

Advanced Stock Market Knowledge Quiz

Stock Markets · Answer Key · 10 Questions

1. Which of the following is a primary function of a stock exchange?

- A) Setting interest rates for government bonds.
- B) Facilitating the buying and selling of publicly traded securities.**
- C) Regulating the currency exchange market.
- D) Providing venture capital for startups.

2. The concept of 'Blue Chip' stocks typically refers to companies that are:

- A) New and highly speculative ventures.
- B) Small-cap companies with high growth potential.
- C) Large, well-established, and financially sound companies with a history of reliable earnings.**
- D) Companies primarily operating in the technology sector.

3. What is the primary purpose of a 'stock split'?

- A) To increase the overall market capitalization of the company.
- B) To decrease the company's debt-to-equity ratio.
- C) To make the stock price more accessible to a wider range of investors by increasing the number of outstanding shares.**
- D) To signal a significant downturn in the company's performance.

4. Which of the following is a characteristic of a 'bear market'?

- A) A sustained period of rising stock prices, typically 20% or more.
- B) A period of low trading volume and investor confidence.
- C) A sustained period of falling stock prices, typically 20% or more, often accompanied by widespread pessimism.**
- D) A rapid and temporary surge in stock prices across major indices.

5. What does the term 'market capitalization' (market cap) represent?

- A) The total value of a company's assets minus its liabilities.
- B) The number of outstanding shares multiplied by the current market price per share.**
- C) The total revenue generated by a company in the last fiscal year.
- D) The company's book value per share.

6. The Dow Jones Industrial Average (DJIA) is a price-weighted index that tracks the performance of:

- A) The 500 largest publicly traded companies in the United States.
- B) 30 large, publicly owned companies based in the United States that are leaders in their respective industries.**
- C) The smallest publicly traded companies in the United States.
- D) All publicly traded companies on the New York Stock Exchange.

7. What is the primary function of a 'stock broker'?

- A) To issue new shares of stock for companies.
- B) To advise companies on mergers and acquisitions.
- C) To execute buy and sell orders for investors on their behalf.**
- D) To set the benchmark interest rate for the economy.

8. In stock market terminology, what does 'volatility' refer to?

- A) The liquidity of a particular stock.
- B) The degree of variation of a trading price series over time.**
- C) The dividend payout ratio of a company.
- D) The market share of a company in its industry.

9. Which regulatory body is primarily responsible for overseeing the U.S. stock markets?

- A) The Federal Reserve.
- B) The Department of the Treasury.
- C) The Securities and Exchange Commission (SEC).**
- D) The International Monetary Fund (IMF).

10. An 'IPO' (Initial Public Offering) is the first time that:

- A) A company buys back its own stock from the market.
- B) A company's stock is traded on a public exchange after being privately held.**
- C) A company pays dividends to its shareholders.
- D) A company issues bonds to raise capital.