[This question paper contains 4 printed pages.]

Your Roll No..038.......

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Sr. No. of Question Paper : 5189

Unique Paper Code : 2922101202

Name of the Paper : Financial Institutions and Markets

Name of the Course : **B.A. (Hons.) Business Economics 2023**

Semester : II

Duration : 3 Hours   Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. This paper contains Eight questions. Attempt any **Six** questions.
3. **All** questions carry equal marks.
4. Use of a simple calculator and time value tables is allowed.

1. A bank provides the following terms and conditions to a Prospective home loan borrower:

   (a) Amount of loan — Rs.8, 00,000.

   (b) Duration of loan: 8 years and loan installments to be paid on an annual basis.

   (c) The terms of the interest are: Fixed Rate of Interest: 5% per annum **OR** Floating Rate of Interest: 4% per annum.

   (d) After four years, the floating rate is expected to rise to 5% per annum and the corresponding fixed rate shall be 7%. Also, there is a high probability of a further rise in the floating rate in subsequent years. At this time if the borrower decides to switch from floating to fixed, he will have to bear a switching cost of 2% of the outstanding amount. Assuming that the interest is compounded annually, determine whether the home loan borrower should opt for

      (i) **Option-1** : Fixed rate or

      (ii) **Option 2:** Floating rate of interest initially and then switching to fixed rate of interest after four years due to an expectation of further hike in the floating interest rate. (15)

2. "From managing the monetary policy to regulating the financial sector, the RBI has been instrumental in laying the foundation for India's economic growth". Do

you agree? Support your answer with reasons. How is the SARFAESI Act, 2002 safeguarding the interest of banks in the lending process? (15)

3. Explain the probable reasons, a company would go for Initial Public Offerings (IPOs). Further, state the IPO procedure with respect to the 'Intermediaries' and 'Entry norms' for issuance of IPOs. (15)

4. XYZ Company Ltd intends to make a public issue of equity shares of Rs. 120 each at par (Cut off price), payable fully on application as well as allotment (assuming cut off price has been decided through book building process). The total number of applications of 20,00,000 shares are received from different categories of investors. The company decides to allot additional 15% shares using 'Green shoe Option' (GSO). The expenses incurred by stabilising agent were Rs. 30,000.

Given the above information, you are required to analyse the post listing price (market price) of such shares under three different situations using the table given below.

(a) **Situation I:** Post listing price of Rs. 100 when 1,50,000 shares are bought from the market and credited in GSO Demat Account.

(b) **Situation II:** Post listing price of Rs. 140 when no shares are bought from the market and credited in GSO Demat Account.

(c) **Situation III:** Post listing price of Rs.120 when 1,00,000 shares are bought from the market and credited in GSO Demat Account. (15)

S.No	GSO details.	Situation- I	Situation-II	Situation-III
1	Net Offer to the public Made by XYZ Company Limited (No. of Shares)			
2	Total number of applications received			
3	IPO price (Listing Price)			
4.	Total amount of IPO size			
5.	Shares lent by promoters to Stabilising agent			

6.	Amount in GSO bank account from IPO proceeds			
7	Post Listing Market Price			
8.	Shares credited to GSO Demat Account.			
9.	Amount used from GSO Bank Account for market purchases.			
10.	Balance amount in GSO Bank Account.			
11.	Number of new shares allotted by the company to GSO Demat Account.			
12.	Number of shares return to promoters from GSO Demat Account.			
13.	Amount remitted to company on account of fresh shares allotted.			
14.	Stabilising expense.			
15.	Balance amount in GSO bank account to be transferred to 'Investor Protection & Education fund'.			

(15)

5. What is Margin trading? Explain the mechanism of margin trading. State the salient features of the SEBI margin trading norms. (15)

6. Write short note on the methodology that has been adopted to create SENSEX and NIFTY.

Given below is the information about the three stocks that alone constitute the index. The base period of the stocks was Ist July 1980 for which the value may be taken as one and you are required to compute the index for these stocks as on Ist January 2023 assuming no additional shares were issued for any of these three stocks. Compute both price and value weighted indices and do the two indices match? Comment.

Stock	Outstanding Number	Base year Price (Rs.)	Recent Period Price (Rs.)	% Change in Prices
A	40,000	20	28	+40%
B	25,000	30	50	+66.67%
C	1,00,000	32	40	+25%

(15)

7. The private corporate sector needs long-term funds to carry out its strategic decisions. Discuss the importance of the corporate debt market in this regard. State the regulations that govern the issue and listing of corporate debt securities in India.

Further, calculate the expected current price of a corporate bond having a face value of Rs. 1,000 with coupon rate 6% p.a., Y TM 8% p.a. and 7 years to maturity. Will the value be different if interest is paid semi-annually? (15)

8. Write Short notes on any three of the foliowing: (5,5,5)

(a) Certificate of Deposit Market

(b) Types of Orders in Secondary Market

(c) Selling Methods for PSU Disinvestment

(d) Credit Rating Agencies