

SAMPLE QUESTIONS OF LICENSING EXAMINATIONS OF CAPITAL MARKET PROFESSIONALS

(MAY 2009 EXAMINATION) *

I. CAPITAL MARKET ACTIVITIES BASIC LEVEL EXAMINATION

1. General Economy

1 (7). Which of the followings is the slope of the consumer's indifference curve?

- a) Marginal rate of substitution
- b) Marginal product
- c) Variable cost
- d) Marginal utility
- e) Marginal income

2 (14). Which of the following parameters is used to measure the distribution of national income in a country?

- a) Solow residual
- b) Beta coefficient
- c) Gini coefficient
- d) Lukas multiplier
- e) Risk premium

3 (25). What is the name of the economic situation in which the increase in money supply does not affect investment and consumption expenditures because of very low interest rates?

- a) Expectation focusing
- b) Real conjuncture deviation
- c) Liquidity trap
- d) Cash illusion
- e) Cash deviation

2. Capital Markets Legislation, Related Legislation and Ethical Rules

1 (4). Which of the followings is not one of the establishment requirements of the brokerage houses?

- a) All of their shares should be to bearer
- b) The founders must have the necessary credibility to be a founder
- c) The founders should not have gone bankrupt
- d) The founders must have the necessary financial capacity to be a founder

* The numbers in parenthesis represent the true question numbers in the type A question booklet of the May 2009 licensing examinations. Correct answers are highlighted.

- e) The paid-in capital should not be less than the amount determined by the Capital Markets Board

2 (21). According to the Capital Markets Legislation, which of the following securities can not be used in repo and reverse repo transactions?

- a) Treasury bills
- b) Asset backed securities
- c) Receipts which are given by the Turkish Republic Central Bank and represent the securities
- d) Government bonds
- e) Bank bills and bank-guaranteed bills

3 (32). To which legislation is the issuance and public sale of securities and other capital market instruments in Turkey by non-residents subject to?

- a) Capital markets legislation
- b) Joint stock companies legislation
- c) Banks legislation
- d) Offshore banking legislation
- e) Foreign relations legislation

3. Securities and Other Capital Market Instruments

1 (2). Which of the followings is not a feature of the securities?

- a) Represent a specific amount
- b) Be a legal instrument
- c) Provide only partnership
- d) Issuance in series
- e) Be fungible

2 (14). What is the name of the mutual fund that comprises of all sub-funds whose shares are issued under one internal statute?

- a) Index fund
- b) Special fund
- c) Umbrella fund
- d) Liquid fund
- e) Composite fund

3 (25). Which of the following explanations is not correct regarding the forward, futures and options contracts?

- a) There are cash flows until maturity in forward contracts
- b) There is rights and obligations unity in futures contracts
- c) There is credit risk in forward contracts
- d) Cash flows until maturity exist for seller in options contracts
- e) Options contracts is a risk hedging instrument

4. Equity Markets

1 (7). Which of the following explanations is true regarding the base price?

- a) It is calculated by rounding the previous session's weighted average price to the nearest price tick.
- b) It is half of the previous session's weighted average price.
- c) It is twice the previous session's weighted average price.
- d) It is the previous session's weighted average price.
- e) It is calculated by rounding the previous session's closing price to the nearest price tick.

2 (11). I. Brokerage houses
II. Portfolio management companies
III. Development banks
IV. Securities mutual funds

Which of the above listed ones are the members of the Istanbul Stock Exchange?

- a) I and III
- b) I and IV
- c) II and III
- d) II and IV
- e) III and IV

3 (23). Which of the following markets' securities or instruments can not be used in margin trading and short selling?

- a) National Market
- b) Second National Market
- c) New Economy Market
- d) Exchange traded mutual funds
- e) Watch List Companies Market

5. Bonds and Bills Market

1 (5). Which method is used for matching the orders in the Istanbul Stock Exchange Bonds and Bills Market?

- a) Price tick
- b) Minimum and maximum price limit
- c) Multiple price-continuous auction
- d) Same price/rate order
- e) Single price-continuous auction

2 (13). Which of the followings is not among the issuance methods of Treasury's domestic borrowing instruments?

- a) Direct sale
- b) Tap
- c) Sale in the Exchange
- d) Auction

e) Public offering

3 (25). Which of the following explanations is wrong about the Istanbul Stock Exchange Government Debt Securities Price Index?

- a) The base date and the base index value are constant.
- b) An increase in the index means that the return of the same maturity bond/bill increases.
- c) It has been calculated and announced by taking the January 2nd, 2001 as the base date.
- d) The index can be used to get information about market interest rates.
- e) The decrease in the days to maturity is not taken into account for calculating the index.

