answer: a**

**Explanation:**

Consideration means combination assets, equity, liabilities and operating accounts of a parent firm and its subsidiaries into one financial statement or combining two or more firms through purchase, merger, or ownership transfer to form a new firm.

**Question 5**

**Personal selling' is done. through:**

- |                           |                        |
|---------------------------|------------------------|
| (a) Written Communication | (b) Oral Communication |
| (c) TV and Media          | (d) Sign Language      |

**Answer: b**

**Explanation:**

Personal selling is where business use people (the "sales force") to sell the product after meeting face- to – face with customer. Hence it takes place through oral communication.

**Question 6**

**The number of units of given currency that can be purchased for one unit of another currency is called**

- |                   |                   |
|-------------------|-------------------|
| (a) Current Ratio | (b) Exchange Rate |
| (c) Equity        | (d) Dividend      |

**Answer: b**

**Explanation:**

The number of units of given currency that can be purchased for one unit of another currency is called Exchange Rate.

**Question 7**

**Is a road map of company`s future?**

- |               |          |
|---------------|----------|
| (a) Objective | (b) Goal |
| (c) Vision    | (d) Aim  |

**Answer: c**

**Explanation:**

A strategic VISION is a road map of company`s future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop and the kind of company that management is trying to create.



**Question 8**

**When two or more companies come together to expand their business operations in newly created entity.**

- (a) Joint Venture (b) Acquisition  
(c) Partnership (d) Merger

**Answer: d**

**Explanation:**

When two or more companies come together to increase their strength and financial gains along with breaking the trade barriers in a newly created entity it is known as "merger".

**NOV – 2018****Question 9**

**It is the amount of revenue from sales exactly equals the amount of expense.**

- (a) Breakeven Point (b) Total Revenue  
(c) Both (a) & (b) (d) None of these

**Answer: a**

**Explanation:**

Breakeven point is the amount of revenue from sales which exactly equals to the amount of expense

**Question 10**

**Financially sound companies with paid dividend is known as?**

- (a) Blue Chip (b) Bonds  
(c) Debenture (d) None of the above

**Answer: a**

**Explanation:**

Blue Chip are share of large, well established and financially sound companies with an impressive record of earnings and dividends.

**Question 11**

**What is the meaning of arbitrage?**

- (a) Buying & selling of different commodities (b) Simultaneous buying & selling of identical commodities  
(c) Only buying of identical commodities (d) Selling of identical commodities only

**Answer: b**

**Explanation:**



Arbitrage is the simultaneous purchase and sale of two identical commodities or instruments.

### **Question 12**

**Assets which can be replaced within a year to cash**

- |             |                   |
|-------------|-------------------|
| (a) Fixed   | (b) Intangible    |
| (c) Current | (d) Non - current |

**Answer: c**

**Explanation:**

Current Asset is the assets for short period of time it can be replaced within a year into cash.

### **Question 13**

**What IPO is related to:**

- |   |                                |
|---|--------------------------------|
| (a) Companies first issue to general public | (b) Right issue of the company |
| (c) Both (a) & (b)                          | (d) None of these              |

**Answer: a**

**Explanation:**

Initial Public Offering (IOP) IS a company's first issue of share to general public. IPO`s are issues by smaller younger companies seeking funds for expansion and growth.

### **Question 14**

**Shares of a company listed on stock exchange are:**

- |                |                   |
|----------------|-------------------|
| (a) Securities | (b) Listed Shares |
| (c) Debenture  | (d) Bonds         |

**Answer: b**

**Explanation:**

Listed Shares are the shares of a company listed on stock exchange

### **Question 15**

**\_\_\_\_-involves Charges a relatively high price for a short periods of time**

- |                    |                       |
|--------------------|-----------------------|
| (a) Price Skimming | (b) Price sensitivity |
| (c) USP            | (d) Holding price     |

**Answer: a**

**Explanation:**

Price Skimming involves Charging a relatively high price for a short periods of time where a new innovative or much improves product is launched into

market.

