

Time: 2:30 hours

Marks: 75

- N.B. :** (1) Attempt **all** the questions.  
 (2) **Figures** to the **right** indicate full **marks**.

**1. (A) Multiple Choice question (Any Eight)****8**

1. When a company issues its shares to the public for the first time it is known as \_\_\_\_\_.  
 (FPO, IPO, Book Building)
2. \_\_\_\_\_ reserves the right to cancel the Primary Dealership.  
 (SEBI, RBI, SRC)
3. When intrinsic value is higher than the market value, the share are \_\_\_\_\_.  
 (Over Priced, Under Priced, Fairly Priced.)
4. Stock markets in which already issued stocks are resold and re-bought are classified as  
 (red herring stock market, primary stock market, secondary stock markets)
5. Certificate of deposit is issued by \_\_\_\_\_.  
 (Government, RBI, Banks and Financial Institutions)
6. Type of market in which securities with less than one year maturity are traded is classified  
 as \_\_\_\_\_.  
 (money market, capital market, global market)
7. REPO rate is the interest rate at which RBI \_\_\_\_\_ to Bankers.  
 (Lent, Absorb, Rediscounts)
8. In rights issue, shares are issued to \_\_\_\_\_.  
 (Government, Existing shareholders, Promoters)
9. The index of NSE is called \_\_\_\_\_.  
 (Nifty, Sensex, NSE-30)
10. \_\_\_\_\_ are investment grade bonds that pay a lower interest rate because of the issuing  
 company's high credit rating.  
 (Junk Bonds, Angel Bonds, Adjustment Bonds)

**1. (B) State whether True or False : (any seven)****7**

1. If the share is over priced , investor should buy the share/security.
2. Red-herring prospectus means a prospectus issued to potential investors that does not have complete particulars on the price of the securities offered.
3. Debentures are more risky than equity shares.
4. Credit rating pre-estimates the repayment capacity of the borrower.
5. Equity share is also known as common shares.
6. Sensex is BSE index.
7. IPO is the process of selling the shares in the secondary market.
8. The method of issuing shares by giving a price range is known as Book Building.
9. Equity shareholders enjoy full voting rights in the management of the company.
10. ESOPs are issued to employee for their exceptional contribution to the organization.

2. (A) Explain meaning of Equity share and features of Equity shares. **7**  
 (B) What do you mean by Stock Exchange? Explain the functions of Stock Exchange. **8**

**OR**

- (C) Define primary equity market & explain various methods of raising funds in the primary market. **7**  
 (D) Meaning of Debt Market. What are the Features of Debt Market? **8**

3. (A) Explain the meaning of Equity culture. Why Equity culture in India is weak. **7**  
 (B) Who is Merchant Banker? Explain the functions of Merchant Bankers. **8**

**OR**

- (C) What are Primary dealers? Explain their core activities. **7**  
 (D) What is IPO? Explain the steps of IPO process. **8**

4. (A) Explain the determinants of Interest rate risk. **7**  
 (B) Explain the meaning of Bond and types of Bond. **8**

**OR**

(C) A debenture of Rs.100 face value carrying interest rate of 12% is redeemable after 6 years at par. The current market price of the debenture is Rs. 90. Whether one should buy the debentures if the expected rate of return is 15%. **7**

Year	PV @ 15%
1	0.870
2	0.756
3	0.658
4	0.572
5	0.497
6	0.432

(D) The following is the summarised Balance Sheet of Sohail Ltd. as on 31st March, 2017.

Liabilities	Rs.	Assets	Rs.
5% Preference Shares of Rs. 100 each	10,00,000	Fixed Assets	38,00,000
Equity Shares of Rs. 10 each	20,00,000	Investments	10,00,000
General Reserve	15,00,000	Stock	5,97,000
Profit and Loss A/c	12,00,000	Debtors	13,78,000
6% Debentures	8,00,000	Cash in Hand	25,000
Creditors	3,00,000	Cash at Bank	2,00,000
Other Liabilities	2,00,000		
	<b>70,00,000</b>		<b>70,00,000</b>

Fixed assets are valued at 45,00,000

Market value of investments Rs. 11,00,000

Debtors are to be reduced by Rs. 78,000

Calculate the Net Asset Value of each equity share. **8**

5. (A) The following data pertain to the value of underlying factors of A Ltd's shares.

	A Ltd.
Risk-free rate	10%
Market Rate of return	15%
Beta	1.2
Expected growth rate of dividend	6%
Previous dividend	Rs.2
Current Market Price per share	Rs. 25

Calculate  $K_e$  by using CAPM approach and using it calculate intrinsic value of share using dividend model.

Would you advise the investor to buy the share?

7

(B) Mr. Bipin wants to invest in one of the following bonds having face value Rs. 1000 maturing at par:

Bond	Coupon Rate	Maturity	Market Price
Bond M	12% p.a.	5 years	Rs.1080/-
Bond N	15% p.a.	5 years	Rs. 920/-

Find YTM of each bond.

7

Recommend which bond should be purchased.

1

OR

5. Write Short Notes (Any 3)

15

- Equity Share vs Preference Share
- Primary Market
- Red Herring Prospectus
- NSE
- ESOP

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