

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004-2005 & thereafter)

SUBJECT CODE : **CM/MO/MM54**

B.Com. DEGREE EXAMINATION NOVEMBER 2008
COMMERCE
FIFTH SEMESTER

COURSE : **MAJOR – OPTIONAL**
PAPER : **MONEY AND CAPITAL MARKET**
TIME : **3 HOURS** **MAX. MARKS : 100**

SECTION – A

ANSWER ALL QUESTIONS: (10 x 3 = 30)

1. Distinguish financial assets from real assets.
2. In the context of financial markets, what is meant by “liquidity”?
3. A 90-day T-Bill (Face Value = Rs.100) is issued at Rs.98.20. Calculate the yield on this T-Bill.
4. What is meant by “repo” and what is its significance?
5. “ABC Limited engaged in the manufacture of cement has planned to raise Rs.500 crores to fund modernization-cum-expansion program through the issue of convertible bond” – What do you mean by a “Convertible Bond” and state any one risk of investing in such instruments.
6. What does “Carry over” or “Badla” indicate?
7. Amar purchased 250 shares of XYZ Limited one year ago for Rs.125 each. He received a dividend per share of Rs.5 each about six months ago. He has now sold all the shares at Rs.140 each. Ignoring taxes and transaction costs, compute the realized return.
8. “Introduction of depository system in India has favorably influenced the securities trading in India”. – explain.
9. In the context of SEBI Act, what you understand by “DIP guidelines”? Mention any two areas covered in these guidelines.
10. What is meant by “Green Shoe Option”?

SECTION – B

ANSWER ANY FIVE QUESTIONS: (5 x 6 = 30)

11. Discuss any two approaches relating to investment decision and investment management of financial assets. ..2

12. Explain the salient features of money at call and notice, bringing out the significance of the role played by it in economic environment.
13. Discuss any two approaches relating to investment decision and investment management of financial assets.
14. Discuss the significance of clearing and settlement systems in a stock exchange.
15. Compute the beta of the security from the following information –

State of Economy	Probability	Stock return (%)	Market return (%)
Normal	0.4	15	20
Growth	0.4	20	30
Recession	0.2	-10	-15

16. Kareena wants a pension of Rs.60,000 per annum once she retires for 20 years in succession. She plans to retire 10 years from now. Assuming an interest rate of 10% throughout, how much she should contribute from now on annually to achieve her stated financial goal?

(Use the following -

FVIF (10%, 10) = 2.594; FVIF (10%, 20) = 6.728; FVIF (10%, 30) = 17.449;

FVIFA (10%, 10) = 15.937; FVIFA (10%, 20) = 57.275; FVIFA (10%, 30) = 164.494;

PVIF (10%, 10) = 0.386; PVIF (10%, 20) = 0.149; PVIF (10%, 30) = 0.057;

PVIFA (10%, 10) = 6.145; PVIFA (10%, 20) = 8.514; PVIFA (10%, 30) = 9.427)

17. Discuss the role played by brokers and dealers in stock exchanges. Also, explain any two types of orders.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. Explain how financial markets are classified. Also, discuss the different segments of the capital markets.
19. Discuss the significance of prospectus in the context of an IPO.
20. Explain the function and role of stock exchanges. Also, discuss the significance of listing process to an issuer of security.
21. Compute the total risk and decompose the same into systematic and unsystematic risk given the following -
 Price of the stock today = Rs.250
 Stock market index today = 12000 points
 Expected price and stock market index one year from now-

Situation	Expected price of stock (Rs.)	Expected stock market index (points)
A	280	13200
B	300	14400
C	225	10800

All the 3 situations are considered equally likely. The company is not expected to pay any dividend during the next one year.

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