1. **Which of the following statements concerning call and put options is true?**
   A. The buyer of a call has the right to sell an asset
   B. The buyer of a put has the right to buy or sell an asset
   C. The seller of a call has the right to sell an asset
   D. The buyer of a call has the right to buy an asset
2. **Which of the following can be said of corporate bonds?**
   A. They have market risk and default risk
   B. They have market risk but no default risk
   C. They have default risk but no market risk
   D. They have neither market risk nor default risk
3. **An airline establishes an agreement via an exchange-traded instrument with an oil company to Pay a specific price in three months' time for a specific quantity of fuel at that time. This type of Agreement is normally called:**
   A. an option
   B. a future
   C. a swap
   D. a warrant
4. **What term is used to describe a situation where a trader has committed to buy, and is currently holding, a future which has two weeks until the specified future date?**
   A. Call
   B. Put
   C. Long
   D. Short
5. **_____are issued at a discount to their par value and they repay, or redeem, at par value. All of the return is provided in the form of capital growth rather than income.**
   A. Fixed coupon bond
   B. Convertible bond
   C. Zero coupon bond
   D. Asset backed bond
6. **_____is issued by an overseas entity into a domestic market and is denominated in the domestic currency.**
   A. Foreign bond
   B. Euro bond
   C. Domestic bond
   D. Asset backed bond
7. **The process of deriving a risk-free profit from simultaneously buying and selling the same**
   A. hedging
   B. Speculation
   C. Asset allocation
   D. Arbitrage
8. **When the seller of the future does not have the asset that will be needed if physical delivery of the underlying commodity is required?**
   A. Covered
   B. Naked
   C. Long
   D. Short
9. **Which derivative enables an organization to protect itself against unwanted credit exposure by passing that exposure on to someone else?**
   A. Option
   B. Interest rate swap
   C. Credit default swap
   D. Future contract
10. **Which one of the following is called a hybrid?**
    A. Preferred stock
    B. Common stock
    C. bond
    D. Index
11. **The securities that provide residual claim at the time of income division and liquidation are?**
    A. Bond
    B. Preferred stock
    C. Common stock
    D. Notes
12. **_____ is the risk that shares may be difficult to sell at a reasonable price.**
    A. Seniority
    B. Liquidity
    C. Inflation
    D. Issuer
13. **All of the followings are advantages of listing except?**

A. High regulation
B. For rising capital
C. For marketing
D. For easy takeovers

14. _____is the trading of securities between two counterparties executed outside of formal exchanges and without the supervision of an exchange regulator.

A. IPO
B. Dealer
C. Secondary market
D. Primary market

15. All of the following are the features of money market securities except?

E. Short term
F. Provide ownership
G. Very liquid
H. Very safe

16. The securities are bought and sold as per well-structured rules and regulations?

i. Over the counter market
ii. Stock exchange market
iii. IPO
iv. Real asset market

17. Which stock exchange market is the largest in the world by market capitalization?

A. NASDAQ
B. LSE
C. NYSE
D. SSE

18. Short term intention, high risk taking and using technical analysis as a base for decision is associated with _____?

i. Investment
ii. Speculation
B. Pension funds
C. None

19. _____is an organization that invests the capital on behalf of other investors?

i. Mutual funds
ii. Investment banks
iii. Pension funds
iv. All of the above

20. The party that facilitate buy and sell of securities on behalf of others is called.

A. Trader
B. Dealer
C. Fund manager
D. Stock broker

21. Which one is **odd**

A. Credit unions
B. Money market mutual funds
C. Saving and loan associations
D. Financial investment companies

22. Which Account is drafted to pay bills but also earn interest?

A. Demand or transactional account
B. Saving account
C. Time deposit
D. All except C

23. Which one is **true about financial system?**

A. The primary task of financial system is to move loanable fund from deficit unit to surplus units
B. When funds become more costly and less available, spending for goods and services increases.
C. When the cost of funds declines, spending in the economy often increases and investment and employment increases.
D. All of the above

