

Stock Market Fundamentals

Stock Markets · Practice Test · 12 Questions

1. Which stock exchange was the first to implement a fully electronic limit order book, abandoning the floor-based outcry system in 1971?

- A) New York Stock Exchange
- B) NASDAQ
- C) Tokyo Stock Exchange
- D) London Stock Exchange

2. In market microstructure, what is the technical term for the difference between the highest price a buyer is willing to pay and the lowest price a seller is willing to accept?

- A) Arbitrage spread
- B) Bid-ask spread
- C) Execution gap
- D) Volatility margin

3. What index, established in 1884 by Charles Dow, originally consisted of only 11 stocks, primarily from the railroad and shipping industries?

- A) Dow Jones Industrial Average
- B) Dow Jones Transportation Average
- C) S&P 500
- D) Financial Times Stock Exchange 100

4. Which regulatory body was established by the Securities Exchange Act of 1934 to oversee U.S. securities markets and protect investors?

- A) Commodity Futures Trading Commission
- B) Financial Industry Regulatory Authority
- C) Securities and Exchange Commission
- D) Federal Reserve Board

5. What is the term for a type of stock that has a claim on company assets that is superior to common stock, but typically lacks voting rights?

- A) Convertible debenture
- B) Preferred stock
- C) Treasury stock
- D) Warrant

6. Which historic market event, occurring on October 19, 1987, saw the Dow Jones Industrial Average fall by 22.6% in a single day?

- A) Black Tuesday
- B) The Great Depression
- C) Black Monday
- D) The Flash Crash

7. What is the primary function of a 'dark pool' in modern financial markets?

- A) To facilitate illegal insider trading
- B) To allow institutional investors to trade large blocks of shares anonymously
- C) To provide retail investors access to IPOs
- D) To execute high-frequency trades on foreign exchanges

8. Which stock exchange is currently the largest in the world by total market capitalization of its listed companies?

- A) Shanghai Stock Exchange
- B) London Stock Exchange
- C) New York Stock Exchange
- D) Euronext

9. In the context of corporate actions, what is a 'stock split' designed to achieve?

- A) To increase the total market capitalization of the firm
- B) To reduce the share price to make it more affordable for retail investors
- C) To increase the dividend payout ratio
- D) To dilute the ownership of existing shareholders

10. The 'Circuit Breaker' mechanism on the NYSE is triggered by a significant percentage decline in which index?

- A) Wilshire 5000
- B) S&P 500
- C) Russell 2000
- D) Nasdaq Composite

11. What is the 'ex-dividend date' in relation to a stock's dividend distribution?

- A) The date the dividend is paid to shareholders
- B) The date on which the stock begins trading without the right to the next dividend
- C) The date the board of directors announces the dividend amount
- D) The last date a shareholder can trade the stock to receive the dividend

12. Which type of order instructs a broker to buy or sell a security only when it reaches a specific price or better?

- A) Market order
- B) Stop-loss order
- C) Limit order
- D) Fill-or-kill order