GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

JUNE 2023

MODULE 2

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The Guideline Answers contain the information based on the Laws/Rules applicable at the time of preparation. However, students are expected to be updated with the applicable amendments which are as follows:

CS Examinations	Applicability of Amendments to Laws
December Session	upto 31 May of that Calender year
June Session	upto 30 November of previous Calender Year

C O N T E N T S

EXECUTIVE PROGRAMME EXAMINATION

June 2023

CORPORATE & MANAGEMENT ACCOUNTING

Time allowed : 3 hours *Maximum marks : 100*
Total number of Questions : 100

PART—I

1. Measurement, Forecasting, Decision Making, Comparison and Evaluation, Control and Government Regulation and Taxation are the functions of.................
(A) Book-keeping
(B) Accounting
(C) Accountancy
(D) Accounting Cycle

2. Capital, Reserves and Undistributed Profits are the examples of...................
(A) Internal Liability
(B) Contingent Liability
(C) Current Liabilities
(D) External Liabilities

3...................... Is an activity concerned with recording and classifying financial data related to business operations in order of occurrence.
(A) Recording
(B) Classifying
(C) Measurement
(D) Book-keeping

4. General Ledger is further divided into two categories namely:
(A) Debtors' Ledger and Creditors Ledger
(B) Cash Book and Cash Account
(C) Nominal Ledger and Private Ledger
(D) Private Ledger and Public Ledger

5. The revenue expenditure results..............
(A) in the reduction in losses
(B) in the reduction in expenditure
(C) in the reduction in profit or surplus
(D) in no reduction in profit or surplus

6. Financial Statements may be rounded off to the nearest hundreds, thousands, lakhs or millions, or decimals thereof where the turnover of the company..................
(A) Less than one crore rupees
(B) Less than one hundred crore rupees
(C) One crore rupees or more
(D) One hundred crore rupees or more

7. Profit on Re-issue of forfeited shares is a profit of a capital nature and, hence, it should be credited to....................
(A) Capital Reserve
(B) Capital Redemption Reserve
(C) Revaluation Reserve
(D) General Reserve

8. Subscribed Share Capital is “that portion of the issued Share Capital which has actually been subscribed by the public and subsequently allotted to the shareholders by the entity”. This also includes any............. issued to the Shareholders.
(A) Redeemable shares
(B) Preference shares
(C) Bonus shares
(D) Cumulative shares

9. If expenses or income that do not arise in the ordinary course and are material, they should be stated separately in the profit and loss account under the heading:
(A) Prior Period Items
(B) Extraordinary Items
(C) Financial Expenses
(D) Operating Expenses

10. Where any company fails to comply with the provisions of this section 53(3) of the Companies Act, 2013 in respect of the issue of shares at discount, such company and every officer who is in default shall be liable to a penalty which may extend to..........
(A) an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less
(B) an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is higher
(C) an amount equal to the amount raised through the issue of shares at a discount or fifty lakh rupees, whichever is less
(D) an amount equal to the amount raised through the issue of shares at a discount or fifty lakh rupees, whichever is higher

11. As per Table F of the Companies Act, 2013, the maximum rate of interest on calls in advance prescribed is .... p.a.
(A) 5%
(B) 6%
(C) 10%
(D) 12%

12. ABC Limited issued at par 2, 00,000 equity shares of ₹ 10 each payable at ₹ 3 on application, ₹ 2.5 on the allotment, ₹ 2 on the first call and remaining on the final call. All the shares were fully subscribed. One of the shareholders who held 10,000 shares paid the full amount along with the first call itself. The final call was made after four months from the date of the first call. The amount of interest on calls in advance is ....
(A) ₹ 500
(B) ₹ 1,000
(C) ₹ 833.33
(D) ₹ 416.67

13. In the case of shares, the rate of underwriting commission paid or agreed to be paid shall not exceed:
(A) five per cent (5%) of the price at which the shares are issued or a rate authorized by the articles, whichever is less
(B) five per cent (5%) of the price at which the shares are issued or a rate authorized by the articles, whichever is higher
(C) two and half per cent (2.5%) of the price at which the shares are issued or a rate authorized by the articles, whichever is less
(D) two and half per cent (2.5%) of the price at which the shares are issued or a rate authorized by the articles, whichever is higher

14. In case the shares are bought back at discount, the amount of discount on buyback will be credited to................. .
(A) Capital Redemption Reserve A/c
(B) Capital Reserve A/c
(C) General Reserve A/c
(D) Discount on the issue at discount A/c

15. Vesting has two components.................
(A) Vesting date and vesting period
(B) Vesting percentage and vesting date
(C) Vesting percentage and vesting price
(D) Vesting percentage and vesting period

16. Which debentures are paid on the basis of priority as compared to other debentures?
(A) Redeemable
(B) Registered
(C) First Mortgage
(D) Naked

17. PQR Ltd. had issued ₹ 1, 00,000, 8% debentures on which interest was payable half-yearly on 30th September and 31st March. Tax deducted at source is 10%. The necessary journal entries relating to debenture interest on 30th September assuming that all money was duly paid by the company.
(A) Debenture Interest A/c DR ₹ 4,000 and CR Debenture Holder's A/c ₹ 4,000
(B) Debenture Interest A/c DR ₹ 4,000 and CR Debenture Holder's A/c ₹ 3,600 and Income Tax Payable A/c ₹ 400
(C) Debenture Interest A/c DR ₹ 8,000 and CR Debenture Holder's A/c ₹ 8,000
(D) Debenture Interest A/c DR ₹ 8,000 and CR Debenture Holder's A/c ₹ 7,200 and Income Tax Payable A/c ₹ 800

18. When debentures are issued at a discount and are redeemable at a premium, which of the following accounts is debited at the time of issue?
(A) Debentures A/c
(B) Premium on redemption of debentures A/c
(C) Loss on the issue of debentures A/c
(D) Profit and Loss A/c

19. If the sinking fund is non-cumulative, the interest received on Sinking Fund Investment.....................
(A) Credited to Sinking Fund A/c
(B) Credited to the Profit & Loss A/c
(C) Credited to General Reserve
(D) Credited to Sinking Fund Investment A/c

20. ABC Ltd. purchase a building for ₹ 25, 00,000 payables as 20% as cash and balance by allotment of 10% debentures of ₹ 100 each at a premium of 25%. Calculate the number of debentures to be issued:
(A) 25,000
(B) 20,000
(C) 17,500
(D) 16,000

21. Discount on the issue of debentures is .... and can be written off against...................
(A) Capital Loss, Capital Profit
(B) Revenue Loss, Revenue Profit
(C) Capital Loss, Revenue Profit
(D) Revenue Loss, Capital Profit

22. In which case, a special resolution is not required at a general meeting of the company to buy-back the shares:
(A) the buy-back is 10% or less of the company's total paid-up equity capital and free reserves
(B) the buy-back is 10% or less of the total paid-up equity capital and free reserves of the company and such buyback has been authorized by the Board using a resolution passed at its meeting
(C) the buy-back is 25% or less of the company's total paid-up equity capital and free reserves
(D) the buy-back is 25% or less of the total paid-up equity capital and free reserves of the company and such buyback has been authorized by the Board using a resolution passed at its meeting

23. Every buy-back shall be completed within a period of................... from the date of the resolution or special resolution, as the case may be, passed by the Board. [Section 68(4)]
(A) Six months
(B) One year
(C) Eighteen months
(D) Two years

24. The amount credited to the Debenture Redemption Reserve shall be utilized by the company for the purpose of................. .
(A) Purchase of own debentures
(B) Redemptions of shares
(C) Purchase of assets for the business
(D) Redemption of debentures

25. Underwriter Ltd. issued 1,25,000 shares which were underwritten as follows : P : 40%, Q : 40% and R : 20%
Details of the marked application are :
P : 40,000 shares, Q : 32,000 shares and R : 8,000 shares.
Unmarked applications are for 20,000 shares.
The net liability of individual underwriters P, Q and R is:

(A) 50,000; 50,000; 25,000
(B) 40,000; 32,000; 8,000
(C) 10,000; 18,000; 17,000
(D) 2,000; 10,000; 13,000

26. Option discount under Employees Stock Option Scheme (ESOS) means:
(A) the excess of the market value of the share at the date of grant of the option under ESOS over the exercised price of the option (including upfront payment, if any)
(B) the market value of the share at the date of grant of the option under ESOS
(C) the excess of the face value of the share at the date of grant of the option under ESOS over the exercised price of the option (including upfront payment, if any)
(D) the exercised price of the option (including upfront payment, if any)

27. The name of statement which is used as a temporary statement to judge a company’s financial position until the full annual statements to be issued.
(A) Temporary statement
(B) Budgeted statement
(C) Interim statement
(D) Provisional statement

28. A liability which can be measured only by using a substantial degree of estimation is called...................
(A) Reserve
(B) Provision
(C) Contingent liability
(D) Current liability

29. LMN Limited has a managing director and one part-time director. Net profit before provision for income tax and managerial remuneration is ₹ 2,25,00,000. The eligible amount of managerial remuneration will be:
(A) 24,75,000
(B) 22,50,000
(C) 18,00,000
(D) 13,50,000

30. Following are the data extracted from the financial statement of ABC Limited: Authorized capital 50 crore Paid up share capital 30 crore Reserve & surplus 10 crore Revaluation reserve 2 crore Working capital loan 1 crore Preliminary expenses not written off 1.5 crore Profit and loss (Loss) (2.5) crore What will be the amount of effective capital to calculate the managerial remuneration?

