



Name :

Roll No. :

Invigilator's Signature :

CS/MBA/SEM-(4 FT & 6 PT)/FM-404/2012

2012

FINANCIAL INSTITUTIONS AND 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) A credit card is specially insured from fraudulent usage with
 - a) CPP number
 - b) PAN number
 - c) PIN number
 - d) CVV number.
- ii) DEMAT account
 - a) Cannot be opened in the name of Partnership Firm
 - b) Cannot be opened in the name of a minor
 - c) Can be opened in the name of Partnership firm
 - d) Can be opened in the name of HUF.



- iii) CDSL is
- a) A Depository
 - b) A Depository Participant
 - c) A wing of NSDL
 - d) None of these
- iv) Working mechanism of the AMC's is as follows
- a) Creating Fund Manager
 - b) Research and Planning
 - c) Creating dealers
 - d) all of these.
 - e) none of these
- v) Which of the following statements are true ?
- i) Maintenance of CRR is must for banks but not for NBFCs
 - ii) Prior approval of RBI for appointment of the Managing Director is must for banks but not for NBFCs
- a) Only sentence (i) is true
 - b) Only sentence (ii) is true
 - c) Both (i) and (ii) are true
 - d) Both (i) and (ii) are false.



- vi) Book Building Requirement has been introduced for issues above
- a) Rs. 10 crores
 - b) Rs. 20 crores
 - c) Rs. 50 crores
 - d) Rs. 100 crores.
- vii) 'AAA' rating of CRISIL indicates
- a) highest safety of debentures
 - b) moderate safety of debentures
 - c) highest safety of company fixed deposits
 - d) moderate safety of company fixed deposits.
- viii) Tax concessions are given to investors for investing in
- a) ELSS
 - b) Sectoral Funds
 - c) Index Fund
 - d) ETF.
- ix) Green Shoe option is a
- a) post-listing price stabilizing mechanism
 - b) pre-listing price stabilizing mechanism
 - c) all of these
 - d) none of these.



GROUP – B

(Short Answer Type Questions)

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

2. Discuss the objectives of Financial Services.
3. What are the services rendered by Merchant Bankers ?
4. What are the functions of Stock Exchange ?
5. What are the differences between a debit card and a credit card ?
6. Discuss the process of dematerialization of shares.
7. Distinguish between 'Primary market' and 'Secondary Market'.

GROUP – C

(Long Answer Type Questions)

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

8. a) Define Money Market.
- b) Discuss the components of Indian Money Market.
- c) State the limitations of Money Market. $2 + 10 + 3$



9. a) What do you mean by Leasing and Hire Purchase method of financing ?

b) Company X needs a machine which if purchased outright will cost Rs. 10 lakhs. A Hire Purchase and Leasing Company has offered two alternatives as below :

Option : Hire Purchase

- (i) Rs. 2,50,000 will be payable on signing of the agreement.
- (ii) 3 annual installments of Rs. 4,00,000 will be payable at the end of the year starting from year 1.
- (iii) The ownership in the machine will be transferred automatically at the end of 3rd year.
- (iv) It is assumed that Company X will be able to claim depreciation on straight line basis with zero salvage value.

Option : Lease

- (i) Rs. 20,000 will be payable towards initial service fee upon signing of the agreement.
- (ii) Annual lease rent of Rs. 5 lakhs is payable at the end of each year starting from the first, for a period of 3 years.
- (iii) Company X's tax rate is 10%.

Evaluate the two alternatives and advise the company as to which one implies lower cost.

3 + 12



10. a) A mutual fund that had a net asset value of Rs. 20 at the beginning of month made income and capital gain distribution of Re. 0.0375 and Re. 0.03 per unit respectively during the month, and then ended the month with a net asset value of Rs. 20.06. Calculate monthly and annual return (%).
- b) Mr. A can earn a return of 16% by investing in equity shares on his own. Now he is considering a recently announced equity based mutual fund scheme in which initial expenses are 5.5% and annual recurring expenses are 1.5%. How much should the mutual fund earn to provide Mr. A, a return of 16%. $7\frac{1}{2} + 7\frac{1}{2}$
11. Differentiate between "REPO" rate and "Reverse REPO " rate. Elucidate the importance of bill discounting.
12. Write short notes on any *three* of the following : $3 \times 5 = 15$
- Bought out deal
 - Bonus share
 - Factoring
 - Securitization
 - Co-branded credit cards.