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Your Roll No.....

**Sr. No. of Question Paper : 2760**

Unique Paper Code : 12487903

Name of the Paper : Indian Financial Markets and Services

Name of the Course : **B.A. (Hons.) Business Economics, 2019 (CBCS)**

Semester : VI

Duration : 3 Hours

Maximum Marks : 75

**Instructions for Candidates**

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **ALL** questions.
3. Use of only simple calculators is allowed.

1. 'There is a strong relation between the economic activity and the financial market of the economy.'  
Explain this statement in context of the role of the financial markets in the economy.

(8)

P.T.O.

2. Attempt any two : (2×6=12)

(a) What is Book Building? Explain its process with the help of an example.

(b) 'Those who are in favor of disinvestment argue that disinvestment is good if the objective is to improve the efficiency of the PSUs.' Explain.

(c) What is the Reverse Book Building process? How does Reverse Book Building process work for delisting a company from the BSE or the NSE?

3. (a) Assume only three scripts A, B & C constitute the index with the number of outstanding shares of each being 100, 300 and 200 respectively. The base period prices of the three scripts are Rs. 10, Rs. 50 and Rs. 20 respectively while their current prices are A Rs. 500, B Rs. 400 and C Rs. 100 and the index in the base period was put at 10. What shall be the impact on the index if company A issues a right in the ratio of 1:1 to its shareholders. Apply S & P methodology. (8)

(b) Mr. X expects the price of the share to go up to Rs. 1600 from the current level of Rs. 1400 today in nine months time. He is interested in purchasing 100 shares of the security for which the brokers want him to pay a margin of 50% and the rest can be financed by the broker for which he charges an interest of 15% p.a. the share is expected to pay a dividend of Rs. 1.50 per share and Rs. 0.50 per share as final dividend. The interim dividend shall be paid during the holding period. Calculate the return on capital invested by Mr. A.

**OR**

What are margins in margin trading? Explain the different types of margins and how are they calculated? (7)

(c) 'The Depository System offers a lot of advantages not only to investors but also to the company.' Explain. (5)

P.T.O.

4. (a) GILT schemes invest mostly in government securities and government securities are extremely sensitive to interest rate changes. Explain. (8)
- (b) What is a Call Money market? Explain the reasons for the volatility and the remedial measures RBI has taken to check such volatility.

**OR**

*'In any Money Market the Central Bank should be strong enough to control and influence money markets.'* Explain. (7)

5. (a) 'A credit rating can be assigned to any entity that seeks to borrow money.' Explain the concept and methods of credit rating.

**OR**

*'The Indian Banking System is beleaguered with non-performing assets (NPAs).'* Explain the concept of NPA and reasons for NPAs in the light of above statement. Also mention related frauds in the last five financial years in India.

(10)

- (b) What are the various factors that contributed to growth of housing in India? Explain. Also explain the role of various institutions that support the housing sector in India.

**OR**

Determine whether the home loan borrower should take loan amount at fixed rate or floating rate of interest on the basis of following information :

Amount of a loan: Rs. 15,00,000.

Duration of loan: 8 year and loan to be paid on annual basis.

The term for the interest are fixed rate of interest: 6% per annum OR floating rate of interest which is presently at 5% per annum. After four year, the floating rate is expected to rise to 6 % per annum and corresponding fixed rate shall be 8 %.

Also there is a probability that if this happen, then floating rate is expected to rise further in subsequent years. Borrower now decided to switch

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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.

(10)