(A) 36 crore
(B) 39 crore
(C) 37 crore
(D) 38.5 crore

31. ABC Ltd. is a manufacturing company having a turnover of ₹ 2,100 crore during the financial year 2021-22. ABC Ltd. has a profit for the financial year 2021-22 ₹ 210 crore, financial year 2020-21 ₹ 180 crore, financial year 2019-20 ₹ 135 crore, financial year 2018-19, ₹ 105 crore and financial year 2017-18 is ₹ 78 crore. What will be the minimum amount of CSR that must be spent by the company during the financial year 2021-22?
(A) 4.2 crore
(B) 2.85 crore
(C) 2.80 crore
(D) 2.49 crore

32.A .... is a business segment or a geographical segment identified on the basis of the foregoing definitions for which segment information is required to be disclosed by this standard.
(A) Business segment
(B) Reportable segment
(C) Geographical segment
(D) Financial segment

33. The dividend received out of post-acquisition profits of the subsidiary is................
(A) Final Dividend
(B) Deemed Dividend
(C) Capital Dividend
(D) Revenue Dividend

34. If the net cost of investment of the holding company in the equity and preference shares of the subsidiary company is more than the share of the holding company in the net assets of the subsidiary company, the difference between the two is...................
(A) Goodwill on consolidation
(B) Capital reserve on consolidation
(C) Profit on consolidation
(D) Loss on consolidation

35. H Ltd. acquires 70% of the equity shares of S Ltd. on 1-1-2022. On that date, the paid up capital of S Ltd. was 5,00,000 equity shares of ` 10 each; the accumulated reserve balance was ₹ 20,00,000. Assets of S Ltd. were revalued on 1-1-2022 and a revaluation profit of ₹ 14,00,000 was calculated. H Ltd. paid ₹ 40,00,000 to purchase the said interest. Which of the following is correct in relation to the cost of control of the group consolidated financial statement ?
(A) Capital Reserve ₹ 80,000
(B) Goodwill ₹ 80,000
(C) Capital Reserve ₹ 18,80,000
(D) Goodwill ₹ 18,80,000

36. Which Accounting Standard was issued by ICAI on 'consolidated financial statement'?
(A) AS-20
(B) AS-21
(C) AS-22
(D) AS-23

37. Stock Reserve for unrealised profit in respect of inter-company transactions should be created by................

(A) debiting the Consolidated Profit and Loss Account and crediting Stock Reserve Account
(B) debiting the Stock Reserve Account and credited Consolidated Profit and Loss Account
(C) debiting the Consolidated Profit and Loss Account and crediting Capital Reserve Account
(D) debiting the Goodwill account and credit Consolidated Profit and Loss Account

38. Which statement is true in respect of the treatment of equity dividend proposed by the subsidiary company during the current year?
(A) It will be simply ignored for the consolidation. It will not be mentioned even in the notes to accounts to the balance sheet of the subsidiary
(B) Such proposed dividend is simply shown in the notes to accounts to the Balance Sheet related to the year of the proposal
(C) The entry will be passed if the same has not already been passed
(D) Add the proposed dividend amount with the existing dividend

39. What is the treatment requirement for revenue dividend received by the minority?
(A) To be credited to Profit & Loss A/C
(B) To be debited to Profit & Loss A/C
(C) To be added in Revenue reserves in the Balance Sheet
(D) No treatment

40. Shareholder Value Added (SVA) is..........
(A) Net operating Profit (–) Cost of capital
(B) Net operating profit after tax (–) Cost of capital
(C) Net operating profit after tax & Dividend (–) Cost of capital
(D) Net operating profit after tax (+) Cost of capital

41. If the sales are ₹ 50,00,000, operating expenses ₹ 38,50,000, Tax paid ₹ 3,58,800 and dividend paid ₹ 1,22,000. What will be Net Operating Profit After Tax ?
(A) ₹11,50,000
(B) ₹ 10,28,000
(C) ₹ 6,69,200
(D) ₹ 7,91,200

42. Non-listed public companies appoint at least one-woman director as per Section 149(1) of the Companies Act, 2013 read with Rule 3 of Companies (Appointment and qualifications of directors) Rules, 2014.
(A) Where paid up share capital of ₹ 10 crore or more or having turnover of ₹ 30 crore or more
(B) Where paid up share capital of ₹ 100 crore or more or having turnover of ₹ 300 crore or more
(C) Where paid up share capital of ₹ 10 crore or more or having tumover of ₹ 300 crore or more
(D) Where paid up share capital of ₹ 100 crore or more or having turnover of ₹ 30 crore or more

43. Companies (Auditor's Report) Order, 2020 (CARO 2020), clause (vii) related to :
(A) Reporting requirements of Maintenance of Cost Record
(B) Reporting requirements on transactions with related parties
(C) Reporting requirement on statutory dues
(D) Reporting requirements on the internal audit system

44. While preparing the Cash Flow Statement, adjustment for Proposed Dividend is :
(A) Add the previous year's proposed dividend under net profit before tax and extraordinary items and deduct it under Financing Activity
(B) Add the current year's proposed dividend under net profit before tax and extraordinary items and deduct the previous year's proposed dividend under Financing Activity
(C) Add the current year's proposed dividend under Net Profit before Tax and Extraordinary Items and deduct the current year's proposed dividend under Financing Activity
(D) Add the current year's proposed dividend under net profit before tax and extraordinary items

45. While preparing the cash flow statement 'Interest paid to debentureholders' will be considered as a ....
(A) Operating Activity
(B) Investing Activity
(C) Financing Activity
(D) Investing and Financing Activity

46.In the Balance Sheet of ABC Ltd. A provision for taxation of ₹ 4,00,000 and ₹ 5,00,000 on 31-03-2021 and 31-03-2022 respectively. It made a provision for taxation of ₹ 4,50,000 during the year. How much amount of tax is paid during the year ?
(A) ₹ 5,50,000
(B) ₹ 3,50,000
(C) ₹ 4,50,000
(D) ₹ 8,50,000

47.Profit during the year ₹ 2,20,000. During the year, there was an increase in stock by ₹ 72,000 and a decrease in creditors by ₹ 48,000. What is the amount of cash from operating activities?
(A) ₹ 3,20,000
(B) ₹ 2,24,000
(C) ₹ 1,76,000
(D) ₹ 1,00,000

48. ABC Limited purchased machinery for ₹ 50,00,000 and sold an old plant with a book value of ₹ 13,20,000 at a loss of ₹ 1,30,000. ABC Limited also received a dividend of ₹ 1,20,000 on investment in shares. The amount of inflow/outflow in investing activity will be:
(A) ₹ 14, 40,000/₹ 50, 00,000
(B) ₹13, 20,000/₹ 50, 00,000
(C) ₹ 13, 10,000/₹ 50, 00,000
(D) ₹ 13, 20,000/₹ 48, 70,000

49. Cash collected from debtors is.............
(A) Credit sales (+) Decrease in Account Receivable or (–) Increase in Account Receivable
(B) Credit sales (–) Decrease in Account Receivable or (+) Increase in Account Receivable
(C) Cash sales (+) Decrease in Account Receivable or (–) Increase in Account Receivable
(D) Cash sales (–) Decrease in Account Receivable or (+) Increase in Account Receivable

50. Corporate entities are required to follow accounting standards while preparing their financial statements as per .... of the Companies Act, 2013.
(A) Section 129
(B) Section 130
(C) Section 131
(D) Section 132

51. As per AS-2, Inventory should be valued at................. .
(A) Cost
(B) Net realizable value
(C) Cost or Net realizable value, whichever is lower
(D) Cost or Net realizable value, whichever is higher

52. Which of the following is a Level-1 enterprise?
(A) All commercial, industrial or business reporting entities having: Borrowings > 1 crore (at any time during immediately preceding accounting year), Turnover > 10 crore (during preceding accounting year)
(B) All commercial, industrial or business reporting entities having: Borrowings > 10 crore (at any time during immediately preceding accounting year), Turnover > 50 crore (during preceding accounting year)
(C) All commercial, industrial or business reporting entities having: Borrowings > 10 crore (at any time during current accounting year), Turnover > 50 crore (during preceding accounting year)
(D) All commercial, industrial or business reporting entities having: Borrowings > 1 crore (at any time during current accounting year), Turnover > 10 crore (during preceding accounting year)

53. Components of financial statements as per IFRS is......................
(A) Comprises of Balance Sheet, Profit and Loss A/c, Cash Flow Statement, Statement of changes in equity and accounting policy and notes to accounts
(B) Comprises of Balance Sheet, Profit and Loss A/c, Cash Flow Statement, and notes to accounts
(C) Comprises of Balance Sheet, Profit and Loss A/c, Statement of changes in equity and accounting policy and notes to accounts
(D) Comprises of Balance Sheet, Profit and Loss A/c, Cash Flow Statement, Statement of changes in equity

54.Match List I with items in List II:
List I List II
(a) IFRS 2 (i) Lease
(b) IFRS 4 (ii) Share-Based payments
(c) IFRS 8 (iii) Operating Segment
(d) IFRS 16 (iv) Insurance Contract
(a) (b) (c) (d)
(A) (i) (ii) (iii) (iv)
(B) (ii) (iv) (i) (iii)
(C) (iv) (ii) (iii) (i)

(D) (ii) (iv) (iii) (i)

55. IFRS Advisory Council meets in London at least...................
(A) Once in a year for a period of two days
(B) Twice in a year for a period of two days
(C) Once in a year for a period of three days
(D) Twice in a year for a period of three days

56. The structures and processes that support the operations of the international public sector accounting standards board (IPSASB) are facilitated by the..................
(A) International Accounting Standard Board (IASB)
(B) International Federation of Accountants (IFAC)
(C) Financial Reporting Council (FRC)
(D) Financial Accounting Standard Board (FASB)

57. The IFRS Foundation has a three-tier governance structure namely:
(A) IFRS Foundation Monitoring Board, IFRS Foundation Trustees and International Accounting Standard Board
(B) IFRS Foundation Monitoring Board, IFRS Foundation Employees and International Accounting Standard Board
(C) IRS Foundation member, IFRS Foundation Trustees and International Accounting Standard Board
(D) IFRS Foundation members, IFRS Foundation Trustees and International Standard Board

58. Existing AS 14 requires amortization of goodwill arising on amalgamation in the nature of the purchase. Whereas................
(A) Ind AS 103 requires goodwill to be tested impairment on a monthly basis in accordance with Ind AS 36
(B) Ind AS 103 requires goodwill to be tested impairment on a quarterly basis in accordance with Ind AS 36
(C) Ind AS 103 requires goodwill to be tested impairment on a half-yearly basis in accordance with Ind AS 36
(D) Ind AS 103 requires goodwill to be tested impairment on an annual basis in accordance with Ind AS 36

59. “To establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.” This is the objective of.............
(A) Ind AS 107 Financial Instruments Disclosures
(B) Ins AS 109 Financial Instruments
(C) Ind AS 110 Consolidated Financial Statements
(D) Ins AS 112 Disclosure of Interests in Other Entities