24. Which of the following statements about financial assets is usually **NOT true**?

A. Cannot be depreciated
B. Easily stored and transported
C. Physical condition is important in determining their value
D. Serve as a store of value

25. Which of the following is **NOT** a contractual institution?

A. fire and casualty insurance company
B. life insurance company
C. pension fund
D. savings and loan association

26. The primary assets of a savings and loan association are

A. Consumer and business loans.
B. Corporate bonds and stock.
C. Money market instruments.
D. Mortgages.

27. Assume you have a deposit in a bank, then the deposit is:

A. A liability for you and an asset for the bank.
B. An asset for you and a liability for the bank.
C. An asset for you and a loanable fund for the bank.
D. B and C

28. All the Financial institution serves as Financial intermediaries: this means they

A. Act as middlemen, borrowing funds from those who have saved and lending these funds to others.
B. Help promote a more efficient and dynamic economy.
C. Play an important role in determining the quantity of money in the economy.
D. Do all of the above.

29. Which of the following can be described as **direct finance**?

A. You borrow ETB2500 from a friend.
B. You buy shares in a mutual fund.
C. You buy shares of common stock in the secondary market.
D. You take out a mortgage from your local bank.

30. Which of the following statements about the characteristics of debt and equities **is true?**
A. Bond holders are residual claimants.
B. Bonds pay dividends.
C. The income from bonds is typically more variable than that from equities.
D. They can both be long-term financial instruments.

31. Securities are _____ for the person who buys them, but are_____ for the individual or firm that issues them.

A. Assets; liabilities
B. Liabilities; Assets
C. Negotiable; Nonnegotiable
D. Nonnegotiable; Negotiable

32. Which of the following can be described as **involving indirect finance**?
A. A corporation buys a share of common stock issued by another corporation in the primary market.
B. You buy government Treasury bill from the Ethiopian Treasury.
C. You make a deposit at a bank.
D. You make a loan to your neighbor.

33. The key participants in financial transactions are individuals, businesses, and governments. Individuals are net _____ of funds, and businesses are net _____ of funds.

A. Demanders; suppliers
B. Purchasers; sellers
C. Suppliers; demanders
D. Users; providers

34. Which of the following is **NOT a** financial institution?

A. A commercial bank.
B. A newspaper publisher.
C. A pension fund.
D. An insurance company.

35. Which of the following serve as intermediaries channeling the savings of individuals, businesses and governments into loans and investments?

A. Financial Institutions
B. Financial Markets
C. OTC market
D. Securities Exchanges

36. Which of the following is not a depository financial institution?

A. Commercial bank.
B. Credit union.
C. Mutual fund Company.
D. Savings and loan association.

37. Which of the following is an example of **financial intermediation?**
A. An Internet company issues stock by selling shares directly to buyers.
B. A woman opening a new business borrows funds from her uncle.
C. A professor purchases shares of stock directly from a corporation.
D. A bank extends a mortgage loan to a household.

38. Which of the following financial intermediaries specialize in making mortgage loans?

A. Finance companies.
B. Insurance companies.
C. Pension funds.
D. Savings and loan associations.

39. The purpose of diversification is to

A. Raise the average return on a portfolio.
B. Raise the volatility of a portfolio's return.
C. Reduce the average return on a portfolio.
D. Reduce the volatility of a portfolio's return.

