



Name :

Roll No. :

Invigilator's Signature :

**CS/MBA/SEM-4 (FT) & 6 (PT)/FM-404/2013
2013**

FINANCIAL INSTITUTES & MARKETS

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

GROUP - A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

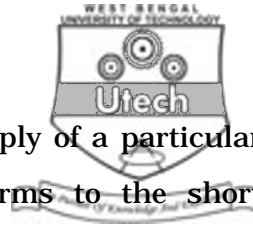
- i) In case of rolling settlement trading, the settlement cycle is of
- a) $T + 1$ days
 - b) $T - 1$ days
 - c) $T + 2$ days
 - d) $T - 2$ days.



- ii) Which of the following is a kind of fee based activity of a financial intermediary ?
- a) Hire purchase financing
 - b) Leasing
 - c) Capital issue management
 - d) Underwriting of shares.
- iii) The process of managing the Sales ledger of a client by a financial service company is called
- a) Forfeiting
 - b) Factoring
 - c) Leasing
 - d) Securitisation of debt.
- iv) Which of the following is a disadvantage of bought out deals ?
- a) It is more expensive than public issue
 - b) It involves time consuming procedure
 - c) It is difficult to convince a wholeseller investor
 - d) There is a chance of misuse of power by the sponsorers.
- v) Treasury Bonds are securities in the
- a) Money Market
 - b) Real Estate Market
 - c) Capital Market
 - d) Derivatives market.



- vi) The underwriter
- has to take up the fixed portion of the issue capital
 - has to take up the agreed portion of the unsubscribed capital
 - has to take up the agreed portion or can refuse it
 - is not obliged to take up any part of unsubscribed capital.
- vii) "Sell Hindalco at 95". This order is a
- best rate order
 - limit order
 - discretionary order
 - stop loss order.
- viii) Merchant Bankers in India carry out
- Corporate Counseling
 - Credit Syndication and Project Finance
 - Capital Restructuring
 - All of these.
- ix) Balanced fund scheme is a scheme in Mutual fund that has
- a mix of debt and equity in the portfolio
 - a mix of different companies equity shares in balanced proportion
 - a mix of different companies debentures and bonds in balanced proportion
 - none of these.



- x) The process of holding the entire supply of a particular security with a view of dictating terms to the short sellers is called
- a) Wash sales
 - b) Arbitrage
 - c) Rigging the market
 - d) Cornering.
- xi) The component of a capital market is
- a) Treasury Bill Market
 - b) Government Securities Market
 - c) Commercial Bill Market
 - d) Bullion Market.
- xii) Certificate of Deposits are
- a) issued by Banks
 - b) issued by Corporates
 - c) issued by RBI
 - d) none of these.



GROUP - B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

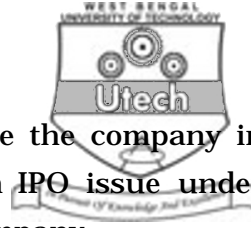
2. What do you mean by insider trading ?
3. Explain the working of the Depository System.
4. When does a company provide Green Shoe Option ?
5. List the important points to be verified by a bank while providing a housing loan.
6. What do you mean by 'Chit funds' ?

GROUP - C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7.
 - a) What is Commercial Paper (CP) ?
 - b) State the features of Commercial Paper.
 - c) State four advantages of Commercial paper.
 - d) A company issues CP whose face value is Rs. 50,000 for 180 days and the net amount realized is Rs. 47,500. What is the pre-tax cost of CP for the Company ?
8. What is Book Building ? Explain the process of book building of a company in the Indian context.



9. From the following data of XYZ Ltd. guide the company in calculating price band in connection with IPO issue under Book Building method proposed by the company.

<i>Earning per share</i>		<i>Industry price / earning</i>	
2010 – 11	10.10	Highest	42.50
2011 – 12	7.60	Lowest	13.50
2012 – 13	5.70	Average	18.60

Price earning of the company as perceived by the management could be in the range of 18 – 20.

10. Idea Enterprise is contemplating a decision for installing a new machinery for its new product line. They have two options :
- Outright buying by borrowing at interest rate of 16% p.a. of 10 equal instalment of Rs. 1,78,348 paid at the end of the year.
 - Can lease at Rs. 1,47,951 in equal 10 instalments paid at the end of the year.

Assume the income tax rate to be 50%, advise the business the option to be chosen.

11. a) Discuss SEBI's role as a regulator of financial services.
- b) In recent days SEBI has issued cautions to chit fund and nidhi companies including the ones which were raising funds through CIS. Do you think SEBI can take penal decisions against these companies ? Describe logically.



12. Write short notes on any *three* of the following :

- a) Reverse mortgage
- b) Collateral securities
- c) Blue Chip Stocks
- d) Banking Supervision
- e) Warrant.

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