60.The objectives of Ind As 103, Business Combinations are.................... .
(A) to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects
(B) to specify the financial reporting by an entity when it undertakes a share-based payment transaction
(C) to specify the financial reporting for the exploration for and evaluation of mineral resources
(D) to require entities to provide disclosures in their financial statements that enable users to evaluate

PART—II

61. The techniques and processes of ascertaining costs are called..................
(A) Cost control
(B) Costing
(C) Marginal cost
(D) Standard cost

62. The example of notional expenses is................
(A) Lease Rent
(B) Rent paid for father's property
(C) Rent for own premises
(D) Depreciation of property used for own business

63. The department which prepares plans and specifications for each job, supervises production activities, undertakes time and motion studies, performs job analysis, etc. is...................
(A) Personnel department
(B) Payroll department
(C) Time-office
(D) Industrial engineering department

64. How to calculate the cost per unit to find the value of the closing stock of finished goods?
(A) Cost per unit = Cost of production/ unit produced
(B) Cost per unit = Cost of production/ unit sold
(C) Cost per unit = Cost of goods sold/ unit produced
(D) Cost per unit = Cost of sales/unit produced

65. Cost of sales is...................
(A) Cost of production (+) opening stock of finished goods (–) closing stock of finished goods (+) selling and distribution overheads
(B) Cost of production (–) opening stock of finished goods (+) closing stock of finished goods (+) selling and distribution overheads
(C) Cost of goods sold (–) selling and distribution overheads
(D) Cost of goods sold (+) opening stock of finished goods (–) closing stock of finished goods (+) selling and distribution overheads

66. From the following data, calculate Prime Cost: The Raw material consumed is ₹ 20,00,000, Opening stock of finished goods ₹ 1,00,000, closing stock of finished goods ₹ 1,40,000. Direct Labour ₹ 12,00,000 and Indirect labour is ₹ 4,00,000.
(A) ₹ 31,60,000
(B) ₹ 35,60,000
(C) ₹ 32,00,000
(D) ₹ 36,00,000

67. Any casual vacancy in the office of a Cost Auditor shall be filled by the............. .
(A) Board of Directors
(B) Central Government
(C) Audit Committee
(D) Any Directors with prior approval by the Central Government

68. CRA-1 prescribe the form related to................
(A) inform the Central Government of the appointment of cost auditors
(B) submission of cost audit report
(C) maintenance of cost record
(D) cost audit report furnished to Central Government

69. Match List I (Item) with items in List II (Budget Factor or Key Factor) :
List I (Item)
(a) Material
(b) Labour
(c) Plant & Machinery
(d) Sales

List II (Budget Factor or Key Factor)
(i) Low market demand
(ii) Availability of supplies
(iii) Shortage in certain key process
(iv) Bottlenecks in certain key processes

(a) (b) (c) (d)
(A) (i) (ii) (iii) (iv)
(B) (ii) (iv) (i) (iii)
(C) (iv) (ii) (iii) (i)
(D) (ii) (iii) (iv) (i)

70. The formula of capacity ratio is........... .

(A) (Standard hours for actual output/ Budgeted standard hours) × 100

(B) (Actual hours works/Budgeted hours) × 100

(C) (Standard hours for actual output/ Actual hours work) × 100

(D) (Actual hours works/Standard hours for actual output) × 100

71. While preparing the production budget, the unit to be produced is equal to.............

(A) Budgeted Sales quantity (+) Opening stock (–) Closing stock

(B) Actual Sales quantity (+) Opening stock (–) Closing stock

(C) Actual Sales quantity (+) Closing stock (–) Opening stock

(D) Budgeted Sales quantity (+) Closing stock (–) Opening stock

72. Which is not the method of preparation of cash budget?

(A) Receipts and Payments Method

(B) Adjustment Profit and Loss Account Method

(C) Cash flow Method

(D) Balance Sheet Method

73. “De nova budgeting” is a better term of.................

(A) Zero Base Budgeting

(B) Performance Budgeting

(C) Master Budgeting

(D) Basic Budgeting

74. From the following, calculate the Debt-Equity Ratio : ₹ 10,000 Equity Shares @ 10 each 1,00,000 General Reserves 50,000 Debentures 75,000 Sundry Trade Creditors 37,500

(A) 0.25 : 1

(B) 0.375 : 1

(C) 0.50 : 1

(D) 0.75 : 1

75. From the following data, calculate Inventory Turnover Ratio: Cost of goods sold ₹ 3, 00,000, Purchases ₹ 3,30,000, opening stock ₹ 60,000.

(A) 4 times

(B) 3 times

(C) 2 times

(D) 6 times

76. From the following data, calculate the earnings per share (EPS) 50,000 Equity shares of ₹ 10 each ₹ 5,00,000 9% Debentures ₹ 2,00,000 Net profit after tax ₹ 1,18,000

(A) ₹ 6

(B) ₹ 5

(C) ₹ 3

(D) ₹2

77. Current liabilities of a company are ₹ 3, 00,000. Its current ratio is 3: 1 and the liquid ratio is 1: 1. The value of the stock is...................

(A) ₹ 3, 00,000

(B) ₹ 6, 00,000

(C) ₹ 9, 00,000

(D) ₹ 12, 00,000

78.If sales are ₹ 13,20,000 sales returns are ₹ 1,20,000 and cost of goods sold ₹ 6,00,000 and closing stock of finished goods is ₹ 2,00,000, gross profit ratio will be ....

(A) 50%

(B) 40%

(C) 33.33%

(D) 20%

79. If the current ratio is very high, then................. .

(A) positive impact on the profitability of the organization

(B) no impact on the profitability of the organization

(C) adverse impact on the profitability of the organization

(D) sometimes profitability may affect

80. Higher level of management reports are.................... .

(A) more detailed, more frequent

(B) more detailed, more frequent and more in numbers

(C) more summarized, more frequent and more in numbers

(D) more summarized, less frequent and more in numbers

81. Sales minus (–) variable cost is equal to.................... .

(A) Fixed cost (+) Profit

(B) Fixed cost (–) Profit

(C) Fixed cost (+) Loss

(D) Fixed cost

82. If the Marginal Cost is ₹ 2,400 and the P/V Ratio is 20%. Sales value will be..................

(A) ₹ 12,000

(B) ₹ 480

(C) ₹ 1,920

(D) ₹ 3,000

83. The following figures are available from the records of book of account as on 31st March:

March 2021 March 2022

	₹ lakh	₹ lakh
Sales	50	200
Profit	30	50

Calculate Profit Volume Ratio.

(A) 40%

(B) 20%

(C) 25%

(D) 50%

84. Fixed expenses is ₹ 4,000 and Breakeven point is ₹ 10,000. What will be the profit when sales are ₹ 20,000?

(A) ₹ 6,000

(B) ₹ 10,000

(C) ₹ 4,000

(D) ₹ 16,000

85. Following are not true in respect of absorption costing:

(A) Fixed cost is included in the cost of products

(B) Profitability is measured by profit earned by various products or departments.

(C) Stock values in Absorption costing are, therefore, higher than in Marginal costing

(D) Difference in the valuation of opening and the closing stock does not affect the unit cost of production

86. Which formula is used to calculate cost under Activity Based Costing?

(A) Costs = Total Cost of Activity × Activity Cost Driver Rate

(B) Costs = Resources Consumed × Activity Cost Driver Rate

(C) Costs = Resources Consumed / Activity Cost Driver Rate

(D) Costs = Total Cost of Activity / Activity Cost Driver Rate

87. The correct stages in developing an Activity Based Costing System are................

(A) identify activities, identify resources, identify cost objects, determine resource drivers, determine cost (activity) drivers, assign costs to the cost objects

(B) identify activities, identify resources, identify cost objects, determine cost (activity) drivers, determine resource drivers, assign costs to the cost objects

(C) identify resources, identify activities, identify cost objects, determine resource drivers, determine cost (activity) drivers, assign costs to the cost objects

(D) identify resources, identify activities, identify cost objects, determine cost (activity) drivers, determine resource drivers, assign costs to the cost objects

88.Total assets is ₹ 22,50,000, Fixed assets ₹ 20,00,000 valued at 10% above the book value and miscellaneous expenditure is ₹ 2,50,000 and 12% Debentures ₹ 4,00,000. The value of NAV as per the Net Assets Method will be................. .

(A) ₹ 20,75,000

(B) ₹ 18,50,000

(C) ₹ 18,00,000

(D) ₹ 16,00,000

89. In the capitalization of Earning method, the Capitalization rate is..................

(A) Capitalization Rate = Growth Rate – Discount Rate

(B) Capitalization Rate = Discount Rate – Growth Rate

(C) Capitalization Rate = Earning Rate – Growth Rate

(D) Capitalization Rate = Growth Rate – Earning Rate

90. The formula of Price-Earnings Ratio is:

(A) Yield per share/Normal rate of return × 100

(B) Rate of earning/Normal rate of return × 100

(C) Market value per share/Earning per share

(D) Possible rate of dividend × paid up value per share/Normal rate of dividend

91. The formula using for calculating diluted earnings per share is :

(A) profit or loss attributable to ordinary equityholders/weighted average number of ordinary shares outstanding

(B) the weighted average number of ordinary shares outstanding/profit or loss attributable to ordinary equityholders

(C) profit or loss attributable to ordinary equityholders/average number of ordinary shares outstanding

(D) the average number of ordinary shares outstanding/profit or loss attributable to ordinary equityholders

92.The following data available from the record of ABC Limited : 10,000, 9% Preference Shares of ₹ 100 each fully paid and 80,000 equity shares of ₹ 10 each fully paid, Reserves and Surplus; ₹1,00,000. Total assets ₹ 30,00,000 out of total assets ₹ 40,000 worth of Assets are fictitious. Calculate the intrinsic value per equity share.

(A) ₹ 23.25

(B) ₹ 10.75

(C) ₹ 8.25

(D) ₹ 6.75

93. As per valuation guidelines prescribed by RBI under the Foreign Exchange Management Act, 1999, the price for the transfer of shares by a non-resident to an Indian resident shall not be more than the fair value of shares if the transfer of fund exceeds.............. .