6. Other Organized Markets and Exchanges

1 (10). How is it called when banks limit the banks with which they make transactions and transaction volumes in the Interbank?

- a) VIL
- b) TRL
- c) GIL
- d) Line
- e) TL/FX

2 (15). I. Official Auction
II. Order Cost
III. Continuous Auction

Which of the above listed ones are the trading methods applied in the Turkish Derivatives Exchange?

- a) Only I
- b) Only III
- c) I and II
- d) I and III
- e) II and III

3 (17). Which of the following explanations is wrong about the Istanbul Gold Exchange?

- a) It is required to get an operation license from the Undersecretariat of Treasury for operating in the Istanbul Gold Exchange as an intermediary.
- b) The Istanbul Gold Exchange is a member of the World Federation of Diamond Bourses.
- c) Members have to pay US \$ 10,000 or give a bank's letter of guarantee for the same amount as the deposit for beginning trading in the Istanbul Gold Exchange.
- d) Only the joint stock corporations which deal with precious metals trading can be the member of the Istanbul Gold Exchange.
- e) The Istanbul Gold Exchange is a member of the London Bullion Market Association.

7. Related Tax Legislation

1 (8). Until which date can the loss of tax fine be imposed on a taxpayer who has not declared the dividend earned in 2009 in legal period?

- a) 31.12.2013
- b) 25.03.2014
- c) 31.12.2014
- d) 01.01.2015
- e) 31.12.2009

2 (14). Which of the following explanations is correct about the withholding tax on dividends and the corporate tax of public and non-public companies?

- a) Public companies pay the corporate tax in installments, others in one time.
- b) Dividends paid by the public companies are subject to withholding tax, paid by others are not.
- c) Public companies are subject to lower corporate tax rate than others.
- d) Public companies are exempt from the corporate tax, others are not.
- e) There is no difference in tax regime.

3 (19). Which of the following incomes earned by the limited taxpayer companies which operate in Turkey through a workplace or a permanent representative are exempt from the corporate tax?

- a) Government bond interest incomes
- b) Treasury bills interest incomes
- c) Equity trading profits
- d) Reverse repo incomes
- e) Equity dividend incomes

8. Basic Finance Mathematics, Valuation Methods, Accounting and Financial Analysis

1 (2). How much is the monthly installment of a TL 10,000 car credit that has 6 months maturity and 2% monthly interest rate?

- a) 1,300
- b) 1,650
- c) 1,785
- d) 1,890
- e) 2,050

2 (11).

Balance Sheet/Income Statement Items	31.12.2008 (TL)	31.12.2007 (TL)
Receivables	250,000	350,000
Inventories	100,000	90,000
Net Sales	400,000	250,000
Cost of Goods Sold	275,000	200,000

What is the receivables turnover ratio in 2008 for the company whose financial information is given above?

- a) 0.33
- b) 0.66
- c) 0.75
- d) 1.33
- e) 3.33

3 (23). In which accounts are the transactions which do not increase or decrease the assets, the liabilities and the capital but have to be monitored by the firm management and those concerned are recorded?

- a) Memorandum accounts
- b) Shareholder's equity
- c) Cost accounts
- d) Income statement accounts
- e) Current assets

9. Clearing and Operations

1 (1). According to the Istanbul Stock Exchange Clearing and Custody Centers Regulation, which of the following properties is not required for the securities or the documents representing securities that will be submitted to the custody center?

- a) The payment date of principal should not have been passed.
- b) They should not have been worn-out.
- c) A cautionary judgement should not have been taken by a judicial authority
- d) They should not have been cancelled.
- e) They should not have been put in pledge or used as collateral.

2 (13). What is the period of limitation for the dividends of stocks issued?

- a) 1
- b) 2
- c) 3
- d) 5
- e) 10

3 (19). Which of the following assets is not accepted as the deposit in the Takasbank money market?

- a) Cash
- b) Treasury bills
- c) Revenue sharing certificate
- d) Letter of guarantee
- e) Mutual fund participation certificate

II. CAPITAL MARKET ACTIVITIES ADVANCED LEVEL EXAMINATION

1. General Economy and Financial System

1 (4). How is it called when the central bank intervene exchange rates without changing the monetary base by compensatory open market operations?

- a) Exchange rates feedback rule
- b) Non-sterilised intervention
- c) Monetarily neutral intervention
- d) Sterilised intervention
- e) Monetary policy feedback rule

2 (10). What is the first derivative of total utility function?

