[This question paper contains 8 printed pages.]

Your Roll No.

Sr. No. of Question Paper : 1326

Unique Paper Code : 2922101202

Name of the Paper : Financial Institutions and Markets

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

Semester : II

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.

2. This paper contains **Eight** questions. Attempt any **Six** questions.

3. **All** questions carry equal marks.

4. Use of a simple calculator and time value tables is allowed.

P.T.O.

1. A bank provides the following terms and conditions to a prospective home loan borrower :

(a) Amount of a loan: Rs. 10, 00,000.

(b) Duration of loan: 8 years and loan installments are to be paid on an annual basis.

(c) The terms of the interest are: Fixed Rate of Interest: 6% per annum **OR** Floating Rate of Interest: 5% per annum.

(d) After four years, the floating rate is expected to rise to 6 % per annum and the corresponding fixed rate shall be 8 %. Also, there is a high probability of a further rise in the floating rate in subsequent years. At this time if the borrower decides to switch from floating to fixed, he will have to bear switching cost of 2% of the outstanding amount of loan. Assuming that the interest is compounded annually, determine whether the home loan borrower should opt for

(i) **Option-1:** Fixed rate or

(ii) **Option 2:** Floating rate of interest initially and then switching to fixed rate of interest after four years due to an expectation of further hike in the floating interest rate. (15)

2. "NBFCs have been instrumental in promoting financial inclusion in India". Explain the given statement in light of the role played by NBFCs in the Indian financial landscape. Also explain how NBFCs are different from commercial banks. (15)

3. What is meant by listing of Securities. Stating the categories of listing (of securities), explain the process/provisions to be undertaken by a company to list its shares, with respect to SCRA and SEBI regulations. (15)

4. ABC Company Ltd intends to make a public issue of 10,00,000 equity shares of Rs. 130 each at par (Cut off price), payable fully on application as well as

allotment (assuming cut off price has been decided through book building process). The total number of applications of 20,00,000 shares are received from different categories of investors. The company decides to allot additional 15% shares using 'Green shoe Option' (GSO). The expenses incurred by stabilising agent were Rs. 40,000. Given the above information, you are required to analyse the post listing price (market price) of such shares under three different situations using the table given below

(a) **Situation I:** Post listing price of Rs. 110 when 1,50,000 shares are bought from the market and credited in GSO Demat Account.

(b) **Situation II:** Post listing price of Rs. 150 when no shares are bought from the market to be credited in GSO Demat Account.

(c) **Situation III:** Post listing price of Rs. 130 when 1,00,000 shares are bought from the market and credited in GSO Demat Account.

S.No	GSO details.	Situation- I	Situation-II	Situation-III
1	Net Offer to the public made by ABC Company Limited (No of Shares)			
2	Total number of applications received			
3	IPO price (Listing Price)			
4.	Total amount of IPO size			
5.	Shares lent by promoters to Stabilising agent			
6.	Amount in GSO bank account from IPO proceeds			
7	Post Listing Market Price			
8.	Shares credited to GSO Demat Account.			

9.	Amount used from GSO Bank Account for market purchases.			
10.	Balance amount in GSO Bank Account.			
11.	Number of new shares allotted by the company to GSO Demat Account.			
12.	Number of shares return to promoters from GSO Demat Account.			
13.	Amount remitted to company on account of fresh shares allotted.			
14.	Stabilising expense.			
15.	Balance amount in GSO bank account to be transferred to 'Investor Protection & Education fund'.			

(15)

5. Explain the concept of Rolling Settlement. Further explain the 'Depository System' with respect to clearing and settlement in secondary market in India. (15)

6. Explain Full Float and Free Float Market Capitalization Methodologies for calculating an index.

Assume DJIA index includes only three securities X, Y and Z. The prices of the securities on 1st January 2024 are Rs. 80, Y Rs. 40 and Z Rs. 30. Calculate the DJIA index.

Further assuming that the security X goes for a 4:1 split on 1st January 2024, calculate the Index on 30th April 2024, if the prices of the three securities on 30th April 2024 are Rs. 25, Rs. 45 and Rs. 35 respectively. (15)

7. The Government needs funds to carry out its welfare functions. Discuss the participants, process of issue and importance of Government Dated Securities in India.

Further, Calculate the accrued interest on the trading day for a 12.50% Government Security (Face Value: Rs. 1000) maturing on 19th July 2024, the day of trade being 15th April 2024. The YTM on the trading day is 7.7% p.a. and the last interest was paid on 19th January 2024, interest being paid on a half yearly basis. (15)

8. Write Short notes on any **three** of the following :

(a) Call Money Market

(b) Circuit Breakers

(c) NPAs in Banking Sector

(d) Book Building Method Vs Fixed Price Method

(5,5,5)