(A) USD 2 million

(B) USD 5 million

(C) USD 10 million

(D) USD 25 million

94.The total capital employed in the firm is ₹ 15, 00,000. The Normal Rate of return is 12% and the profit for the year is ₹ 1, 50,000. Calculate the value of goodwill as per the Capitalization method:

(A)₹ 12, 50,000

(B) ₹ 10, 00,000

(C) ₹ 5, 00,000

(D) ₹ 2, 50,000

95. The date at which entity and counterparty have a shared understanding of the terms and conditions of the agreement is called......................

(A) Option date

(B) Grant date

(C) Vesting date

(D) Exercise date

96. The company is required to recognize employees stock compensation expenses:

(A) On the date of receipt of order for goods and services

(B) On the date of receipt of goods and services

(C) On the date of billing for goods and services

(D) On the date of receipt of payment for goods and services

97. Cash flows become logically comparable when they are appropriately adjusted for their difference in..................

(A) Timing and Return

(B) Timing and Risk

(C) Risk and uncertainty

(D) Return and uncertainty

98. (Net Operating Profit after Taxes) – (Equity Capital × % Cost of Equity Capital) is the formula of...................

(A) SVA

(B) MVA

(C) EVA

(D) CAPM

99......................... represents the economic profits generated by a business above and beyond the minimum return required by all the providers of capital.

(A) Economic Value Added

(B) Arbitrage Pricing Theory

(C) Shareholders Value Added

(D) Market Value Added

100. Prospective Price Earnings Ratio/Prospective average earnings growth is a formula for calculation of...................

(A) Price to Book Ratio

(B) Price Earnings Growth Ratio

(C) Dividend Yield Ratio

(D) Dividend Growth Ratio

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Set A

Question	Answer
	Part I
Q1	B
Q2	A
Q3	D
Q4	C
Q5	C
Q6	B
Q7	A
Q8	C
Q9	B
Q10	A
Q11	D
Q12	B
Q13	A
Q14	B
Q15	D
Q16	C
Q17	B
Q18	C
Q19	B
Q20	D
Q21	A
Q22	B
Q23	B
Q24	D
Q25	D
Q26	A
Q27	C

Q28	B
Q29	D
Q30	A
Q31	C
Q32	B
Q33	D
Q34	A
Q35	C
Q36	B
Q37	A
Q38	B
Q39	D
Q40	B
Q41	D
Q42	B
Q43	C
Q44	B/D
Q45	C
Q46	B
Q47	D
Q48	C
Q49	A
Q50	A
Q51	C
Q52	*
Q53	A
Q54	D
Q55	B
Q56	B
Q57	A
Q58	D

Q59	B
Q60	A

Part II

Q61	B
Q62	C
Q63	D
Q64	A
Q65	A
Q66	C
Q67	A
Q68	C
Q69	D
Q70	B
Q71	D
Q72	C
Q73	A
Q74	C
Q75	A
Q76	D
Q77	B
Q78	A
Q79	C
Q80	D
Q81	A
Q82	D
Q83	A
Q84	C
Q85	D
Q86	B
Q87	C
Q88	C/D

Q89	**B**
Q90	**C**
Q91	**A**
Q92	**B**
Q93	**B**
Q94	**D**
Q95	**B**
Q96	**B**
Q97	**B**
Q98	**C**
Q99	**C**
Q100	**B**

Notes *
Set A

Q. No. 44	Option B is correct assuming previous year proposed dividend were actually paid, then it will be deducted from financing activities. Option D is correct assuming previous year proposed dividend not actually paid.
Q. No. 52	Correct option is B i.e. All commercial, industrial or business reporting entities having: Borrowings > 10 crores (at any time during immediately preceding accounting year), Turnover > 50 crores (during preceding accounting year).However, w.e.f. 1.04.2021, Level 1 entities shall be classified as All commercial, industrial or business reporting entities having: Borrowings > 50 crores (at any time during immediately preceding accounting year), Turnover > 250 crores (immediately preceding accounting year) . Therefore, none of the options are correct.
Q. No.88	The Net assets' value can be obtained at book value or market prices. If book value will be considered then option D (Rs. 1600000) is correct i.e. 2250000 (Total Assets) -250000 (misc. exp) -400000 (Debenture). If market value is considered then option C (Rs. 1800000) is correct i.e. 2000000 (Fixed Assets) + (Revaluation 10% of 2000000) - 400000 (Debenture).

SECURITIES LAWS AND CAPITAL MARKETS

Time allowed : 3 hours *Maximum marks : 100*

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

Part-I

Question 1.

(a) (i) Daksh is planning to invest in Systematic Investment Plan (SIP) of a mutual fund with a fixed sum of ₹ 20,000 on 2nd of every month for four months. The NAV on these dates are ₹ 30.76, ₹ 42.18, ₹ 38.15 and ₹ 40.25 respectively. The entry load was 1.75% throughout the period. Find the average buy price including the amount of entry load.

(ii) X has made an investment of ₹ 50,000 to buy 5000 units of Philip mutual fund on 4th April, 2021. He decided to sell the units on 14th November, 2021 at NAV of ₹ 20.60. The exit load was 2.25%. Find the sale value & gain made in the transaction.

(5 marks)

(b) Whether these entities are eligible or not to make initial public offer? Answer with reasons in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(i) The promoters' group was earlier debarred from accessing the capital market by the SEBI and the period of debarment is already over on the date of filing of the DRHP with the SEBI.

(ii) Recently, one of the promoter is declared as wilful fugitive offender.

(iii) The issuer has changed the name in the last one year and earned 40% of the revenue for the preceding one full year from the activity in the new name.

(iv) The issuer has a net worth of one crore and fifty lakh rupees in each of the preceding three years, calculated on a restated and consolidated basis.

(v) The issuer has an average operating profit of ₹ 10 crore during the three preceding years, with operating profit in each of the preceding three years.

(5 marks)

(c) In light of SEBI Insider Trading Regulations, explain with reasons whether the following information is deemed as price sensitive:

(i) Managing Director of ABC Ltd. met with an accident and was hospitalized. (ii) EF Ltd. is under negotiation to enter into a foreign collaboration with a Korean company for technical knowhow.

(iii) RBI has increased its repo rate by 25 basis points.

(iv) XY Ltd. is proposing for issue of bonus shares for its shareholders.

(v) The Chairman of RN Ltd. has submitted his resignation to the Board after reading a news article proposing to sell a particular brand to another company by the promoters of the company.

(5 marks)

(d) What do you mean by Disinvestment? What is the time limit within which the public announcement is to be made in case of disinvestment? What are the automatic exemptions under SEBI Takeover Regulations, 2011 for disinvestment?

(5 marks)

PART - I

Answer 1(a) (i)

Month	NAV (in ₹) (a)	Entry load (in ₹) 1.75% (b)	Total Price (in ₹) (c) = (a) + (b)	No. of Unit – 20,000/Total Price (c)
1	30.76	0.5383	31.2983	639.0123
2	42.18	0.7381	42.9181	466.0038
3	38.15	0.6676	38.8176	515.2302
4	40.25	0.7043	40.9543	488.3492
				2108.5955

Average Price = Total Amount/Total No. of Unit
= ₹ 80,000/2108.5955 = ₹ 37.9399 or ₹ 37.94

(ii) No. of Unit - 5000, Purchase Cost ₹ 50,000; NAV on the date of sale ₹ 20.60.

Exit Load = 2.25% of ₹ 20.60 = ₹ 0.4635

= ₹ 20.60 - ₹ 0.4635 = ₹ 20.1365

Sales Value = 5,000 x ₹ 20.1365 = ₹ 1,00,682.5

Gain = ₹ 1,00,682.5 - ₹ 50,000 = ₹ 50,682

Answer 1(b)

(i) The entity is eligible to make initial public offer as the period of debarment on the promoter group, who were earlier debarred from accessing capital market by the SEBI, is already over as on the date of filing of the draft offer document with the SEBI. [Regulation 5(1)(a) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

(ii) The entity is not eligible to make initial public offer if the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower and a fugitive economic offender. [Regulation 5(1)(c) and Regulation 5(1)(d) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

(iii) The entity is not eligible to make initial public offer as the issuer has earned only 40% of the revenue for the preceding one full year from the activity indicated by the new name. However, as per requirement of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, an issuer shall be eligible to make an initial public offer if issuer has changed its name within the last one year, at least 50% of the revenue, calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by its new name. [Regulation 6(1)(d) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

(iv) As per the requirement of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, an issuer shall be eligible to make an initial public offer if the issuer has net worth of at least one crore in each of the preceding three full years (of twelve months each), calculated on a restated and consolidated basis.

In the given case, the issuer has a net worth of one crore and fifty lakh rupees in each of the preceding three full years. Thus, the entity is eligible to make initial public offer. [Regulation 6(1)(c) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

(v) As per the requirement of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, an issuer shall be eligible to make an initial public offer, if it has an average operating profit of at least ₹ 15 crores, calculated on a restated and consolidated basis, during the three preceding years (of twelve months each), with operating profit in each of the three preceding years. However, in the given situation, the issuer has an average operating profit of ₹ 10 crore. Therefore, the entity is not eligible to make initial public offer. [Regulation 6(1)(b) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

Answer 1(c)

(i) The Managing Director of ABC Ltd. met with an accident and was hospitalised is not an unpublished price sensitive information (UPSI), as it is an announcement of condition of the Managing Director and it would not impact the market price of the shares.

(ii) EF Ltd. is under negotiation to enter into a foreign collaboration with a Korean company for technical knowhow is an Unpublished price sensitive information, as it would materially affect the price of the shares of the company.

(iii) RBI has increased its repo rate by 25 basis point is not a UPSI as it is announced by RBI officially.

(iv) XY Ltd. is proposing for issue bonus shares for its shareholders is a UPSI as it would materially affect the price of the shares of the company.

(v) The Chairman of RN Ltd. has submitted his resignation to the Board after reading a news article proposing to sell a particular brand to another company by the promoters of the company is a UPSI. While the news article is public information, the fact of resignation of the Chairman is not and hence it is UPSI.

Answer 1(d)

Disinvestment means the direct or indirect sale by the Central Government or any State Government or by a government company, as the case may be, of shares or voting rights in, or control over, a target company, which is a public sector undertaking.

As per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, pursuant to disinvestment the public announcement has to be made on the same day as the date of executing the agreement for acquisition of shares or voting rights in or control over the target company.

