

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

**NOTE** : Answer **ALL** Questions.

**PART – A**

1. (a) Massive Ltd. came out with its IPO in November, 2015 and offered shares of ₹10 each at ₹450 charging a premium of ₹440. Shyam applied for 1,000 shares which had been allotted. On the list day, the closing share price was ₹418 and he was very upset about it. He looked at the prospectus of the company and found that company's IPO was not graded. So, he filed a complaint with SEBI stating that the company did not obtain IPO grading which is mandatory and hence, the IPO should be cancelled and the company should be asked to refund the money to investors.

Assume that you are working with the SEBI, will you suggest that the said issue should be cancelled as there has been violation of SEBI rules and regulations. Give your answer with reasons.

(5 marks)

- (b) Prime Ltd. issued some warrants which allowed the holders to purchase, with one warrant, one equity share at ₹18.275 per share. The equity share was quoted at ₹25 per share and the warrant was selling at ₹9.50. In this case, you are required to compute —

- (i) The minimum price of warrant; and  
(ii) The warrant premium.

(4 marks)

- (c) Manish owns 250 preference shares of Amaze Ltd. which currently sells for ₹77 per share and pays annual dividend of ₹13 per share —

- (i) What is Manish's expected return ?  
(ii) If Manish requires 13% return, should he sell or buy more preference shares at the current price ?

(4 marks)

- (d) A company is planning to issue deep discount bonds. As a financial advisor, you are required to suggest two important terms and conditions of issuing the said bond so as to minimise risk of the issuing company.

(2 marks)

*Attempt all parts of either Q.No. 2 or Q.No. 2A*

2. (a) "Collective investment scheme (CIS) is a popular form of investment and it is accessible to all." In the light of this statement, explain the meaning and conditions for eligibility of CIS. (5 marks)
- (b) "Credit rating not only plays a significant role in investor protection but also benefits industry as a whole." Discuss. (5 marks)
- (c) "Basket trading system provides investors the facility of creating sensex linked portfolio and to create a linkage of market prices of the underlying securities." Elaborate the statement and discuss the essentials to participate in the system. (5 marks)

*OR (Alternate question to Q.No. 2)*

- 2A. (i) "A well functioning securities market is conducive to sustained economic growth." Explain. (5 marks)
- (ii) "Merchant bankers are the key intermediary between the company and issue of capital." Comment. (5 marks)
- (iii) "Offering circular is a mirror through which the prospective investors can access vital information of the company in order to form their investment strategies." Explain the statement and list out the contents included in the offering circular. (5 marks)
3. (a) Comment on the following and support your answer with necessary reasons :  
 (i) The capital market and the stock exchange in particular are referred to as the barometer of the economy.  
 (ii) Investment in Indian depository receipts (IDRs) is an opportunity for the Indian investors to invest funds in foreign equity.  
 (iii) The market makers infuse liquidity in securities that are not frequently traded on stock exchanges. (4 marks each)
- (b) Explain briefly the demutualisation of stock exchanges. (3 marks)

: 3 :

4. (a) Distinguish between the following :
- (i) 'Initial margin' and 'maintenance margin'.
  - (ii) 'Pass through certificate' and 'participation certificate'.
  - (iii) 'Cash reserve ratio' and 'statutory liquidity ratio'.
- (2 marks each)*
- (b) Briefly explain the advertisement code prescribed for mutual funds under the SEBI (Mutual Funds) Regulations, 1996.

*(9 marks)*

**PART – B**

5. (a) Discuss the functions and obligations of the 'know your client registration agency' in terms of the SEBI [KYC (Know Your Client) Registration Agency] Regulations, 2011.
- (6 marks)*
- (b) What do you mean by Securities Appellate Tribunal (SAT) ? What is its composition ? As a Company Secretary, advise the aggrieved party about the appeal procedure and powers of SAT.
- (6 marks)*
- (c) What is 'price sensitive information' ? Which information is deemed to be price sensitive information ? State with reasons whether the following information is price sensitive :
- (i) The CEO of a company died in an air-crash.
  - (ii) RBI has increased its statutory liquidity ratio (SLR) by 25 basis points.
  - (iii) The company is setting-up another plant in Gujarat.
  - (iv) The company is negotiating with a foreign company to sell its stake in Star Ltd.

*(8 marks)*

*Attempt all parts of either Q.No. 6 or Q.No. 6A*

6. (a) Comment on the following :

- (i) 'Custodian of securities' means any person who carries on or proposes to carry on the business of providing custodial services.
- (ii) The recognised stock exchange has powers to make rules for restricting voting rights.
- (iii) All securities in depositories shall be in fungible form.

*(4 marks each)*

(b) Write notes on the following :

- (i) Multiple listing
- (ii) Differential pricing of securities.

*(4 marks each)*

*OR (Alternate question to Q.No. 6)*

6A. (i) Comment on the following :

- (a) Corporate governance is looked upon as a distinctive brand and benchmark in the profile of corporate excellence.
- (b) Depository participant provides link between the company and investors.
- (c) 'Insider' means any person who is or was connected with the company or is deemed to have been connected with the company.

*(4 marks each)*

(ii) Write notes on the following :

- (a) Employee stock options
- (b) Whistle-blower policy.

*(4 marks each)*