40. Suppose that the investment company invests the funds received in the stock of a large number of companies By doing so the company is

A. Made Maturity Intermediation
B. Provided a Payments Mechanism
C. Reduced Risk by Diversification
D. Reduced the Costs of Contracting and Information Processing

41. The primary function of commercial bank is
    a. Agency service b. utility service
    b. Accepting deposit d. premium collection
42. Money market instrument is characterized by low interest risk because :
    a. The participants of money market instruments have good credit standing
    b. The maturity of the securities of money market is short
    c. They are purchased and sold quickly
    d. The securities used to settle short term obligation of the issuer
    e. The participants wants to take a little risk
43. From the following which has the highest risk
    a. Common stock c. Treasury bond
    b. Preferred stock d. corporate bond
44. Which one of the following describes funds that protect individuals and families against loss of income in their retirement years by promising a specific monthly payment when they retire from service?
    a. Balanced Funds c. Balanced Funds
    b. Employees financial rewards d. Defined Contribution Plan
45. An insurance company that shelters its policy holders against loss of income only at an anticipated death of the insured due to blood pressure is best described by:
    a. Endowment Life Insurance c. Causality
    b. Life Insurance d. Property
46. Commercial bank of Ethiopia deal in New York stock exchange with a maturity period of two days. This type of market is
    a. Forward market c. Overnight market
    b. Future market d. Option market
47. Which one of the following best describes institutional investors that provide long-term capital financing for new businesses and rapidly emerging companies?
    a. Leasing Companies c. Mortgage Banks
    b. Security dealers d. Venture Capital Firms
48. an option that gives the owner the right, but not the obligation to sell an asset
    a. put option c. call option
    b. swaps d. none
49. Which of the following is not a financial derivative?
    a. Options c. Preferred Stock
    b. forward contract d. futures contract

A Mutual Fund contains 5000 shares of Avila which are traded at $40 each, 1800 shares of Verona traded at $38 and 3400 shares of Arrow currently trading at $56.37. The Mutual Fund has 21000 shares outstanding held by investors. Based on this information answer question number 11 and 12

50. Today's net asset value is
    a. $21.90 b. $23 c. $19.8 d. $20.97
51. Suppose that today 3000 additional investors buy one share each of the mutual fund at the net asset value of question 3. This means the Mutual fund has additional funds to invest. Suppose

that the fund manager decides to use these additional funds to buy additional shares in Arrow. The additional shares of Arrow will be

a. 1166 b. 1600 c. 3000 d. 4600

52. The basis of the argument in favor of regulation derives from the concept of:
    a) moral hazard
    b) competitive laxity
    c) government failure
    d) compliance costs
    e) market failure

53. In Ethiopia, the activity that can be undertaken by MFIs is :
    a. Accepting voluntary and compulsory savings
    b. Giving loans to micro and small scale rural and urban entrepreneurs
    c. Rendering technical and administrative advice to customers
    d. Extending credits to rural farmers
    e. All of the above

54. The reason for bank regulation is :
    a. to provide quality services to customers (depositors) at competitive price
    b. to protect consumer interests in various aspects of a banking relationship
    c. To discourage banking practices that might harm depositors and disrupt the payments system.
    d. To protect depositors as many businesses and individuals do hold significant portion of their funds in banks
    e. All of the above

55. What is TRUE of group lending clause?
    a. Dealing with groups instead of individuals reduces transaction costs for the bank
    b. Group arrangements teach the bank a great deal about who is safe and who is risky
    c. Group lending reduces inequality between borrowers: all benefit from the same interest rate
    d. Group loans are always cheaper than individual loans
    e. None

56. Which one of the following are examples of areas over which insurance regulators have some type of oversight responsibility:
    a. insurer solvency
    b. market practices
    c. policy forms
    d. premiums
    e. All of the above

57. The regulation of the banking industry is of particular importance in modern economies because:
    a. Banks employ many people.
    b. Banks provide the principal means of payment for the economy.
    c. Banks are large and very profitable.
    d. Everyone in the economy has a bank account.
    e. None

58. When comparing stocks and bonds, investors find stocks attractive because
    a. there is potential for greater gains investing in stock than there is investing in bonds
    b. stockholders have a higher priority than bondholders when a firm is in trouble
    c. firms are legally required to pay dividends on stock each year
    d. returns are less volatile on stocks than on bonds
    e. None of the above

