







**ENGINEERING & MANAGEMENT EXAMINATIONS, APRIL - 2009**

**MONEY & CAPITAL MARKET**

**SEMESTERS - 4 & 6**



Time : 3 Hours ]

[ Full Marks : 70

**GROUP - A**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

i) BRLMs in the book building process refer to the

a) Bond Rating Lowest Measurements

b) Book Running Lead Managers

c) Beta Rating Lead Measurements

d) Best Rated Lead Movements.

ii) The agent performing the role of risk-redeemer in an equity issue process is known as

a) promoter

b) solicitor

c) underwriter

d) broker.

iii) 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.



iv) NEAT stand for

- a) National Exchange for Automated Trading
- b) New Exchange for Automated Trading
- c) NSE's Examination And Training
- d) None of these.




v) Ashok purchases 2000 shares of Hindalco at Rs. 48 from BSE online counter and within an hour he sells all the shares at the NSE online counter at Rs. 48.60. This activity is known as

- a) Badla
- b) Sanda
- c) Arbitrage
- d) Settlement.

vi) MCX helps to provide a platform for buying and selling of

- a) multiple shares in odd-lots
- b) equity derivatives
- c) mutual fund units
- d) commodity derivatives.

vii) In which of the following types of issues does the amount of share capital increase without any increase in the net worth of the company ?

- a) Public issue
- b) Bought-out deal
- c) Bonus issue
- d) Private placement.

viii) 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 wholesale investor
- d) There is a chance of misuse of power by the sponsor.



ix) Which of the following players cannot act as a borrower in the call money market ?

- a) Discount and Finance House of India
- b) SBI Mutual Fund
- c) State Bank of India
- d) Securities Trading Corporation of India.



x) Which of the following is not an advantage of private placement of securities ?

- a) Easy access for any company
- b) Fewer procedural difficulties
- c) Lower issue cost
- d) Complete certainty of availability of funds.

xi) Which of the following is not a feature of Certificate of Deposit ?

- a) Unsecured negotiable instruments
- b) Not transferable by endorsement and delivery
- c) Issued at discount to face value
- d) Repayable at a fixed date without grace period.

xii) Which of the following is the correct statement ?

- a) All financial assets are securities
- b) Only listed financial assets are securities
- c) Only unlisted financial assets are securities
- d) No financial assets are securities.



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**GROUP – B****( Short Answer Type Questions )**Answer any *three* of the following.

3 × 5 = 15

2. Distinguish between Commercial Paper and Certificate of Deposit.
3. What is the utility of tracking the P/E ratio of the scrips in the capital market ?
4. Distinguish between the REPO and reverse REPO rates.
5. Discuss in brief the sub-prime crisis which is considered as the major cause of global recession.
6. Write a short note on Indian debt market.

**GROUP – C****( Long Answer Type Questions )**Answer any *three* of the following.

3 × 15 = 45

7. What do you mean by “Kerb” trading ? Discuss SEBI guidelines regarding buyback of shares. 5 + 10
8. a) 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.

*Earning per share :*

2005-06            10·10

2006-07            7·60

2007-08            5·70

*Industry Price/Earning :*

Highest            42·50

Lowest            13·50

Average            18·60

*Price Earning* of the company as perceived by the management could be in the range of 18-20.



b) Quest Limited furnishes the following particulars as of a recent date, based on which calculate the implication of Right Issue :

- \* EPS — Rs. 7.50
- \* Current market price — Rs. 75
- \* Book value per share P/E ratio — Rs. 60
- \* Industry average P/E ratio — 14
- \* Total quantum of funds proposed to be raised — Rs. 40 crore
- \* Present issued and paid-up equity capital — 5 million shares of Rs. 10 each
- \* IPO price three years ago — Rs. 60 per share. 8 + 7

9. a) MNC Ltd. makes an issue of 1,00,000 shares of Re. 1 each at par aggregating to Rs. 1,00,000. The issue has been underwritten fully by a syndicate of four underwriters A, B, C and D to the extent of Rs. 20,000, Rs. 30,000, Rs. 35,000 and Rs. 15,000 respectively. The issue has been closed and the following is the information available on the subscriptions.

<b>Particulars</b>	<b>Amount in Rs.</b>
Through underwriter A	11,700
Through underwriter B	22,400
Through underwriter C	8,300
Through underwriter D	22,600
Direct subscriptions received	11,500
<b>Valid subscriptions received</b>	<b>76,500</b>

The underwriters are paid a commission of 2.5% on subscriptions received and 2% on devolvement. Compute the underwriters' devolvement and the commission receivable by each of them.



b) Write short note on :

i) Insider Trading

ii) Red Herring Prospectus

iii) Bought-out Deals.



6 + 9

10. a) What do you mean by "Treasury Bills" ?

b) Discuss the importance and utility of discount market and acceptance market.

c) Elaborate on the importance gurantee market.

5 + 5 + 5

11. What parameters would you like to suggest to a rating agency while rating a bond or a debenture issue ?

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