### **Question 16**

**The Lowest Price at which an owner is a willing to sell his security id:**

- |           |                 |
|-----------|-----------------|
| (a) Big   | (b) ASK         |
| (c) Cages | (d) Sales Value |

**Answer: b**

**Explanation:**

ASK is the lowest price at which an owner is willing to sell his security.

## **MAY - 2019**

### **Question 17**

**The Shares of a company that are treated on a stock Exchange are:**

- |                  |               |
|------------------|---------------|
| (a) Hedge        | (b) Net Worth |
| (c) Listed Stock | (d) Dividends |

**Answer: c**

**Explanation;**

In corporate finance a listing refers to the company's shares being on the list (or board) of stock that are officially traded on a stock exchange. Some stock exchange allows shares of a foreign company to be listed and may allow dual listing subject to conditions.

### **Question 18**

**The\_\_\_ is something that makes trade between two countries difficult and expensive**

- |                       |                       |
|-----------------------|-----------------------|
| (a) Bench Market      | (b) Barriers to trade |
| (c) Barriers to entry | (d) Cross selling     |

**Answer: b**

**Explanation:**

The Barriers to trade is something that makes trade between two countries difficult and expensive.

### **Question 19**

**The share of large well established and financially sound companies with an impressive earnings and dividend are called:**

- |                |                      |
|----------------|----------------------|
| (a) Bonds      | (b) Debenture        |
| (c) Blue Chips | (d) Commercial paper |

**Answer: c**

**Explanation:**

A Blue Chip is a nationally recognized well- established, and financially sound company. Blue Chip generally sell high – quality, widely accepted products and services Blue Chip companies are known to weather downturns and operate profitably in the face of adverse economic conditions, which helps to contributes to their long record of stable and reliable growth.

**Question 20**

**What is initial Public Offering?**

- |   |                                     |
|---|-------------------------------------|
| (a) A company first issue of shares to General public | (b) Right Issue of share by company |
| (c) Both (a) & (b)                                    | (d) None of the above               |

**Answer: a**

**Explanation:**

The initial Public Offering is when A company first Issue of shares to general Public.

**Question 21**

**Charging a relatively high price for a short time where a new Innovative or much improved products is launched on to market is.**

- |                       |                          |
|-----------------------|--------------------------|
| (a) Sales Promotion   | (b) Price Skimming       |
| (c) Price Sensitivity | (d) Unique Selling Price |

**Answer: b**

**Explanation:**

Charging a relativity high price for a short time where a new, Innovating or much improved products is launched on to a market is called Price Skimming.

**Question 22**

**Reduction in the price of goods given to encourage sales on cash basis**

- |                    |                       |
|--------------------|-----------------------|
| (a) Trade discount | (b) Cash discount     |
| (c) Both (a) & (b) | (d) None of the above |

**Answer: b**

**Explanation:**

A cash discount is a deduction allowed by some sellers of goods or by some providers of services in order to motivate customer to pay within a specified time. The cash discount is also referred to as an early payment discount.

**Question 23**

**Assets can be Excepted to turn into cash within a year or less is called as**

- (a) Current Assets (b) Fixed Assets  
(c) Intangible Assets (d) All of the above

**Answer: a**

**Explanation:**

Current assets represent all the assets of a company that are expected to be conveniently sold, consumed, utilized or exhausted through the standard business operations, which can lead to their conversion to a cash value the next one-year period.

**Question 24**

**Arbitrage Means**

- (a) Simultaneous Purchase & sales of two identical Commodities (b) Only Purchase of Identical commodities  
(c) Sale of identical commodities only (d) None of the above

**Answer: a**

**Explanation:**

Arbitrage is the simultaneous purchase and sale of an assets to profit from an imbalance in the price. It is a trade that profit by exploiting the price differences of identical similar financial instrument on different markets or in different forms.

**Question 25**

**Total Revenue from Sale Which Exactly Equals to Expenses Incurred is:**

- (a) BEP (b) Shut down point  
(c) Both (a) & (b) (d) None of the above

**Answer: a**

**Explanation:**

Total Revenue from Sales Which Exactly Equal to Expenses Incurred is BEP

**Question 26**

**What is Brokerage:**

- (a) Commission Charge by the Broker for His services (b) Commission Charge by SEBI  
(c) Commission Given by the Broker for his services (d) None of the above

**Answer: a**

**Explanation:**

Commission Charge by the Broker for his services is called Brokerage.