- a) Marginal utility
- b) Cardinal utility
- c) Ordinal utility
- d) Marginal product
- e) Average product

3 (11). Which of the followings constitutes the difference between factoring and forfeiting sectors?

- a) Claimant of trade receivable
- b) Maturity of trade receivable
- c) Guarantor of trade receivable
- d) Amount of trade receivable
- e) Debtor of trade receivable

2. Capital Markets Legislation and Related Legislation, Commercial Law and Obligations Law

1 (1). Which of the following explanations is wrong regarding the insider trading crime regulated in the Article 47/A-1 of the Capital Markets Law?

- a) The information should not yet have been announced to public.
- b) It is a crime that can only be committed by the chairman and members of the board of directors of capital market institutions.
- c) It is necessary to benefit to self-owned property or to eliminate a loss.
- d) For committing the crime, it is not enough to obtain the information, but those information should have been used to gain benefit for himself/herself or for third parties.
- e) The information must have the property to affect the values of the capital market instruments.

2 (18). Which of the following explanations is wrong about the portfolio management companies?

- a) They can not do investment counselling activities.

- b) They can not collect deposit as defined in the Banks Law.
- c) They can not issue documents consisting of their own financial commitments on capital market instruments or independent from them.
- d) They can not perform intermediary activities.
- e) Except for the activities permitted by the regulations and the transactions and operations with regard to those activities, they can not be involved in any kind of commercial, industrial and agricultural activity.

3 (31). How is it called when the declared intentions of an agreement's parties deliberately contradict their true intentions?

- a) Lesion
- b) Nullity
- c) Collusion
- d) Error
- e) Fraud against law

3. Securities and Other Capital Market Instruments

1 (5). What is the name of the equities which are issued after establishment with the decision taken at the General Assembly of the corporation, given to several persons for some services and claims and do not represent a capital share?

- a) Preference stock
- b) Common stock
- c) Premium stock
- d) Dividend stock
- e) Cash stock

2 (15). Which of the following mutual funds is established for their shares to be sold to qualified investors?

- a) Variable fund
- b) Index fund
- c) Guaranteed fund
- d) Hedge fund
- e) Protected fund

3 (24). Which of the following explanations is wrong regarding the forward, futures and options contracts?

- a) Option contracts can be traded in exchanges and over-the-counter markets.
- b) There is physical delivery in forward contracts.
- c) Deposit obligation in options contracts is valid only for seller.
- d) There isn't leverage effect in futures contracts.
- e) Futures contracts are standardised contracts.

4. Domestic and International Markets

1 (15). Which of the following instruments is not traded in the Istanbul Stock Exchange Outright Purchases and Sales Market?

- a) Private sector bonds
- b) Mutual fund participation certificates**
- c) Government domestic borrowing instruments
- d) The Turkish Republic Central Bank liquidity certificates
- e) Real estate certificates

2 (17). Which of the followings is not accepted as the trading margin in the Turkish Derivatives Exchange?

- a) Government borrowing instruments with a maturity of 5 or less than 5 days**
- b) Stocks included in the ISE 30 index
- c) Exchange traded mutual fund participation certificates
- d) Dematerialised mutual fund participation certificates
- e) Foreign currency

3 (25). Which of the following matchings is wrong regarding the foreign bond issues?

- a) Holland-Van Gogh**
- b) Japan-Samurai
- c) England-Bulldog
- d) Spain-Matador
- e) USA-Yankee

5. Financial Management

1 (3). If the one-year spot interest rate is 10% and the two-year is 14%, what is the forward interest rate between first and second year?

- a) 12.00
- b) 16.00
- c) 17.25
- d) 18.15**
- e) 19.05

2 (11).

Portfolio	β of F1	β of F2	Expected Return
A	1.0	2.0	20%
B	3.0	0.0	18%

A firm uses the multiple factor Arbitrage Pricing Model and it has two independent economic factor named F1 and F2. Risk-free rate of return is 6%.

According to the information given above, what are the risk premia of F1 and F2?

- | | F1 | F2 |
|-----------|-------------|-------------|
| a) | 0.05 | 0.04 |
| b) | 0.03 | 0.04 |
| c) | 0.04 | 0.03 |
| d) | 0.04 | 0.05 |

- e) 0.03 0.05

3 (12). A firm's next year sale forecast is TL million 7.2 and the gross profit margin forecast is 25%. The firm's previous years average turnover periods are 10 days for inventories, 15 days for liabilities and 40 days for receivables, and the firm will hold enough money in cash and bank accounts only to meet the 5 days payments.

How much does the firm need working capital for the next year?