Regulations 8 and 10 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011, contain exemptions in relation to disinvestment.

Regulation 8 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011, states that:

1. the requirements of calculation of offer price determined as per clause 8 (2) (d) in case of direct acquisition of shares or voting rights shall not apply in the case of disinvestment of a public sector undertaking by the Central Government or a State Government, as the case may be and that this shall apply only in case of a change in control in the public sector undertaking.
2. the requirements of calculation of offer price determined as per clause 8 (3)(e) in case of indirect acquisition of shares or voting rights shall not apply in the case of disinvestment of a public sector undertaking by the Central Government or a State Government, as the case may be and that this shall apply only in case of a change in control in the public sector undertaking.

Regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011, states that acquisitions at subsequent stages, by an acquirer who has made a public announcement of an open offer for acquiring shares pursuant to an agreement of disinvestment, as contemplated in such agreement be exempt from the obligation to make an open offer under regulation 3 and regulation 4 subject to the following conditions:

1. both the acquirer and the seller are the same at all the stages of acquisition; and
2. full disclosures of all the subsequent stages of acquisition, if any, have been made in the public announcement of the open offer and in the letter of offer.

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

Question 2.

(a) RJS Ltd. is in the list of top 500 listed entities. P is a non-executive chairman of the company. Q, R & T are the promoters of the company. P is related to the one of the promoter T. A is the only woman director (executive director) in the Board. Further, the company is planning to appoint C (aged 70 years) as a non-executive director. Answer the following with reference to the SEBI (LODR) Regulations, 2015 :

(i) Whether the company still requires to appoint another woman director ?

(ii) What is your view for the requirement of independent directors of RJS Ltd. ?

(iii) Who shall approve the related party transactions in the Audit Committee meeting of a listed company ?

(iv) Whether the appointment of C is valid ? *(4 marks)*

(b) M is contemplating acquisition of PQR Limited, a listed entity. He presently holds 23% and his sister, who is having common objective, holds 3%. Their combined holding is 26%. M, in view of creeping acquisition limits, desires to acquire further 3% on the assumption that 5% is the ceiling for such acquisition in every financial year. Will M be required to make open offer ?

(4 marks)

(c) The equity shares of ABC Limited have been delisted from the stock exchange. When can an application be made for listing of equity shares of ABC Limited ?

(4 marks)

(d) Corporates Advisors Ltd. is a listed company. The stock exchange asked certain information about shareholding pattern etc., which the company could not provide even after a further opportunity was given to the company to furnish such information as the company did not maintain the relevant records. What are the penalties leviable against the company under Securities Contracts (Regulation) Act, 1956 ? Will your answer differ, if the information is sought by the SEBI (state the relevant provision) ?

(4 marks)

(e) PTM Ltd., a listed company has declared dividend to its registered shareholders on 1 st January, 2021 but the company did not pay the dividend till 31st January, 2021.

(i) Whether the registered shareholder can lodge the complaint on SCORES Portal ? If yes, then what is the timeline for lodging the complaint on SCORES ?

(ii) What happens if registered shareholders fail to lodge a complaint on SCORES within the stipulated period ?

(iii) Can the shareholder file complaint on SCORES portal without first approaching to the company ?

(4 marks)

OR (Alternate question to Q. No. 2)

Question 2A.

(i) The financial information of a listed company as on 31st March, 2018 is as follows : Authorized equity share capital ₹ 10 crore (1 crore shares of ₹ 10 each); Paidup equity share capital ₹ 5 crore; General reserve ₹ 3 crore; and Debenture redemption reserve ₹ 2 crore. The Board of directors of your company passed resolution by circulation for buy-back of shares to the extent of 9% of the company's paid-up share capital and free reserves. You are required to examine the validity of the proposal with reference to the provisions of the SEBI Buy-back Regulations.

(4 marks)

(ii) Prikshit is appointed as an independent director on the Board of PQR Ltd. The Company has issued ESOPs to Prikshit deeming him to be its employee. Answer the following:

(a) Whether Prikshit is entitled to receive the ESOPs (give reason) ?

(b) What would be your answer, if Prikshit is a non-executive director belongs to the promoters group and holds 12% outstanding equity shares of the company?

(4 marks)

(iii) XYZ Limited is having three subsidiaries X Ltd., Y Ltd., and Z Ltd. The consolidated income of XYZ Limited is ₹ 300 crore and net worth is ₹ 600 crore. The income and net worth of X Ltd., Y Ltd., and Z Ltd. are as follows :

Company	*Income (₹)*	*Net worth (₹)*
X Ltd.	*10 crore*	*65 crore*
Y Ltd.	*45 crore*	*14 crore*
Z Ltd.	*10 crore*	*18 crore*

Examine if there is any material subsidiary of XYZ Limited.

(4 marks)

(iv) Shakti is aggrieved by the order of the Securities Appellate Tribunal (SAT) and intend to appeal before appropriate authority/court. Briefly explain the procedure and time limit for filing of appeal.

(4 marks)

(v) NLR Ltd. approved buy-back proposal of 2,00,000 Equity Share in its Board meeting on 25th April 2019. The record date was fixed on 25th June, 2019. The closing market price on NSE as on 25th April, 2019 and 25th June, 2019 was ₹ 2640.40 and ₹ 2514.05 respectively. Determine the number of equity shares which is eligible to be tendered by Small Shareholders' Category (rounded off to lower whole number). Calculate the maximum equity share capital and number of equity shares that can be bought back.

(4 marks)

Answer 2 (a)

(i) As per regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of directors of the top 500 listed entities shall have at least one independent woman director by April 1, 2019. In the given situation, the company will be required to appoint one independent woman director as RJS Ltd. in in the list of top 500 listed entities and has an executive woman director, who is non independent.

(ii) As per regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, where the non-executive chairperson is a promoter of the listed entity or is related to any promoter, at least half of the board of directors of the listed entity shall consist of independent directors. In the given situation, P is the non-executive chairman of RJS Ltd. and is related to one of the promoters. Therefore RJS Ltd. will be required to appoint at least half of the board as independent directors.

(iii) As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all related party transactions shall be approved by only independent directors in the Audit Committee.

(iv) C can be appointed as a non-executive director of the company as his age is not beyond 75 years as prescribed under regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Answer 2(b)

As per regulation 3(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, no acquirer shall acquire shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitles them to exercise 25% or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.

Further, in accordance with regulation 3(2), no acquirer, who together with persons acting in concert with him, has acquired and holds shares or voting rights in a target company entitling them to exercise 25% or more of the voting rights in the target company but less than the maximum permissible non-public shareholding, shall acquire within any financial year additional shares or voting rights in such target company entitling them to exercise more than 5% of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company.

As per Regulation 3(3), acquisition of shares by any person, such that the individual shareholding of such person acquiring shares exceed the stipulated threshold, shall also be attracting the obligation to make an open offer for acquiring shares of the target company irrespective of where there is a change the aggregate shareholding with persons action in concert.

In view of the above-mentioned provisions, though together they hold 26% and can avail 5% ceiling but M on individual basis crossing the threshold of 25% or more since presently he holds 23% and further contemplates to acquire 3% more. Therefore, M will be required to make an open offer.

Answer 2(c)

As per the provisions of the SEBI (Delisting of Equity Shares) Regulations, 2021, no application for listing shall be made in respect of equity shares of a company which have been delisted under Chapter III (Voluntary Delisting) or under chapter IV (Exit Opportunity), for a period of 3 years from the delisting and which have been delisted under Chapter V (Compulsory Delisting), for a period of 10 years from the delisting, except the following:

- Whose equity shares have been delisted pursuant to a resolution plan under section 31 of the Insolvency Code;
- Whose equity shares are listed and traded on the innovators growth platform pursuant to an Initial Public Offer and which is delisted from the said platform;
- Whose equity shares have been delisted in terms of regulation 35 (Delisting of equity shares of small companies).

In case equity shares of the ABC Limited have been voluntarily delisted from the stock exchange from one or more of the recognised stock exchanges or from all the recognised stock exchanges, the application for listing shall not be made for a period of 3 years. In case of compulsory delisting, the application for listing shall not be made for a period of 10 years.

Answer 2(d)

According to section 23A of the Securities Contracts (Regulation) Act, 1956, any person, who is required under this Act or any rules made thereunder,—

(a) to furnish any information, document, books, returns or report to a recognised stock exchange or to the SEBI, fails to furnish the same within the time specified therefor in the listing agreement or conditions or bye-laws of the recognised stock exchange or the Act or rules made thereunder, shall be liable to a penalty which shall not be less than ₹1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore for each such failure.

(b) to maintain books of account or records, as per the listing agreement or conditions, or bye- laws of a recognised stock exchange, fails to maintain the same, shall be liable to a penalty which shall not be less than ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore.

The answer will not differ as the penalty provisions are same in both the cases in the present scenario, if the information sought by stock exchange or SEBI.

Answer 2(e)

(i) Yes, Registered shareholder can lodge the complaint to SCORES Portal if the Company fails to pay the declared dividend within 30 days from the declaration of the dividend to all its registered shareholder. The date of cause of complaint would be 31.01.2021 (as the dividend was declared on 01.01.2021) and a complaint can be lodged on SCORES within 1 year from 31.01.2021.

(ii)SEBI reserves its right to reject a complaint lodged on SCORES, if the date of cause of action is more than one-year-old and/or the complainant has not taken up the complaint with the concerned entity prior to the said date.

Securities and other laws provide important legal rights and remedies if investors have suffered wrongdoing. Acting on their own, they can seek to resolve the complaint through the courts, consumer courts, or arbitration. To take advantage of these laws, the complainant must take legal action promptly or they may lose the right to recover funds. As per the "law of limitations," there are some time periods within which court proceedings should be initiated.

According to Companies Act, 2013, any person claiming to be entitled to any money transferred to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed. Also, any claimant of shares transferred to the Unpaid Dividend Account shall be entitled to claim the transfer of shares from Investor Education and Protection Fund in accordance with such procedure and on submission of such documents as may be prescribed.

(iii) The complainant may use SCORES to submit the complaint or grievance directly to the listed companies / intermediaries / MIIs for resolution. Such a complaint is called a “Direct Complaint” and shall be redressed by the entity within 30 days without any intervention of SEBI, failing which
the complaint shall be registered on SCORES. Thereafter, SEBI shall take it up with the entity concerned.