**DEC - 2020****Question 27**

**Controller of capital Issues was replaced by which of the following Regulatory authority?**

- (a) IRDAI (b) Competition Commission of India(CCI)  
(c) RBI (d) SEBI

**Answer: d**

**Explanation:**

SEBI - Being a regulatory body, SEBI India has several powers to perform vital functions. The SEBI Act of 1992 carries a list of such powers vested in the regulatory body. The functions of SEBI make it an issuer of securities, protector of investors and traders and a financial mediator.

**Question 28**

**Which of the following is not an objective of establishing the Competition Commission of India (CCI)?**

- (a) To Prevent practices having adverse effect on competition  
(b) To preserve and sustain competition in markets  
(c) To protect the interests of the customers  
(d) To ensure restriction of trade carried on by other participants in markets

**Answer: d**

**Explanation:**

Prohibition of anti-competitive agreements. Prohibition of restrictive trade practices. Regulation of combination.

**Question 29**

**SEBI was setup to regulate the ----**

- (a) Insurance market (b) Security market  
(c) Money market (d) Capital market

**Answer: d**

**Explanation:**

Being a regulatory body, SEBI India has several powers to perform vital functions. The SEBI Act of 1992 carries a list of such powers vested in the

regulatory body. The functions of SEBI make it an issuer of securities, protector of investors and traders and a financial mediator.

### **Question 30**

**Which of the following is not a regulatory body?**

- (a) SIDBI (b) SEBI  
(c) RBI (d) CCI

**Answer: a**

**Explanation:**

IDBI operates under the Department of Financial Services, Government of India. SIDBI is one of the four All India Financial Institutions regulated and supervised by the Reserve Bank of India; other three are India Exim Bank, NABARD and NHB. Hence it not a regulatory body

### **Question 31**

**IRDAI full form**

- (a) Industrial Regulatory Development Authority of India. (b) Institutional Regulatory Development Authority of India.  
(c) Insurance Regulatory Development Authority of India. (d) Insurance Ruling Development Authority of India.

**Answer: c**

**Explanation:**

IRDAI full form - Insurance Regulatory Development Authority of India.

### **Question 32**

**Which of the following financial institution is known for dealing in SHG bank linkage program?**

- (a) NABARD (b) IRDAI  
(c) SBI (d) SEBI

**Answer: a**

**Explanation:**

NABARD -National Bank for Agriculture and Rural Development is an apex development finance institution fully owned by Government of India. The bank has been entrusted with "matters concerning policy, planning, and operations in the field of credit for agriculture and other economic activities in rural areas in India

**JAN - 2021****Question 33**

**Risk is a probable chance that investments actual returns will be \_\_\_\_ than as calculated**

- (a) Increased (b) Reduced  
(c) Equal (d) Marginal

**Answer: b**

**Explanation:**

Risk is defined in financial terms as the chance that an outcome or investment's actual returns will reduced from an expected return.

**Question 34**

**Financially sound companies which paid dividends is known as:**

- (a) MNC (b) Blue chip companies  
(c) Mutual fund companies (d) Inland companies

**Answer: b**

**Explanation:**

A blue chip is a nationally recognized, well-established, and financially sounds company. Blue-chip companies are known to weather downturns and operate profitably in the face of adverse economic conditions, which help to contribute to their long record of stable and reliable growth.

**Question 35**

**What is consolidation?**

- (a) It is an expense that is supported to reflect the loss is value of a fixed asset  
(b) Combination of two or more entities that occurs when the entities transfer all their net assets to a new entity create for that Purpose.  
(c) Potential liability arising from a past Transaction or Subsequent event.  
(d) Cost that can be attributed clearly to the activity you are considering

**Answer: b**

**Explanation:**

To consolidate (consolidation) is to combine assets, liabilities, and other financial items of two or more entities into one. Also, the unification of two or more corporations by dissolution of existing ones and creation of a single new corporation.