59. Which one of the following is not true about micro finance institutions (MFIS)?
    a. Borrowers are required to be savers
    b. One of the objective of MFIs is to reduce poverty
    c. Collateral is not required for both modalities of lending loan
    d. MFI's operating costs as well as administrative cost per loan are lesser than the conventional banks.
    e. A and C

60. The participant of capital markets is:
    a. Corporation C. Federal government
    b. Individual D. Financial Institution E. All of the above

61. Money market instrument is characterized by low interest risk because :
    A. The participants of money market instruments have good credit standing
    B. The maturity of the securities of money market is short
    C. They are purchased and sold quickly
    D. The securities used to settle short term obligation of the issuer
    E. The participants wants to take a little risk

62. From the following which has the highest risk
    c. Common stock C. Treasury bond E. None
    d. Preferred stock D. Corporate bond

63. An insurance company that shelters its policy holders against loss of income only at an anticipated death of the insured due to blood pressure is best described by:
    c. Endowment Life Insurance C. Causality E. None
    d. Life Insurance D. Property

64. Which one of the following describes funds that protect individuals and families against loss of income in their retirement years by promising a specific monthly payment when they retire from service?
    c.Balanced Funds C. Defined Contribution Plan
    d. Employees financial rewards D. All E. None

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    d. Security dealers D. Venture Capital Firms
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    c. put option C. call option
    d. swaps D. futures E. None
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71. In Ethiopia, the activity that can be undertaken by MFIs is :
    A. Accepting voluntary and compulsory savings
    B. Rendering technical and administrative advice to customers
    C. Giving loans to micro and small scale rural and urban entrepreneurs
    D. Extending credits to rural farmers E. All of the above
72. In Ethiopia, which one is not the entry requirement for MFIs?
    A. Minimum capital requirement D. Ownership restrictions
    B. Institutional form E. None
    C. Feasibility study
73. The reason for bank regulation is :
    A. to provide quality services to customers (depositors) at competitive price
    B. to protect consumer interests in various aspects of a banking relationship
    C. To discourage banking practices that might harm depositors and disrupt the payments system.

D. To protect depositors as many businesses and individuals do hold significant portion of their funds in banks
E. All of the above

74. Which one of the following is a distinguishing characteristic of Commercial banks compared to other depository institutions?
A. Render diversified and broader services
B. Their liabilities is limited to deposits
C. Size of loan is large
D. Regulation is stringent
E. None of the above

75. A guarantee issued by the bank to meet any claims to be made by the beneficiary in case the debtor fails to repay in accordance with the terms and conditions of the contract is:
A. Supplier credit guarantee
B. Customs duty guarantee
C. Advance payment guarantee
D. Bid bond guarantee
E. Performance bond guarantee

76. You purchased the stock of accompany and you got immediate ownership of the company. At this time you purchased the stock from:
A. Forward market
B. Option market
C. future market
D. spot market

77. Of the following one is not capital market instrument
A. bond
B. Treasury bill
C, stock
D. all

78. Which of the following is not the characteristic of a financial asset?
A. Don't have continuous stream of services
B. Have a wear and tear
C. Can store purchasing power
D. None of the above

79. The professionally managed collective investment vehicle that pools money from many investors to purchase securities is----------.
A. Pension fund
B. mutual fund
C. saving and loan association
D. Micro finance institutions

80. The centralization of cash reserves in the central bank has the following advantages: except
A. It inspires confidence of the public in the banking system of the country.
B. It provides the basis of a larger and more elastic credit structure
C. It can be used to the fullest possible extent and in the most effective manner during the periods of seasonal strain and financial emergencies.
D. It enables the central bank to provide financial accommodation to the commercial bank

E. none of the above

81. Of the following one is odd

a. Treasury bill
b. Repurchase agreement
c. Preferred stock
d. Certificate of deposit

82. All are regulated at the Initial creation of depository institutions except

A. Initial licensing and chartering
B. Location and number of physical branches, offices
C. Initial board of directors and officers
D. Merger and acquisition
E. Minimum cash and capital requirements to open