Answer 2A.(i)

According to the regulation 5 of the SEBI (Buy-back of Securities) Regulations, 2018, the company shall not authorize any buy-back (whether by way of tender offer or from open market or odd lot) unless:

1. The buy-back is authorised by the company's articles;
2. A special resolution has been passed at a general meeting of the company authorizing the buy-back.

However, such special resolution is not required, where the buy- back is, 10% or less of the total paid-up equity capital and free reserves of the company and such buy-back has been authorized by the board of directors by means of a resolution passed at its meeting.

In the given case, the company desired to buy-back of shares to the extent of 9% of paid-up capital and free reserves by way of passing of board resolution through circulation. However, as per the above-mentioned regulation, the board resolution should be passed at the meeting of board of directors and not through circulation. Therefore, with reference to the above stated provisions, the proposal of buy-back is not-valid.

Answer 2A.(ii)

(a) In terms of the provisions of regulation 17(6)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, independent directors are not entitled to any stock option. In the given case, Prikshit who is an independent director, is not entitled to receive the ESOPs.

(b) As per the definition of employees as provided under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, a non-executive director is eligible for ESOP but he should not be belonging to the promoters group. Further, any director who holds more than ten percent of the outstanding equity shares of the company is also not eligible for ESOP.

Hence, Parikshit is not an eligible employee under the regulations and therefore not eligible for ESOP.

Answer 2A.(iii)

In terms of the provisions of regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed company and its subsidiaries in the immediately preceding accounting year.

In the given case, 10% of consolidated income and net worth of XYZ Limited would be ₹ 30 crores and ₹ 60 crores respectively.

- Hence X Limited since crossed threshold in terms of Net Worth, would be a material subsidiary of XYZ Limited.
- Y Limited since crossed threshold in terms of income, would be a material subsidiary of XYZ Limited.
- Z Limited since does not cross either of the threshold, would not be material subsidiary of XYZ Limited.

Answer 2A.(iv)

Section 15Z of the SEBI Act, 1992 or/and Section 22F of the Securities Contracts (Regulation) Act, 1956, lay down that any person aggrieved by any decision or order of the Securities Appellate Tribunal may file an appeal to the Supreme Court within 60 days from the date of communication of the decision or order of the Securities Appellate Tribunal to him on any question of law arising out of such order.

It has been provided that the Supreme Court may, if it is satisfied that the applicant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding 60 days.

Procedure for filing appeal to the Supreme Court:

- Obtaining a copy of the Securities Appellate Tribunal order;
- Preparation of Appeal;
- Filing of appeal to the Supreme Court.

Answer 2A.(v)

As per regulation 2(i)(n) of the SEBI (Buy-Back of Securities) Regulations, 2018, “small shareholder” means a shareholder of a company, who holds shares or other specified securities whose market value, on the basis of closing price of shares or other specified securities, on the recognized stock exchange in which highest trading volume in respect of such securities, as on record date is not more than two lakh rupees.
The closing price on record date is ₹ 2514.05. The number of shares eligible for buy back under small shareholder category will be ₹ 200000/₹2514.05 = 79.55 shares.
79.55 shares rounded off to lower whole number i.e. 79 shares. Hence, equity shareholders holding not more than 79 shares of NLR Ltd. shall be classified as Small Shareholders.

In accordance with the provisions to the Regulation 6 of the SEBI (Buy-Back of Securities) Regulations, 2018, a company may buy-back its shares or other specified securities from its existing securities holders on a proportionate basis. However, fifteen percent of the number of securities which the company proposes to buy-back or number of securities entitled as per their shareholding whichever is higher, shall be reserved for small shareholders.

In terms of the above mentioned provision, the total shares reserved for small shareholders under the offer will be 200,000 x 15% = 30,000 shares.

Maximum Equity Share Capital = Number of Equity Shares for small shareholders x Closing Market Price on Record Date

= 30,000 x ₹ 2514.05 = ₹ 7,54,21,500

Question 3.

(a) David, General Manager (finance) of Suren Enterprises Ltd., was found to be indulging in insider trading activities. As a result, the company terminated his services. The SEBI also took cognizance of the matter and initiated proceedings against him under Insider Trading Regulations. David pleaded that since his service had already been terminated, SEBI could not initiate any proceedings against him. Suggest, what type of action can be taken by SEBI against him ?

(5 marks)

(b) What do you know about Dematerialisation ? What is the procedure for Dematerialisation ?

(5 marks)

(c) SEBI has come out with modified provisions for investment and trading in securities by employees of Asset Management Companies (AMCs) and trustees of mutual funds. Explain briefly the term "access person" under these provisions.

(5 marks)

Answer 3(a)

As per the SEBI (Prohibition of Insider Trading) Regulations, 2015, the definition "insider" means any person who is a connected person or in possession of or having access to unpublished price sensitive information.

Since David, General Manager (Finance) of the Suren Enterprises Ltd. was insider and found to be indulging in insider trading activities when in employment of the company. Therefore, SEBI has the right to initiate any proceedings against him**.**

Penalty for insider trading under section 15G of the SEBI Act, 1992

If any person violates provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015, he shall be liable for penalty as specified under section 15G of the SEBI Act, 1992.

If any insider who-

(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price sensitive information; or

(ii) communicates any unpublished price sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or

(iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price sensitive information.

shall be liable to a penalty which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three time the amount of profits made out of insider trading, whichever is higher.

Moreover, as per section 24 of the SEBI Act, 1992, if any person contravenes or attempts to contravenes or abets the contravention of the provisions of the SEBI Act, 1992 or of any rules or regulations made thereunder, he shall be punishable with imprisonment for a term which may extend to ten years, or with fine, which may extend to twenty-five crore rupees or with both.

Further, if any person fails to pay the penalty imposed by the adjudicating officer or SEBI or fails to comply with any directions or orders, he shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to ten years, or with fine, which may extend to twenty-five crore rupees or with both.

Answer 3(b)

Dematerialization is a process by which the physical share certificates of an investor are taken back by the Company and an equivalent number of securities are credited his/her account in electronic form at the request of the investor. An investor will have to first open an account with a Depository Participant and then request for the dematerialization of his/her share certificates through the Depository Participant so that the dematerialized holdings can be credited into that account. This is very similar to opening a Bank Account.

Dematerialization of shares is optional and an investor can still hold shares in physical form. Dematerialisation is covered by the provisions of the Dematerialisation Act, 1996, the Companies Act, 2013 and SEBI laws.

Procedure for Dematerialization:

- Investor open account with Depository Participant.
- Fills dematerialization request form (DRF) for registered shares along with share certificate.
- Investor lodges DRF and certificates with Depository Participant.
- Depository Participant intimates the Depository.
- Depository intimates Registrar/Issuer.
- Depository Participant sends certificates and DRF to Registrar/Issuer.

- Registrar/ Issuer confirms demat to Depository.
- Depository credits investor account.

Answer 3(c)

SEBI, vide its circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/654 dated October 28, 2021, came out with modified provisions for investment and trading in securities by employees of Asset Management Companies (AMCs) and trustees of mutual funds. To ensure that the employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not take undue advantage of any sensitive information that they may have about any company or its securities or about the AMC's schemes or its units, a category of "access persons" has been created.

Access person shall mean the Head of the AMC (designated as CEO/Managing Director/ President or by any other name). Executive Director, Chief Investment Officer, Chief Risk Officer, Chief Operation Officer, Chief Information Security Officer, Fund managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance officer and Heads of all divisions and/or departments or any other employees as decided by the AMC(s) and/or Trustees. Non-executive Directors of the AMC/trustee company or trustees who are in possession of/have access to any non-public information which could materially impact the price of the securities, NAV of the schemes or interest of the unit holders, shall also be deemed as Access Person.

Question 4.

(a) What are the information to be reviewed by the Audit Committee for approval and the information to be provided to shareholders for their consideration of Related Party Transactions (RPTs) in case of a listed entity as per the amended SEBI (LODR) Regulations, 2015 ?

(8 marks)

(b) The financial data of a listed company Sun Rise Ltd. as on 31st March, 2021 is as follows:

Equity Share Capital (fully paid-up of face value of ₹ 10 each)	*₹ 5, 00,000*
10% Preference Share Capital (fully paid-up of ₹ 100 each)	*₹ 1, 00,000*
12% Debentures (₹ 100 each)	*₹ 2,00,000*
Revaluation Reserve	*₹ 50,000*
General Reserve	*₹ 2,00,000*
Profit & Loss Account	*₹ 2,00,000*

The company wanted to place proposal before the Board for buy-back of its equity shares and also simultaneously redeem the entire preference share capital. You, as a Company Secretary, advise the Board on the following issues:

(i) Maximum limit (in amount) up to which shareholders can approve buy-back of shares.

(ii) Maximum number of shares that can be bought back and the maximum price that can be paid per equity share bought back.

(iii) Generally, what should be the ratio of the aggregate of secured and unsecured debts owed to the company after buy-back?

(7 marks)

Answer 4(a)

Vide SEBI notification dated November 9, 2021, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ("LODR Regulations") was amended, inter-alia, mandating listed entities, that have listed specified securities, to submit to the stock exchanges disclosure of Related Party Transactions (RPTs) in the format specified by the SEBI from time to time.

SEBI vide circular no. SEBI/HO/CFD/CMDI1/CIR/P/2021/662 dated November 22, 2021 has prescribed the information to be placed before the audit committee and the shareholders for consideration of Related Party Transactions (RPTs).

A. Information to be reviewed by the Audit Committee for approval of RPTs

The listed entity shall provide the following information, for review of the audit committee for approval of a proposed RPT:

a. Type, material terms and particulars of the proposed transaction;
b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
c. Tenure of the proposed transaction (particular tenure shall be specified);
d. Value of the proposed transaction;
e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:

(i) details of the source of funds in connection with the proposed transaction;
(ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or Investments,
    -nature of indebtedness;
    -cost of funds; and
    -tenure;

(iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

(iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

g. Justification as to why the RPT is in the interest of the listed entity;
h. A copy of the valuation or other external party report, if any such report has been relied upon;
i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
j. Any other information that may be relevant.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

B. Information to be provided to shareholders for consideration of RPTs

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

a. A summary of the information provided by the management of the listed entity to the audit committee;
b. Justification for why the proposed transaction is in the interest of the listed entity;
c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point (f) above;
(The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
f. Any other information that may be relevant.