**Question 36****One percent is equal to**

- (a) 10 basis point (b) 100 basis point  
(c) 1 basis point (d) 1000 basis point

**Answer: b****Explanation:**

One percent is one hundredth of a whole. It can therefore be written as both a decimal and a fraction.

**Question 37****75 basis point is equivalent to**

- (a) 0.75% (b) 7.5%  
(c) 75% (d) 75

**Answer: a****Explanation:**

One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001. Similarly, 75 basis point is equal to 0.75%

**Question 38****What is a cap?**

- (a) A cap is a limit that regulates the increase or decrease in the rate on interest and instalments of an adjustment rate mortgage  
(b) A cap is total amount of cash that is present in the bank account can also be withdrawn immediately  
(c) A cap is the certificate of savings deposit that promises the depositor the sum back along with appropriate interest  
(d) A cap is a loan where the time and cash flow between a short-term loan and a long term loan is filled up.

**Answer: a****Explanation:**

A cap is an interest rate limit on a variable rate credit product. It is the highest possible rate a borrower may have to pay and also the highest rate a creditor can earn. ... Borrowers and investors choose variable-rate credit products to take advantage of changes in market interest rates.

**Question 39****\_\_\_\_\_ is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment**

- (a) Cap (b) Encryption

(c) Hedge

(d) Term insurance

**Answer: c**

**Explanation:**

Hedging is a risk management strategy employed to offset losses in investments by taking an opposite position in a related asset. IT is made with the intention of reducing the risk of adverse price movements in an asset.

**Question 40**

**Carrying forward to transaction from one settlement period to the next without effecting delivery or payment is called\_\_\_\_\_**

(a) Badla

(b) Beta

(c) Blue chips

(d) Basket trading

**Answer: a**

**Explanation:**

"Badla" in share trading means something in return. It is a system to carry-forward. Badla is the charge, which the investor pays to carry forward his position.

## **JULY – 2021**

**Question 41**

**Dividing consumers into group based on different consumer characteristics to deliver specially designed advertisements that meet these characteristics as closely as possible is known as:**

(a) Mass marketing

(b) Market targeting

(c) Market segmentation

(d) Marketing plan

**Answer: c**

**Explanation:**

Market segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits.

**Question 42**

**The simultaneous purchase and sale of two identical commodities or instruments are called as:**

(a) Amortize

(b) Annuity

(c) Arbitrage

(d) Asset

**Answer: c**

**Explanation:**

Arbitrage is the simultaneous purchase and sale of the same asset in different markets in order to profit from tiny differences in the asset's listed price. It exploits short-lived variations in the price of identical or similar financial instruments in different markets or in different forms.

**Question 43**

**The price of a security at the beginning of the trading days is called.**

- (a) Basket trading (b) Base price  
(c) Bid (d) Book value

**Answer: b**

**Explanation:**

The opening price is the price at which a security first trades upon the opening of an exchange on a trading day; for example, the New York Stock Exchange (NYSE) opens at precisely 9:30 a.m. Eastern time

**Question 44**

**What is Hedge?**

- (a) It is a statistical measurement of change in the economy (b) It is a Strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment  
(c) It is a trading platform (d) It is security which has a solid record of dividend payment

**Answer: b**

**Explanation:**

A hedge is an investment that is made with the intention of reducing the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting or opposite position in a related security.

**Question 45**

**Which of the following code is having black squares arranged in a square grid with a white background, it can be read by an imaging device such as camera until it is appropriately interpreted?**

- (a) One dimensional bar code (b) Universal product code  
(c) Black and white code (d) Quick response code

**Answer: d**

**Explanation:**

A QR code consists of black modules (square dots) arranged in a square grid on

a white background, which can be read by an imaging device (such as a camera) and processed using Reed–Solomon error correction until the image can be appropriately interpreted.



**Question 46**

**Amount which are owned to a company that need not to be paid back is called**

- |            |                    |
|------------|--------------------|
| (a) Assets | (b) Bad debts      |
| (c) Bears  | (d) Current Assets |

**Answer: b**

**Explanation:**

Bad debt refers to loans or outstanding balances owed that are no longer deemed recoverable and must be written off. This expense is a cost of doing business with customers on credit, as there is always some default risk inherent with extending credit.



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