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53071

EQUITY MARKETS II
SYBFM (SEM IV)

Duration : 2.5 hours **Marks : 75**

N.B.: 1. All questions are compulsory.
2. Figures to the right indicate marks.

Q1. A. Match the following: (Any 8) 8 Marks

	Column A		Column B
1	NSCCL	H	Settles trade for NSE
2	Law Governing Companies in India	C	Companies Act
3.	Prospectus	J	Offer Document
4.	Macro Economic Factor	I	Government Interference
5.	Fundamental Analysis	D	Based on financial performance and ratios
6.	Dividend Payout	G	Percentage of Dividend Paid
7.	Settlement Cycle	E	T+2
8.	NSE	B	Nifty
9.	Risk Taker	A	Speculator
10.	Broker	F	Executes Trades on clients behalf

B. State whether True or False: (Any 7): 7 Marks

1. Contract note is also known as bought note or sold note. **TRUE**
2. RBI came into existence on 1st April 1935. **TRUE**
3. Stock market quotation consists of a bid price and an ask price. **TRUE**
4. There are 13 clearing banks of the NSE. **TRUE**
5. A bull market means market in upward trend. **TRUE**
6. Under multiple growth model, changing growth rates are applied to different time period. **TRUE**
7. The Random walk theory is not based on the efficient market hypothesis. **FALSE**
8. According to head and shoulders pattern, shares will go up when it is observed. **FALSE**
9. According to technical analysis "history repeats itself". **TRUE**
10. The perpetual jiggling of the particles is now called as Brownian motion. **TRUE**

Q2. (A) Explain the advantages of FDI 8 Marks

Answer:

1. Increase the level of investment
2. Up gradation of technology
3. Improvement in export competitiveness
4. Employment generation
5. Benefits to consumers
6. Resilience factor
7. Revenue to government

(B) State the role of SEBI in regulating Indian capital market. 7 Marks

Answer:

1. Power to make rules for controlling stock exchange
2. To provide license to dealers and brokers
3. To stop fraud in capital market
4. To control the merge, acquisition and takeover the companies
5. To audit the performance of stock market
6. To make new rules on carry – forward transactions
7. To create relationship with ICAI
8. Introduction of derivative contracts on volatility index
9. To require report of portfolio management activities
10. To educate the investors.

OR

C. Explain Volatility Index VIX. What are the causes of Volatility? 8 Marks

Answer:

India VIX is a volatility index based on the index option prices of the NIFTY

Causes:
Fear factor – mixed reactions – changes in economic policy – economic crisis

D. Explain the types of issue of shares in Indian capital market. 7 Marks

Answer:
1. Public issue through prospectus
2. Offer for sale
3. Issue through private placement of securities
4. Offer through book- building process
5. Public offer through stock exchange on-line system.

Q3. A. What is Fundamental Analysis? What are its strengths and weaknesses? 8 Marks

Answer:
It is the study of economy, industry and company conditions in an effort to determine the value of a company's stock.

Strengths:
Long Term – Value Recognizing – Business Judgment – Helps to identify a single stock from a portfolio

Weakness:
Time constraint – Industry/Company Specific – Subjectivity

B. Explain in detail industry analysis. 7 Marks

Answer:

Stages of industry analysis:

(1) The pioneering stage
(2) The expansion stage
(3) Stagnation stage

OR

C. Explain IPO Process in detail? 8 Marks

Answer:

Selecting an Investment Bank – Letter of Intent – Assemble Syndicate – SEBI Filing – Marketing of the IPO – Effective Date – Underwriting Agreement – Stabilisation

D. Explain the macro economic factors. 7 Marks

Answer:

1) Political climate
(2) Growth of population
(3) Economic policies
(4) Level of income
(5) Element of uncertainty
(6) Liquid assets
(7) Inventions & innovations

Q4. A. Explain the Brownian Motion and its limitations. 8 Marks

Answer:

- says nothing about relative price movements
- says nothing about disintegrating price movements
- entirely consistent with upward and downward movement in price

B. Explain the three forms of the Efficient Market Hypothesis. 7 Marks

Answer:

According to Eugene. F. Fama "Market efficiency is requires that in setting the prices of securities at any time t-1, the market correctly uses all available information".

Three forms of the Efficient Market Hypothesis:

(1) Weak form
(2) Semi - strong form
(3) Strong form

OR

C. Explain the stochastic models in equity markets. 8 Marks

Answer:

(1) Stochastics modeling is a form of financial modeling that Includes one or more random variables.

(2)The Monte Carlo simulation is one example of a stochastic model.
(3) Example
(4) Stochastics is based on the theory that as price increases closing prices have a tendency to be nearer to the oeaks reached during the period & vice-versa.
(5) George C. Laire had developed the stochastic technique.
(6) Formula
(7) Stochastic model is another method used for calculating movement of share prices.
(8) Monte Carlo simulation helps to reduce uncertainties involved in estimating future outcomes.

D. Explain the concept of Beta in the equity markets. 7 Marks

Answer:

1. Beta is a measure of the volatility or systematic risk of a security.
2. Beta is used in the CAPM.
3. In finance , the beta of an investment indicates whether the investment is more or less volatile than the market as a whole.
4. Example

Beta is important because it measures the risk of an investment that cannot be reduced by diversification.

Q5. A. Explain brokers and their duties. 8 Marks

Answer:

A member of a recognized stock exchange who buys, sells or deals in securities .

Duties of a broker:

1. Faithful to the clients
2. Issue contract note to his clients
3. To avoid breach of trust
4. He should not mislead clients
5. To avoid dealing with client who is a defaulter in his dealings
6. To disclose whether he is acting as a principal or as an agent
7. Protecting the interest of his clients
8. A stock broker should have adequately trained staff.

B. Explain in detail about 'stock market quotations. 7 Marks

Asnwer:

1. A stock quote is the price of a stock as quoted on an exchange.
2. A stock quote is an estimate of price or a price at which one party is willing to buy or sell a certain number of shares of stock from the other.
3. A quotation consist of a bid price and an ask price.
4. Quotations are necessary to inform investors about the prices of securities.
5. Working of stock quotation with example.

OR

Q5. Write short notes on: (Any three) 15 Marks

(As per the Teacher's discretion)

a. Retail investor
b. NSCCL
c. Disinvestment
d. FII
e. BSE BOLT

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