Solutions to QP Code : 20727

Q1. A. Fill in the blanks:
1. Demutualisation
2. Short Selling
3. NEAT
4. T+2
5. Merchant Banker
6. ESOP
7. FCCBs
8. 40
9. 15%
10. Self Certified Syndicate Bank

B. State whether true or false: (Reasons not mandatory)
1. True
2. True
3. False – Difference should be not more than 20 percent
4. False – The are entitled to profits
5. False – If they are listed in India then shall be classified as an IDR
6. True
7. True
8. True
9. False – Indian investors cannot buy foreign shares
10. False – Issues of bonus shares only increases the number of shares and not the market capitalization

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Q2. A. What are the different classes of Equity Shares?
DRIPS – Bonus Shares – Rights Shares – Stock Split - Buyback

B. What is the regulatory framework for financial markets in India?
Answer can include information on market regulators such as SEBI and RBI

OR

C. What is Money Market? Explain its instruments.
Define Money Market.
Instruments can include Treasury Bills, Commercial Papers, Certificate of Deposits, Commercial Papers, Repos and Reverse Repos, Money Market, etc.

D. Define equity market. Explain its functions.
Functions can include any 6 of the following points:
Liquidity – Investment avenues – Savings – Barometer of economic growth – Capital Formation – Organised structure – employment etc.

Q3. A . Explain Red Herring Prospectus in detail.

- Definition of Red Herring Prospectus
- Contents
- Features

B. Explain ASBA in detail?
(any of the following points)
Meaning – Features – Advantages – Process

OR

C. Explain the different methods of floating new issues in the market.
Public Issue (IPO and FPO) – Offer for sale – Private Placement – IDR – Rights Issue – Bonus Issue

D. Explain the role of Depositary receipts in the International equity markets.
Access to foreign capital – Corporate Image Building – Access to foreign stock exchanges – Access to foreign currency and investors – Arbitrage opportunities – Income tax simplification – Share Valuation

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Q4. A . Explain the different stock market indices in India.
Any indices can be explained
NIFTY 50 – SENSEX – THEMATIC Indices – Sector Indices – Capitalisation Indices

B. Define stock exchange. What are the different members?
Definition:
Member:
Brokers – Clearing Banks – Trading Members – Clearing Houses – sub brokers etc

OR

C. Explain the following terms (2 marks each)
1. OTCEI
The over-the-counter exchange of India (OTCEI) is an electronic stock exchange based in India that is comprised of small- and medium-sized firms looking to gain access to the capital markets. OTCEI is promoted by the Unit Trust of India, the Industrial Credit and Investment Corporation of India, the Industrial Development Bank of India, the Industrial Finance Corporation of India, and other institutions, and is a recognised stock exchange under the SCR Act.

2. Circuit Breakers
Whenever you sell shares, there's always a buyer on the other side. So when you sell shares and cannot deliver it back to the buyer for which he had already paid money. In such a scenario, the exchange calls for an auction. The index-based market-wide circuit breaker system applies at 3 stages of the index movement, either way viz. at 10%, 15% and 20%. These circuit breakers

when triggered bring about a coordinated trading halt in all equity and equity derivative markets nationwide.

3. Debt Ratio
Debt Ratio is also known Debt Equity Ratio = Total Debt / Total Equity

4. Current Ratio
= Current Assets/Current Liabilities

D. Explain the Role of Stock exchange in the capital markets of India.
Answer should include the following points :
To protect the interests of investors – To regulate and control the business of intermediaries – to regulate functioning of intermediaries such as brokers, merchant bankers –To prohibit fraudulent activities and unfair practices – To issue guidelines to companies regarding capital issues – To conduct inspection and audits– To restrict insider trading – to promote capital formation – Economic growth

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Q5. A. Explain the need to attract more investors towards equity.

Answers could use any points from the following :

Capital Formation – Widening shareholder participation – Strengthening the indices – More Public Issues – Investor Awareness – Promote healthy speculation – Diversity of participants – Avoid Price Manipulation and Unfair Trade Practices - Promote Liquidity – Improve further transparency and disclosure practices – to improve services provided by intermediaries and exchanges – avoid domination by FIIs

B. Explain the need to strengthen equity markets.

Answer should include weaknesses of equity markets:
Unfair Trade Practices – Scams – Concentrated in the hands of limited people – Lack of Investor awareness – Speculative in nature etc

OR

Write short notes on:
(Any points which are relevant can be included and marking is at the discretion of the examiner)

1. Primary Market

Definition – features – instruments

2. Merchant Banking
Definition – Role – Functions

3. Private Placement
Meaning – Features

4. Benefits of Listing
Corporate Image – Liquidity – Easy Access to capital – trading on equity – Valuation of company etc

5. Methods of Technical Analysis
Any chart patterns or techniques

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