Answer 4(b)

(i) According to regulation 4 of the SEBI (Buy-Back of Securities) Regulations, 2018, the maximum limit of any buy-back shall be 25% or less of the aggregate of paid-up capital and free reserves of the company, based on the standalone or consolidated financial statements of the company, whichever sets out a lower amount.

In the given situation, the maximum buy back limit will be:

Equity Share Capital	= ₹ 5,00,000
10% Preference Share Capital	= ₹ 1,00,000
General Reserve	= ₹ 2,00,000
Profit & Loss Account	= ₹ 2,00,000
Total	= ₹ 10,00,0000

Maximum amount of buy back by Sun Rise Ltd. through special resolution:

₹10,00,000 * 25% = ₹ 2,50,000

(ii) In respect of the number of equity shares bought back in any financial year, the maximum limit shall be 25% and be construed with respect to the total paid-up equity share capital of the company in that financial year.

Maximum number of equity shares that can be bought back:

(₹ 5,00,000/₹ 10 face value) *25% = 12,500 shares

Maximum price that can be paid per equity share bought back:

₹ 2,50,000/12,500 shares = ₹ 20 per equity share

(iii) The ratio of the aggregate of secured and unsecured debts owed by the company to the paid up capital and free reserves after buy-back shall-

(i) be less than or equal to 2:1, based on both standalone and consolidated financial statements of the company. However, if a higher ratio of the debt to capital and free reserves for the company has been notified under the Companies Act, 2013, the same shall prevail; or

(ii) be less than or equal to 2:1 based on both standalone and consolidated financial statements of the company, after excluding financial statements of all subsidiaries that are non-banking financial companies and housing finance companies regulated by Reserve Bank of India or National Housing Bank as the case may be. However, buy-back of securities shall be permitted only if all such excluded subsidiaries have their ratio of aggregate of secured and unsecured debts to the paid up capital and free reserves of not more than 6:1 on standalone basis.

PART-II

Question 5.

(a) (i) What are Currency Futures ?

(ii) R purchases the following European Call option of Emkey Tech Ltd. and European Put option of Giganet Ltd. What decision he would take on expiry, if the share price of Emkey closes at ₹ 1100 and Giganet closes at ` 590 in the following circumstances ? (Ignore any premium paid).

(a) Emkey : 1050 Call

(b) Giganet : 525 Put

(c) Emkey : 1120 Call

(d) Giganet : 580 Put.

(b) What do you mean by Capital Market Intermediaries ? What are the different kinds and general obligations of Capital Market Intermediaries ?

(c) What is Inflation rate ? How to calculate it ? M bought his morning coffee for ₹ 12 in 2019, but now he is paying ₹ 16 in 2023. Calculate the inflation rate.

(5 marks each)

Answer 5(a)

(i) A currency future, also known as Forex future, is a future contract to exchange one currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date. Generally, the price of a future contract is in term of INR per unit of other currency e.g. US Dollar. Currency future contracts allow investors to hedge against foreign exchange risk.

(ii) Mr. R has purchased European options. He can exercise them only on expiry.
He would exercise a call option only if the share price (S = 1100) is greater than the strike price. It should be noted that the call options are right to buy the underlying, therefore he would act as under:

Exercise Emkey @ 1050 call (1100 > 1050), by doing so, he makes a gain of ₹ 50.
Not exercise Emkey @1120 Call (1100 < 1120). This is because he can buy stocks cheaper at ₹1100 in the market rather than exercising at ₹ 1120.

He would exercise a put option only if the stock price (S=590) is less than the strike Price. It is the right to sell the underlying. Therefore, he would act as under:

Not exercise Giganet @525 Put (590 > 525)
Not exercise Giganet @580 Put (590 > 580)

This is because he can sell stocks at a higher rate of ₹ 590 in the market rather than exercising the puts at lower rates.

Answer 5(b)

Capital market intermediaries are a link between issuer and investors. They help in interposing between investors and issuer and are established by the regulators. These intermediaries provide services to Issuer or Investor or both and are regulated under Securities and Exchange Board of India (SEBI). Entities that help the issuing company and investing investors to perform various transactions in capital market are called as capital market intermediaries.

Intermediaries are service providers and are an integral part of any financial system. SEBI regulates various intermediaries in the primary and secondary markets through its regulations for these respective intermediaries. SEBI has defined the role of each of the intermediary, the eligibility criteria for granting registration, their functions and responsibilities and the code of conduct to which they are bound.

Kinds of Capital Market Intermediaries:

1. Merchant bankers
2. Registrars and Share Transfer agents (RTA)
4. Underwriters
5. Debenture trustees
6. Bankers to an issue
7. Portfolio Managers
8. Stock brokers

General obligations of Capital Market Intermediaries:

Capital Market intermediaries are required to perform the necessary due diligence in the discharge of their duties, as per the respective SEBI Regulations, keeping in mind the Code of Conduct laid down by SEBI.

The registered capital market intermediaries shall be required to comply with the general obligations and responsibilities as specified in the SEBI (Intermediaries) Regulations, 2008 as well as the specific regulation pertaining to the intermediary such as SEBI Merchant Bankers Regulations, Portfolio Managers Regulations etc. including -

- An intermediary and its directors, officers, employees and key management personnel shall continuously abide by the code of conduct.

- An intermediary shall provide SEBI with a certificate of its compliance officer on the 1st April of each year certifying:
  (a) the compliance by the intermediary with all the obligations, responsibilities and the fulfillment of the eligibility criteria on a continuous basis;
  (b) that all disclosures made in Form A and under the relevant regulations are true and complete.
- Each intermediary shall prominently display a photocopy of the certificate at all its offices including branch offices.

- The intermediary shall also prominently display the name and contact details of the compliance officer to whom complaint may be made in the event of any investor grievance.

- The intermediary shall maintain such books, accounts and records as specified in the relevant regulations.

- The intermediary shall make endeavours to redress investor grievances promptly but not later than 45 days of receipt thereof and when called upon by SEBI to do so it shall redress the grievances of investors within the time specified by SEBI.

- An intermediary shall appoint a compliance officer for monitoring the compliance by it of the requirements of the Act, rules, regulations, notifications, guidelines, circulars and orders made or issued by SEBI or the Central Government, or the rules, regulations and bye-laws of the concerned stock exchanges, or the self regulatory organization, where applicable.

- An intermediary, its directors, officers, employees or key management personnel shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of its interest, direct or indirect, including its long or short position in the said security has been made, while rendering such advice.

- An intermediary shall comply with the net worth requirement as specified by SEBI.

Answer 5(c)

Inflation is a rise in prices, which can be translated as the decline of purchasing power over time. Inflation rate is the measure of the increase or rate of increase in the general price of selected goods and services over a determined period. Inflation can indicate a decline in the purchasing power or value of a nation's currency and is typically recorded and reported as a percentage.

Inflation rate is important because as the average cost of items increases, currency loses value as it takes more and more funds to acquire the same goods and services as before. This fluctuation in the value of any currency impacts the cost of living and the economy.

Calculation of Inflation Rate:

Inflation Rate Formula: (B – A)/A x 100

Where, A is the price paid in the previous year/ earlier year and B is the price paid in the current year/later year.

In the given situation, M bought his morning coffee for ₹12 in 2019 and now he is paying ₹ 16 in 2023.

Inflation Rate = (₹ 16 – ₹12)/ ₹12 x 100
= 33.33%

Therefore, the inflation rate for M's cup of coffee in the year 2023 is 33.33% comparing the price which M had paid in the year 2019.

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

Question 6.

Write short notes on the following:
(a) Currency Derivatives
(b) Angel Fund
(c) Block Deal
(d) Municipal Bonds
(e) Appointment of compliance officer by intermediaries.

(3 marks each)

OR (Alternate question to Q. No. 6)

Question 6A.

(i) An investor can invest in real estate without buying any physical property by way of investment in Real Estate Investment Trusts (REITs). Explain REITs and its benefits.
(ii) Roshivee wants to invest in the share of blue chip companies. However, due to the expected outbreak of war between two countries, an investment advisor suggested him to invest through option contract. He expects that the price of shares will go down in near future.
(a) What option contract (put or call option) he should buy?
(b) If the present futures contract of Maxwell Ltd. are traded at ₹ 100 and put option involves, a cost of 1.5% (one and a half) based on the strike price. During the month, the war was declared and the price of the share went down to ₹ 97. What will be the gain or loss on ₹ 1, 50,000 option contracts?
(iii) What is Debenture Trustee? When is the appointment of Debenture Trustee mandatory? What conditions a company has to comply for the appointment of Debenture Trustee? What is the eligibility for being a Debenture Trustee?

(5 marks each)

Answer 6(a)

Currency Derivatives

Currency derivatives are financial contracts between the buyer and seller involving the exchange of two currencies at a future date, and at a stipulated rate. Currency Derivative trading is similar to Stock Futures and Options trading. However, the underlying asset are currency pairs (such as USDINR or EURINR) instead of stocks. Currency Options and Currency Futures trading is done in the Foreign Exchange markets. Forex rates are the value of a foreign currency relative to domestic currency. The major participants of Currency trading in India are banks, corporations, exporters and importers. In August 2008, SEBI permitted Exchange traded Currency Derivatives on the Indices. The clearing of the currency derivatives market should be done by an independent Clearing Corporation, which satisfies the eligibility for a clearing corporation.

Answer 6(b)

Angel fund

Angel fund refers to money pool created by high net worth individuals or companies (generally known as Angel Investors), for investing in start-up business. It is defined in the SEBI (Alternative Investment Funds) Regulations 2012 which means a sub-category of Venture Capital Fund under Category I- Alternative

Investment Fund that raises funds from angel investors and invests in accordance with regulations as specified by SEBI.

Angel Investors provide capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors invest online through equity / debt funding or organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.

Angel investments are typically the earliest equity investments made in start-up companies. They commonly band together in investor networks. Often these networks are based on regional, industry investor or academic affiliation. Angel Investors are often former entrepreneurs themselves, and typically enjoy working with companies at the earliest stages of business formation.