83. Which one is false about a bank?

A. deals with money
B. deals with credit
C. a commercial institution
D. it aims at earning profits
E. None of the above

84. Which of the following is/are the function(s) of Central Bank?

A. advancing loans to the public
B. keeping customer's valuables
C. accepting deposits from the public
D. marking payments on behalf of the government
E. All except B

85. Among the following one is not the benefit that the country get due to the issuance of currency in central bank

A. It brings heterogeneity in the monetary system of note issue and note circulation.
B. The central bank can exercise better control over the money supply in the country.
C. It increases public confidence in the monetary system of the country.
D. Monetary management of the paper currency becomes easier.
E. None of the above

86. All are the reason for financial sector regulation except

A. prevent issuers of securities from defrauding investors
B. promote competition and fairness in the trading of financial securities
C. promote instability of financial institutions
D. restrict activities of foreign concerns in domestic markets and institutions
E. control the level of economic activity

87. In the context of Ethiopia credit control function is undertaken by:

A. Awash bank
B. National bank of Ethiopia
C. Commercial bank of Ethiopia
D. All of the above
E. None of the above

88. A money market instrument issued by financially strong corporation and it is sold at discount and also it is unsecured. This best describes

A. Certificate of deposits
B. Commercial paper
C. Repurchase agreement
D. Federal fund
E. none

89. all describes common stock except

A. the common stock holders has voting right
B. the dividend is not fixed
C. the holders are primary claimant
D. the maturity period is unlimited
E. none of the above

90. One is odd from other

A. Commercial bank
B. Insurance
C. Microfinance institution
D. Credit union
E. Saving and loan association

91. Why are people excluded from certain financial services?

A. Lack collateral or guarantors
B. A bad credit history
C. Gap in the communication / lack of confidence in the Banks
D. Lack of access to financial infrastructure and services in remote areas
E. All of the above

92. All are the Major characteristics of money market instruments. except

A. short-term nature;
B. low risk
C. high liquidity
D. higher return
E. all of the above

93. A marketing strategy by which market includes securities which are sold directly to investors and are not registered with the securities exchange commission.

A. Initial public offering
B. Private placement
C. Dealer market
D. Underwriting
E. All of the above

94. Of the following one is not the characteristics of Bull Market

A. Favorable markets
B. Reduction in prices
C. Investor/consumer optimism
D. Economic growth and recovery
E. Government stimulus

95. All of the following are the features of money market securities except?

A. Short term
B. Provide ownership
C. Very liquid
D. Very safe

96. The securities are bought and sold as per well-structured rules and regulations?

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B. Stock exchange market
C. IPO
D. Real asset market

97. Which stock exchange market is the largest in the world by market capitalization?

A. NASDAQ
B. LSE
C. NYSE
D.SSE

98. _____is calculated by multiplying the price of a stock by its total number of outstanding shares.

A. Earnings per share
B. Dividend yield
C. Stock price
D. Market capitalization

99. Short term intention, high risk taking and using technical analysis as a base for decision is associated with _____?

A. Investment
B. Speculation
C. Pension funds
D. None

101. _____is an organization that invests the capital on behalf of other investors?

A. Mutual funds
B. Investment banks
C. Pension funds
D. All of the above

102. _____are long-term funds of non-profit institutions, such as universities, colleges, schools, museums, theatres, opera companies, hospitals, and clinics.

A. Sovereign fund
B. Mutual fund
C. Pension fund
D. Endowment fund

103. When an individual buys a stake in an investment fund, such as a mutual fund that invests in the shares of a range of different types of companies is called?

A. Direct investment
B. Fund management
C. Initial public offering
D. Indirect investment

104. The party that facilitate buy and sell of securities on behalf of others is called.

A. Trader
B. Dealer
C. Fund manager
D. Stock broker

105. All of the followings are benefits of capital market for Ethiopia except:

A. Enhance savings mobilization.
B. Allow de-concentration of ownership
C. Help privatization efforts
D. Low level of public awareness