- a) TL 600,000
- b) TL 720,000
- c) TL 800,000
- d) TL 920,000
- e) TL 1,000,000

6. Analysis Methods

1 (8).

	Turnover Ratio of Assets	Net Profit Margin	Assets/ Equity
Vusat, Inc.	0.5	10%	4
Bener, Inc.	2.0	5%	2

Several financial ratios of Vusat, Inc. and Bener, Inc. are given in the table above. According to these ratios, which of the following explanations is correct regarding the equity profitability of Vusat, Inc. and Bener, Inc.?

- a) The equity profitability of Vusat, Inc. is smaller than the equity profitability of Vusat, Inc.
- b) The equity profitability of Vusat, Inc. is greater than the equity profitability of Vusat, Inc.
- c) The equity profitability of Vusat, Inc. is equal to the equity profitability of Vusat, Inc.
- d) The equity profitability of Vusat, Inc. is 10%.
- e) The equity profitability of Bener, Inc. is 10%.

2 (18).

	Overhead Costs	Variable Costs	Total Costs
A	7,000	12,500	23,750
B	8,500	15,000	25,680
C	12,000	7,700	41,000

Which of the following orders is correct regarding the operating leverage levels of the corporations whose financial indicators are given above?

- a) A<B<C
- b) A<C<B
- c) B<A<C
- d) C<A<B
- e) C<B<A

3 (22). Which of the technical analysis methods listed below takes the difference of two moving average series and asserts that when the short period moving average becomes greater than the long period moving average it causes the expectations of investors about the market to be more bullish?

- a) Oscillator
- b) RSI
- c) ADX
- d) Stochastic
- e) MACD

7. Accounting, Auditing and Ethical Rules

1 (13). Which of the followings correctly and completely lists the sub-accounts of the “Operating Expenses” account according to the Communiqué Regarding the Principles and Rules on the Financial Tables and Reports in the Capital Markets?

- a) Research and Development Expenses-Marketing, Sale and Distribution Expenses-General Administration Expenses
- b) Marketing, Sale and Distribution Expenses-Financing Expenses
- c) Research and Development Expenses-Marketing, Sale and Distribution Expenses-General Administration Expenses- Financing Expenses
- d) Research and Development Expenses-Marketing, Sale and Distribution Expenses-Financing Expenses
- e) Research and Development Expenses-Marketing, Sale and Distribution Expenses

2 (16). Which of the followings is not a main auditing technique that independent auditors apply in the framework of capital market regulations?

- a) Verification
- b) Reapplication
- c) Observation
- d) Internal Control
- e) Collecting information

3 (25). According to professional rules regarding the members of the Association of Capital Market Intermediary Institutions of Turkey, what is the maximum time for a member in which an employee of an other member open an account for informing the other related member when the person that opens the account declares that s/he is an employee of an other member or the member in which the account is opened learns by any means that s/he is an employee of an other member?

- a) 1 week
- b) 15 days
- c) 1 month
- d) 45 days
- e) 3 months

8. Related Tax Legislation

- 1 (6). I. Residence of partners
II. The place where managers live
III. Legal headquarter of the company
IV. Business headquarter of the company

Regarding the corporate taxpayers, which of the above listed ones are taken into account for full taxpayer and limited taxpayer differentiation?

- a) Only IV
- b) I and II
- c) I and III
- d) II and III
- e) III and IV

- 2 (14). I. Deposit interest : TL 50,000
II. Repo income : TL 10,000
V. Government bond interest : TL 30,000
VI. Stock dividend : TL 90,000

Which of the above listed gross incomes that are earned by the real persons in 2009 should be declared by an annual declaration?

- a) Only IV
- b) II and III
- c) III and IV
- d) I, II and III
- e) I, II, III and IV

3 (22). Which of the following transactions is subject to 0% Banking and Insurance Transactions Tax?

- a) The incomes earned by the sale of government bonds, Treasury bills and the securities issued by the Mass Housing Administration without waiting their maturities.
- b) The incomes earned by the sale of the liquidity certificates issued by the Central Bank without waiting their maturities.
- c) The incomes earned through interbank deposits transactions.
- d) Interbank currency sale transactions.
- e) The incomes earned through the exchange money market transactions between banks and brokerage houses.

III. DERIVATIVES EXAMINATION

1. General Economy and Financial System

This title is the same with the corresponding title of the Capital Market Activities Advanced Level Examination.

2. Capital Markets Legislation, Related Legislation and Ethical Rules

This title is the same with the corresponding title of the Capital Market Activities Advanced Level Examination.

