

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

NOTE : Answer SIX questions including Question No.1 which is compulsory.

1. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) A merchant banker can advise investment in the shares of a particular company on a TV Channel.
 - (ii) The securities market facilitates the internationalisation of an economy by linking it with the rest of the world.
 - (iii) A company can issue sweat equity shares within 6 months of commencement of business.
 - (iv) An appeal can be made to the Supreme Court if a person is aggrieved by an order of the Securities Appellate Tribunal.
 - (v) A company may change the denomination (face value) of its already issued shares by splitting or consolidation.
- (2 marks each)*
- (b) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s) :
- (i) _____ is an unsecured money market instrument issued in the form of promissory note.
 - (ii) _____ means an institution incorporated or established outside India which proposes to make investment in India in securities.
 - (iii) Equity linked saving schemes offering tax rebate to the investors under tax laws have a lock-in-period of _____ years.
 - (iv) The total underwriting obligations of an underwriter under all agreements should not exceed 20 times of his _____.
 - (v) The primary responsibility of building the book in an issue is of the _____.
- (1 mark each)*
- (c) Choose the most appropriate answer from the given options in respect of the following :
- (i) Securities audit can be conducted by the —
 - (a) Chartered Accountant in Practice
 - (b) Cost & Works Accountant in Practice
 - (c) Company Secretary in Whole-time Practice
 - (d) Certified Financial Analyst.

- (ii) Which of the following is not an investment strategy in derivatives trading —
- (a) Strap
 - (b) Straddle
 - (c) Swap
 - (d) Strip.
- (iii) Provisions of the Securities Contract (Regulation) Act, 1956 do not apply to —
- (a) Government companies
 - (b) Banking companies
 - (c) Financial institutions
 - (d) Corporations set up by an Act of Parliament.
- (iv) The credit rating methodology for non-banking financial companies is based on —
- (a) Capital adequacy
 - (b) Asset quality
 - (c) Earning and liquidity
 - (d) All the above.
- (v) Zero coupon bonds are issued —
- (a) At par
 - (b) At premium
 - (c) At discount
 - (d) Any of the above.

(1 mark each)

2. (a) Write short notes on **any four** of the following :

- (i) Reserve fund
- (ii) Clearing corporation
- (iii) Micro finance companies
- (iv) Internet trading
- (v) Placement memorandum.

(3 marks each)

- (b) Expand the following :

- (i) DAC
- (ii) DFHI
- (iii) CDSL
- (iv) EDIFAR.

(1 mark each)

3. (a) What is 'margin trading facility' ? Discuss briefly the essential requirements in respect of providing margin trading facility. (6 marks)
- (b) "Treasury bills are an effective cash management product." Elucidate. (5 marks)
- (c) Explain the following credit rating symbols :
- (i) PL3
 - (ii) FAAA
 - (iii) CRI
 - (iv) FD
 - (v) PA-1.
- (1 mark each)
4. (a) Distinguish between **any two** of the following :
- (i) 'Employee stock option scheme' and 'employee stock purchase scheme'.
 - (ii) 'Organised money market' and 'unorganised money market'.
 - (iii) 'Voluntary delisting' and 'compulsory delisting'.
- (3 marks each)
- (b) Elaborate the following expressions/terms as defined under the SEBI (Prohibition of Insider Trading) Regulations, 1992 :
- (i) Price sensitive information
 - (ii) Close period
 - (iii) Insider.
- (2 marks each)
- (c) "Permanent Account Number (PAN) is the sole identification number for all transactions in the securities market." Elucidate. (4 marks)
5. (a) INQ Ltd. is listed with the National Stock Exchange of India Ltd. with capital of Rs.125 crore. The company desires to make a GDR issue of Rs.500 crore to augment its capital for a new titanium dioxide project being set-up in Tamil Nadu. As the Company Secretary of INQ Ltd., prepare a note informing the Board of directors about various approvals required to make such an issue. (6 marks)
- (b) Highlight the provisions of clause 40A and 40B of the listing agreement pertaining to continued listing of shares and takeover offers. (6 marks)
- (c) Explain briefly **any one** of the following terms with reference to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997 :
- (i) Person acting in concert
 - (ii) Public announcement.
- (4 marks)

6. (a) Briefly describe the provisions relating to anti-money laundering. (4 marks)
- (b) "Best protection is the self-protection." Elucidate this statement with emphasis on the checks that an investor should exercise before deciding to invest in securities. (4 marks)
- (c) State briefly the special features of **any two** of the following :
- (i) Deep discount bonds
 - (ii) Floating rate notes
 - (iii) Sweat equity shares.
- (2 marks each)
- (d) Describe briefly the code of conduct for a portfolio manager as laid down by the SEBI. (4 marks)
7. (a) Give your considered advice on the following proposals :
- (i) A company proposes to issue irredeemable preference shares.
 - (ii) A portfolio manager wants to file a defamation suit against the Chairman, SEBI for imposing penalty on him.
 - (iii) A mutual fund manager wants to park funds of a scheme in the fixed deposit of a bank.
 - (iv) A listed company wants to issue fully convertible debentures with conversion period of 36 months.
- (2 marks each)
- (b) What do you mean by 'exchange traded funds' ? Explain their advantages and disadvantages. (4 marks)
- (c) Define 'registered transfer agent' (RTA). Describe the role played by RTA both in the primary and secondary market. (4 marks)
8. (a) Explain **any two** of the following terms related to capital market :
- (i) Hybrid scheme
 - (ii) Top down investing
 - (iii) Inter-corporate deposit
 - (iv) Gilt-edged securities.
- (2 marks each)
- (b) Explain briefly the SEBI guidelines on pricing of equity shares by an issuer company. (4 marks)
- (c) Critically examine the role of SEBI in the regulation of capital market in India. (4 marks)
- (d) Define 'listed securities' and 'permitted securities' and distinguish between them. (4 marks)