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Self-Made Assignment - Advance Accounting

Introduction to Capital Market

Answer the given MCQ Que:

1. What is the primary purpose of the capital market?
A) To manage short-term credit
B) To raise long-term funds
C) To regulate foreign exchange
2. Which of the following is issued in the capital market?
A) Treasury Bills
B) Stocks and Bonds
C) Credit Cards
3. The capital market is divided into how many segments?
A) One
B) Two
C) Three
4. What is the function of the primary market?
A) Trading of used securities
B) Issuing new securities
C) Currency exchange
5. Which market facilitates the trading of existing securities?
A) Commodity Market
B) Secondary Market
C) Primary Market
6. What is an IPO?
A) Internal Product Offer
B) Initial Public Offering
C) International Public Operation
7. Where does the money from an IPO go?
A) To the investors
B) To the government
C) To the issuing company
8. Which of the following is a secondary market?
A) RBI
B) New York Stock Exchange
C) IMF

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9. What role does the capital market play in savings?
A) It reduces savings
B) It channels savings into investments
C) It converts savings into loans
10. Capital formation is supported by the capital market through:
A) Tax collection
B) Consumer spending
C) Raising long-term funds
11. Which of the following is a benefit of capital markets for investors?
A) High taxation
B) Opportunity to invest and earn returns
C) Limiting financial access
12. Which of the following provides liquidity to investors?
A) Primary Market
B) Central Bank
C) Secondary Market
13. The original issuer does not receive funds from:
A) Primary Market
B) Secondary Market
C) Bond Issue
14. Investors earn returns in the capital market through:
A) Subsidies
B) Dividends and Capital Gains
C) Taxes
15. Which market involves transactions between investors?
A) Primary
B) Secondary
C) Both
16. Capital markets help in financing:
A) Small retail purchases
B) Long-term infrastructure projects
C) Grocery stores

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17. A feature of the capital market is:

- A) Short-term lending
- B) Long-term investment
- C) Foreign currency exchange

18. Which of the following is NOT a capital market instrument?

- A) Stock
- B) Bond
- C) Savings Account

19. Capital market contributes to economic growth by:

- A) Storing money
- B) Providing business loans
- C) Financing productive projects

20. Who benefits directly from an IPO?

- A) Government
- B) Issuing Company
- C) Shareholders

21. Which entity uses the capital market to fund operations and development projects?

- A) Only private companies
- B) Only banks
- C) Both businesses and governments

22. What type of return do bondholders typically earn?

- A) Rent
- B) Interest
- C) Dividends

23. Which of the following encourages more people to invest in the capital market?

- A) High inflation
- B) Potential for returns
- C) Market monopolies

24. What characteristic makes the secondary market attractive to investors?

- A) High fees
- B) Limited access
- C) Liquidity

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