M.Com. 1st Semester Examination, 2019

FINANCIAL INSTITUTIONS AND MARKETS

PAPER —COM-104

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

Write the answers to Questions of each Units in separate books wherever necessary

UNIT – I

[Marks : 20]

1. Answer any *two* questions from the following : 2×2

(*a*) What are the different components of Indian Financial System ?

(*b*) Distinguish between open-ended and close-ended mutual fund scheme.

(*c*) What do you mean by non performing assets of a bank ?

(*d*) State the important role of played by IFCI for industrial development.

2. Answer any *two* questions from the following : 4 × 2

(*a*) Discuss the importance of Micro-insurance in India.

(*b*) Briefly discuss about the Credit Risk and Market Risk of bank.

(*c*) Briefly discuss the difficulties for proper implementation of E-banking.

(*d*) Briefly discuss about the benefits of mutual fund from the view point of investor.

3. Answer any *one* question from the following : 8 × 1

(*a*) What is financial exclusion ? State the reasons for financial exclusion. Briefly discuss the different initiatives undertaken for financial inclusion. 8

(*b*) (*i*) Discuss the roles played by regional Rural Banks for the development of rural economy.

(*ii*) Write a short note on 'Priority sector lending'. 5 + 3

UNIT – II

[Marks : 20]

4. Answer any *two* questions : 2 × 2

(*a*) Distinguish between deep discount bond and zero coupon bond.

(*b*) Draw the structural differences between BSE -Sensex and NSE-Nifty.

(*c*) Write any two benefits of investment in convertible debentures.

(*d*) Define : Green shoe option.

5. Answer any *two* questions : 4 × 2

(*a*) Write a short note on Derivatives.

(*b*) Explain 'initial margin' and 'maintenance margin' with reference to margin trading with help of a suitable illustration.

(*c*) Describe the rights and obligations of the buyer and seller in an option trading.

(*d*) Z co. Ltd has issued 10000 debentures of Rs.100 each with detachable warrant. The investor is entitled to invest in 5 equity shares of Z co. Ltd. at a price of Rs.50 per share after 3 years from the time of issue of debentures against 1 warrant. If market price of equity shares is Rs.55 on the exercise date, calculate maximum value, minimum value and premium of each warrant.

Given :

(*i*) Market price of warrant as on exercise date is Rs.230.

(*ii*) An investor, who is allotted 10 debentures at the time of issue, also gets 1 such warrant.

6. Answer any *one* question : 8 × 1

(*a*) Describe in brief the money market instruments. 8

(*b*) TISCo issued secured premium notes (SPNs) with warrants, the terms of which were as follows :

(*i*) Fare value of each SPN was Rs.300,

(*ii*) No interest was payable for the first 3 years of issue.

(*iii*) Between 4th year and 7th year, principal was to be repaid in instalments of Rs.75 each.

(*iv*) Between 4th year and 7th year, an additional amount of Rs.75 was to be paid each year as interest and premium on redemption.

(*v*) In respect of (iv), an investor may choose any of the following options for all the years :

Option 1 : interest of Rs.37.50 and premium of Rs.37.50

Option 2 : interest of Rs.25 and premium of Rs.50 and

Option 3 : interest of Rs.50 and premium of Rs.25,

(*vi*) The warrant attached to each SPN could be exercised to buy 1 equity share at Rs.100 between 1st year-end and 18th month-end from allotment.

If an investor exercises the option (3) as mentioned in (v) above, and the marginal personal income tax rate is 20%, calculate the average annual return to the investor. Actual market price of equity shares as on exercise date is Rs.195. You may make necessary assumptions. 8

[*Internal Assessment* : 10 Marks]