3. Securities and Other Capital Market Instruments

This title is the same with the corresponding title of the Capital Market Activities Advanced Level Examination.

4. Derivatives

1 (9). If the premium is TL 0.2, the exercise price is TL 2.6 and the beginning spot price is TL 2.5 of a call option on British pounds, what is the spot price at maturity that will make the profit of this option zero?

- a) 2.3
- b) 2.4
- c) 2.7
- d) 2.8**
- e) 2.9

2 (23). The spot price of gold is 288 dollar/ounce and the annual storage cost that is paid at year ends is 10 dollar/ounce. If continuously compounded annual risk-free interest rate is 5% and the yield curve is flat, what is the 3-year future price of the gold?

- a) 354.87
- b) 355.87
- c) 364.82
- d) 366.17**
- e) 367.90

3 (25). How is the option that the profit of which depends on whether the price of the underlying asset reach a certain level called?

- a) Recall options
- b) Shout options
- c) Rainbow options
- d) Basket options
- e) Barrier options**

5. Operation of Futures and Options Markets

- 1 (14). I. Spot price
II. Arbitrage cost
III. Incomes such as dividend and interest that emanate from the instrument
IV. Spread difference
V. Market interest rate

Which of the above listed ones are a component of the theoretical future price according to the cost of carry model?

- a) Only V
- b) I and II
- c) II and IV
- d) I, III and V
- e) II, III and IV

2 (20). What is the name of the ratio which shows how much the option premium changes when a 1% change occurs in the implied price volatility of the underlying asset of the option?

- a) Gamma
- b) Theta
- c) Vega
- d) Rho
- e) Delta

- 3 (22). I. Market maker member representatives can not accept any order for the accounts other than the account that is dedicated for this activity.
II. More than one market maker member can trade on one contract.
III. Market makers are the members which give buy and sale quotations and trade for these quotations for the every contract they are responsible within the authority determined by the Board of Directors.
IV. Market makers can not trade with each other.

Which of the above listed explanations are true for the market making system that is applied in the Turkish Derivatives Exchange?

- a) Only II
- b) I and II
- c) I and III
- d) III and IV
- e) I, II and III

6. Arbitrage and Hedging by Using Derivatives

1 (6). A speculator sold 15 forward contracts on the Treasury bill with a six month maturity (maturing on May 25th 2009) and a TL 93 price each. What will be the profit or loss of the speculator if the price of Treasury bills with six month maturity is TL 89 at the maturity date?

- a) TL 4 profit
- b) TL 60 profit
- c) TL 120 profit
- d) TL 4 loss
- e) TL 60 loss

2 (9). What is the name of the risk emanating from the mismatch of the maturity of the position that a trader try to hedge and the maturity of the position that s/he takes in the futures market?

- a) Basis risk
- b) Liquidity risk
- c) Credit risk
- d) Operational risk
- e) Currency risk

3 (14). An investor sold a call option with a TL 2 premium and an exercise price of TL 50, and a put option with a TL 3 premium and an exercise price of TL 45. How is this strategy called?

- a) Selling a strangle
- b) Buying a strangle
- c) Buying a fence
- d) Selling a straddle
- e) Buying a straddle

7. Accounting, Clearing and Operations

1 (11). Which of the followings to which an intermediary institution should not abide when it accepts an order to be executed in the futures and options exchange?

- a) When a written order is taken, the signature of the customer must be on the order form.
- b) For the orders taken by the telephone, the conversations on the phone have to be kept at least 12 months by the intermediary institution.
- c) The orders taken by the telephone should be transformed to written form immediately without waiting the customer signature.
- d) The date, hour and minute of the order must be written on the order form.
- e) The orders are transferred to the exchange according to time priority.

2 (17). According to the Futures and Options Exchange Regulation, what is the name of the minimum margin amount that is kept as cash or other acceptable assets and updated in line with daily price movements in the market?

- a) Maintenance margin
- b) Extraordinary cases margin
- c) Initial margin
- d) Special margin
- e) Maximum margin

3 (22). Which of the following explanations is wrong regarding the accounting of derivatives?

- a) The contracts that are bought or sold other than hedging purposes are assumed to be speculative transactions.
- b) The principles related to accounting of contracts depend on the purposes of the contracts.
- c) Derivatives are valued at fair value.
- d) In speculative transactions, when the values of the contracts change these changes must be reflected right away on income and expenditure accounts.

- e) The changes at the value of the contracts for hedging purposes and the changes at the value of the hedged position are reflected on income statement at the same time.

8. Related Tax Legislation

This title is the same with the corresponding title of the Capital Market Activities Advanced Level Examination.