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Your Roll No....028.....

Sr. No. of Question Paper : 7998A
Unique Paper Code : 12487911
Name of the Paper : Indian Financial System - 6.2
Name of the Course : **B.A. (Hons.) Business Economics 2024 LOCF**
Semester : VI
Duration : 3 Hour
Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. This paper contains **6** questions.
3. Attempt **ANY FIVE** questions.
4. **All** questions carry equal marks.
5. *Use of simple calculator is permitted.*

1. (a) 'A financial system is a well-integrated system whose parts interact with each other.' Explain.

(b) What are Global Depository Receipts (GDRs) and American Depository Receipts (ADRs)? What factors have contributed to the rising popularity of these instruments for corporate fundraising? (8,7)

2. (a) JK Ltd intends to raise Rs. 650 crores by issuing shares of Rs. 10 each. The company appointed a Merchant Banker who has approached the investing public to help him in building a book in a price band of Rs. 100-120 per share. Assuming there are only five investors applying for the Company's share and following are the quotes :

P.T.O.

Investor	Price Quoted	Amount of Investment (Rs in crores)
A	100	240
B	105	200
C	110	190
D	115	270
E	120	260

Calculate: (i) The price at which merchant banker will issue the shares of the company to investors, (ii) The allotment value (in Rs) of each investor.

OR

(a) How does the process of preferential issue of shares benefit companies in the Indian financial system, and what are the key regulatory requirements and considerations that companies must adhere to when conducting such offerings?

(b) What are the key steps involved in the process of listing securities on a stock exchange in India? What are the eligibility criteria that companies need to fulfill for such listing? (8,7)

3. (a) Let three scripts U, T and V constitute the Stock Index with the number of outstanding shares of each being 450, 900 and 700 respectively. The base period prices of three scripts are Rs. 25, Rs. 72 and Rs. 65 respectively while their current prices are U Rs. 132, T Rs. 151 and V Rs. 212 and the index in the base period was put at 10. Determine the impact on the index if company T issues a right in the ratio of 3:1 to its shareholders. Apply S & P methodology.

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- (b) Discuss the impact of recent financial scams such as the Nirav Modi case on the Indian financial system, and outline the measures taken to prevent similar incidents in the future.

OR

- ~~(b)~~ How does the process of demutualization transform traditional stock exchanges, and what are the key benefits and challenges associated with this transition within the context of the Indian financial system? (8,7)
4. (a) Explain the role of Discount and Finance House of India (DFHI) and Securities and Trading Corporation of India (STCI) in the Indian money market.
- (b) "A credit rating is an opinion of a particular credit agency regarding the ability and willingness of an entity (government, business, or individual) to fulfill its financial obligations." Explain the concept and functions of credit rating agencies with examples in the light of above statement. (8,7)
- ~~5.~~ Determine whether the home loan borrower should take loan amount on fixed rate or floating rate if the following information is available :

Amount of a loan – 40,00,000.

Duration of loan: 10 years and loan to be paid on annual basis.

The term for the interest is fixed rate of interest: 8% per annum OR floating rate of interest which is presently at 7% per annum. After four years, the floating rate is expected to rise to 8% per annum and corresponding fixed rate shall be 9%.

P.T.O.

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Also there is a probability that if this happens, then floating rate is expected to rise further in subsequent years. The borrower now decided to switch from floating to fixed rate. Cost of switching from floating to fixed is 2% of the outstanding amount and interest is compounded on annual basis. Which option he should choose? (15)

6. Write short notes on any **three** of the following :

(a) NSDL and CDSL

(b) Corporate Bonds vs Government Bonds

(c) Treasury Bills

(d) Role of RBI in Indian Financial System

(5,5,5)