



# MAULANA ABUL KALAM AZAD UNIVERSITY OF TECHNOLOGY, WEST BENGAL

Paper Code : FM 406 FINANCIAL MARKETS & SERVICES

UPID : 004693

Time Allotted : 3 Hours

Full Marks :70

The Figures in the margin indicate full marks.

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

## Group-A (Very Short Answer Type Question)

1. Answer any ten of the following :

[ 1 x 10 = 10 ]

- (I) Bonds, bearer debenture, government securities are the example for \_\_\_\_\_
- (II) What is "Repo Rate" ?
- (III) The UTI was set up under an act of parliament in \_\_\_\_\_.
- (IV) S&P CNX was introduced in which year?
- (V) What is the base year of BSE SENSEX?
- (VI) The Process used by companies raising capital through IPO's and FPO's to aid price and demand discovery is called \_\_\_\_\_.
- (VII) Intermediaries who link buyers and sellers by buying and selling securities at stated prices are called\_\_\_\_\_.
- (VIII) In order to protect the interests of investors and regulate the working of stock exchanges, the Government of India in 1988 was set up by which organisation?
- (IX) An important financial institution that assists in the initial sale of securities in the primary market is \_\_\_\_\_.
- (X) The Depositories Act is enacted in which year \_\_\_\_\_.
- (XI) What is the full form of CRISIL\_\_\_\_\_.
- (XII) The financial market for long-term funds is known as \_\_\_\_\_.

## Group-B (Short Answer Type Question)

Answer any three of the following :

[ 5 x 3 = 15 ]

2. What are the Rights of Hirer? [5]
3. Distinguish between Money Market and Capital Market. [5]
4. Mention the name of few popular Credit Rating Agencies. [5]
5. Write a short note on Angel Investor. [5]
6. A mutual fund's opening net asset value is Rs. 20 and its closing net asset value is Rs. 24. If the expense per unit is Re. 0.50, what is the expense ratio? [5]

## Group-C (Long Answer Type Question)

Answer any three of the following :

[ 15 x 3 = 45 ]

7. MNC Ltd. needs a machine which if purchased outright will cost Rs. 10 lakhs. A hire purchase and leasing company has offered two alternatives as below: [ 15 ]  
 Option A: Hire Purchase: Rs. 2,50,000 will be payable on signing of the agreement. 3 annual instalments of Rs. 4,00,000 will be payable at the end of the year starting from year 1. The ownership in the machine will be transferred automatically at the end of the 3rd year. It is assumed that ABC Ltd. will be able to claim depreciation on a straight line basis with zero salvage value.  
 Option B: Lease: Rs. 20,000 will be payable towards initial service fee upon signing of the agreement. Annual lease rent of Rs. 4,32,000 is payable at the end of each year starting from the first, for a period of 3 years. ABC Ltd's tax rate is 35%.  
 Evaluate the two alternatives and advise the company as to which one implies least cost.
8. What is a financial intermediary? Briefly Describe the Major Components of the Financial Market. [ 15 ]
9. State the Salient features of stock exchange. Describe the Method of Trading in a Stock Exchange. [ 15 ]
10. Vindhya Papers Ltd. planning to install a captive generator set at its plant. Its Finance Manager is asked to evaluate the alternatives either to purchase or acquire generators on lease basis. [ 15 ]  
 i. Buying: Initial Cost Rs. 5,00,000 and Residual Value Rs. 1,60,000  
 ii. Leasing for 5 Years: Annual Lease Rental Rs. 1,50,000 to Lessee in 5 years time and Residual Value Rs. 90,000 returned.

Depreciation @ 20% p.a. on written down value. Corporate tax rate 40%. After tax cost of debt is 14%. The time gap between the claiming of the tax allowance and receiving the benefit is one year. Evaluate the lease or buy decision based on the above information.

11. What is Net Asset Value (NAV) in a Mutual Fund? Describe the present Trends in Indian Mutual Fund Market. [ 15 ]

\*\*\* END OF PAPER \*\*\*