

Advanced Stock Market Knowledge

Finance · Answer Key · 12 Questions

1. Which company was the first to be publicly traded, issuing shares via the Amsterdam Stock Exchange in 1602?

- A) East India Company
- B) Dutch East India Company (VOC)**
- C) Hudson's Bay Company
- D) South Sea Company

2. In market microstructure, what does the term 'dark pool' specifically refer to?

- A) Illegal trading platforms
- B) Private forums for insider trading
- C) Private exchanges for institutional order execution**
- D) Markets operating outside of regulated hours

3. Which stock exchange was the first to implement a fully electronic trading system in 1971?

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

4. What is the primary function of a 'circuit breaker' on a major stock exchange?

- A) To prevent technical system failures
- B) To temporarily halt trading during extreme market volatility**
- C) To automate dividend payments
- D) To restrict foreign investment in local stocks

5. Which financial index is composed of 30 prominent companies listed on stock exchanges in the United States and is price-weighted?

- A) S&P 500
- B) Nasdaq Composite
- C) Dow Jones Industrial Average**
- D) Russell 2000

6. In the context of securities lending, what is a 'short squeeze'?

- A) A rapid increase in share price forcing short sellers to buy back stock to cover positions**
- B) A forced liquidation of retail brokerage accounts
- C) A sudden drop in market liquidity
- D) An intervention by the central bank to stabilize prices

7. What does the 'ex-dividend' date signify in the context of stock ownership?

- A) The date the dividend is paid to the shareholder
- B) The date a new investor is no longer entitled to the most recently declared dividend**
- C) The date the dividend is announced by the board
- D) The date the stock is removed from an index

8. Which regulatory body was established in the United States following the Stock Market Crash of 1929 to oversee securities markets?

- A) Federal Reserve
- B) Securities and Exchange Commission (SEC)**
- C) Financial Industry Regulatory Authority (FINRA)
- D) Commodity Futures Trading Commission (CFTC)

9. What is a 'Level II' quote on an electronic trading platform?

- A) A summary of historical performance data
- B) A real-time display of the order book showing bid and ask prices from various market participants**
- C) An estimate of the company's future earnings
- D) A list of institutional analyst ratings

10. Which term describes a company that has been delisted from a major exchange and now trades on an 'Over-the-Counter' (OTC) market?

- A) Penny stock
- B) Pink sheet**
- C) Blue chip
- D) Derivative

11. In options trading, what is the 'Greeks' value 'Delta' measuring?

- A) Sensitivity to time decay
- B) Sensitivity to changes in the underlying asset's price**
- C) Sensitivity to changes in interest rates
- D) Sensitivity to implied volatility

12. What is the 'float' of a publicly traded company?

- A) The total number of authorized shares
- B) The number of shares available for trading by the public**
- C) The total market capitalization
- D) The value of shares held by corporate insiders only