The effective Angels help entrepreneurs to shape business models, create business plans and connect to resources - but without stepping into a controlling or operating role. Often Angels are entrepreneurs who have successfully built companies, or have spent a part of their career in coaching young companies.

Answer 6(c)

Block Deal

In order to facilitate execution of large trades, the stock exchanges are permitted to provide a separate trading window. A trade executed on this separate trading window is termed as 'block deal'. SEBI introduced a new block window mechanism for the block trades from January 01, 2018. A trade, with a minimum quantity of 5,00,000 shares or minimum value of Rs.5 crore executed through a single transaction on this separate window of the stock exchange will constitute a "block deal".

- **Session Timings:**
  - Morning Block Deal Window: The window shall operate between 08.45 AM to 09.00 AM
  - Afternoon Block Deal Window: This window shall operate between 02:05 PM to 2.20 PM

- In the block deal the minimum order size for execution of trades in the Block deal window shall be Rs.10 Crore.
- The orders placed shall be within ±1% of the applicable reference price in the respective windows as stated above.
- The stock exchanges disseminates the information on block deals such as the name of the scrip, name of the client, quantity of shares bought/sold, traded price, etc to the general public on the same day, after the market hours.

Answer 6(d)

Municipal Bonds

Municipal bonds are also referred to as "muni bonds'. In terms of SEBI regulations, municipal bonds can be issued by any Municipality or any Statutory Body or Board or Corporation, Authority, Trust or Agency established or notified by any Central or State Act or any Special Purpose Vehicle notified by the State Government or Central Government subject to the condition that it undertakes one or more functions that may be entrusted under Article 243W of the Constitution of India. A municipality means an institution of self-government constituted under Article 243Q of the Constitution of India.

Municipal bonds are issued when a government body wants to raise funds for projects such as infra-related, roads, airports, railway stations, schools and so on.

SEBI issued regulations in 2015 for the urban local bodies to raise funds by issuing municipal bonds. Municipal bonds exist in India since the year 1997. Bangalore Municipal Corporation was the first urban local body to issue municipal bonds in India. Ahmedabad followed Bangalore in the succeeding years. The municipal bonds lost the ground after the initial investors' attraction it received and failed to raise the desired amount of funds. To revive the municipal bonds, SEBI came up with regulations for the issue of municipal bonds in 2015.

A Municipality should meet the following eligibility criteria to issue municipal bonds in India:

- The issuer must not have a negative net worth in each of the three previous years.
- The issuer must have no default in the repayment of debt securities and loans availed from the banks or non-banking financial companies in the last year.
- The issuer, promoter and directors must not be named in the list of the wilful defaulters.

Answer 6(e)

Appointment of Compliance Officer by intermediaries

An intermediary registered with SEBI shall appoint a compliance officer for monitoring the compliance by it of the requirements of the Act, rules, regulations, guidelines, circulars and orders made or issued by the SEBI or the Central Government, or the rules, regulations and byelaws of the concerned stock exchanges, or the self regulatory organisation. However, the intermediary may not appoint compliance officer if it is not carrying on the activity of the intermediary. The compliance officer shall report to the intermediary or its board of directors, in writing, of any material non-compliance by the intermediary.

Answer 6A.(i)

A real estate investment trust (REIT) is a collective investment scheme that owns, operates or finances income-producing real estate. REITs provide all investors the chance to own valuable real estate, present the opportunity to access dividend-based income and total returns, and help communities grow, thrive, and revitalize.

REITs allow anyone to invest in portfolios of real estate assets the same way they invest in other industries through the purchase of individual company stock or through a mutual fund or exchange traded fund (ETF). The stockholders of a REIT earn a share of the income produced through real estate investment without buying any finance property.

REITs are similar to mutual funds and shares and they provide income by way of dividend to its shareholders and capital appreciation as REIT stocks are listed in BSE and NSE.

Benefits of REITs include

- **Less Capital Intensive:** Direct investment in real estate property is very capital intensive. But each shares of REITs will be comparatively more affordable. (it will not require large capital outflows)
- **Suitable for small Investors:** Investing through REITs will eliminate dealing with builders, thereby avoiding potential exposure to big builders.
- **Transparency:** REITs stocks are listed in stock market, hence details will be available on public domain.
- **Assured Dividends:** REITs generates income in form of dividend. REITs dividend payment is relatively assured as most of their income is in the form of rental (lease) income.
- **Tax Free:** Dividend earned by the investors of REIT will be tax free.
- **Fast Capital Appreciation:** Capital appreciation can be phenomenal.
- **Easy to buy:** investment in REITS easier than investment in Real Estate properties.

Answer 6A (ii)

a) To protect against downward movement of share price, he should buy the put option.

(b) Gain on option: = (1.00-0.97) * ₹ 1, 50,000 = ₹ 4,500

Premium paid = 1.5% of ₹ 1, 50,000 = ₹ 2,250

Net gain = ₹ 4,500 — ₹ 2,250 = ₹ 2,250

Answer 6A (iii)

"Debenture Trustee" means a trustee appointed in respect of any issue of debentures of a body corporate. Debenture Trustee is a liaison between the issuer company and the debenture holders. It acts in a fiduciary capacity for protecting the interest of debenture holders.

Appointment of Debenture Trustee:
As per Section 71(5) of the Companies Act, 2013, appointment of debenture trustees is mandatory if a company wants to issue prospectus or make an offer or invitation to public or its members exceeding 500 for the subscription of its debentures. Such appointment must be made before issue of debentures.
However, if the debenture issue is proposed to be listed, under the SEBI (Issue and Listing of Non-convertible Securities), 2021, a debenture trustee is required to be appointed for an issue of debentures whether privately placed or for a public issue of debentures.

The company shall appoint debenture trustees, after complying with the following conditions:

- Names of the debenture trustees shall be stated in letter of offer inviting subscription for debentures and also in all the subsequent notices or other communications sent to the debenture holders.
- Before appointment a written consent from the debenture trustee shall be taken and a statement to that effect shall appear in the letter of offer issued for inviting the subscription of the debentures.
- A person shall not be appointed as a debenture trustee, if he-
  - beneficially holds shares in the company;
  - is promoter, director or key managerial personnel or any other officer or an employee of the company or its holding, subsidiary or associate company;
  - is beneficially entitled to moneys which are to be paid by the company otherwise than as remuneration payable to the debenture trustee;
  - is indebted to the company, or its subsidiary or its holding or associate company or a subsidiary of such holding company;
  - has furnished any guarantee in respect of the principal debts secured by the debentures or interest thereon;
  - has any pecuniary relationship with the company amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
  - is relative of any promoter or any person who is in the employment of the company as director or key managerial personnel.
- The Board may fill any casual vacancy in the office of the trustee but while any such vacancy continues, the remaining trustee may act. When such vacancy is caused by the resignation of the debenture trustee, the vacancy shall only be filled with the written consent of the majority of the debenture holders.
- Any debenture trustee may be removed from office before the expiry of his term only if it is approved by the holders of not less than 3/4th (75%) in value of the debentures outstanding, at their meeting.

Eligibility for being debenture trustee:
The capital adequacy requirement for registration as Debenture Trustee, as specified under the SEBI (Debenture Trustees) Regulations, 1993, shall not be less than the net worth of Rs. 10 crore. Further, as per regulation 7, only following persons are entitled to act as a debenture trustee, after obtaining necessary registration from SEBI:

- A scheduled bank carrying on commercial activity; or
- A public financial institution; or
- An insurance company; or
- Body corporate.

ECONOMIC, BUSINESS AND COMMERCIAL LAWS

Time allowed : 3 hours *Maximum marks : 100*

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

PART- I

Question 1.

(a) "The Reserve Bank of India has prescribed appropriate prudential norms for banks in order to strengthen the balance sheets of banks." Briefly describe these norms.
(b) Elaborate briefly the pre-requisites for compounding process under Foreign Exchange Management Act (FEMA), 1999.
(c) Discuss the provisions where the Central Government may call for and examine any proceedings under the Foreign Contribution (Regulation) Act, 2010.
(d) Explain the provisions with regard to setting up of unit under Section 15 of the Special Economic Zones Act, 2005.

(5 marks each)

Answer 1 (a)

In order to strengthen the balance sheets of banks, the Reserve Bank has been prescribing appropriate prudential norms for them in regard to income recognition, asset classification and provisioning, capital adequacy, investments portfolio and capital market exposures, to name a few. A brief description of these norms is furnished below:

Capital Adequacy: The Reserve Bank has instructed banks to maintain adequate capital on a continuous basis. The adequacy of capital is measured in terms of Capital to Risk-Weighted Assets Ratio (CRAR). Banks are required to maintain adequate capital for credit risk, market risk, operational risk and other risks. Basel regulated standardised approach is applicable with road map drawn up for advanced approaches.

Loans and Advances: In order to maintain the quality of their loans and advances, the Reserve Bank requires banks to classify their loan assets as performing and non-performing assets (NPA), primarily based on the record of recovery from the borrowers. Banks are also required to make appropriate provisions against each category of NPAs. Banks are also required to have exposure limits in place to prevent credit concentration risk and limit exposures to sensitive sectors, such as, capital markets and real estate.
Investments: The Reserve Bank requires banks to classify their investment portfolios into three categories for the purpose of valuation: Held to Maturity (HTM), Available for Sale (AFS) and Held for Trading (HFT). The securities held under HFT and AFS categories have to be marked-to-market periodically and depreciation, if any, needs appropriate provisions by banks. Securities under HTM category must be carried at acquisition / amortised cost, subject to certain conditions.

Answer 1 (b)

Pre-requisite for Compounding Process under Foreign Exchange Management Act, 1999:

- In respect of a contravention committed by any person within a period of three years from the date on which a similar contravention committed by him was compounded under the Compounding Rules, such contraventions would not be compounded and relevant provisions of the FEMA, 1999 shall apply. Any second or subsequent contravention committed after expiry of a period of three years from the date on which the contravention was previously compounded shall be deemed to be a first contravention.
- Contraventions relating to any transaction where proper approvals or permission from the Government or any statutory authority concerned, as the case may be, have not been obtained such contraventions would not be compounded unless the required approvals are obtained from the concerned authorities.
- Cases of contravention such as those having serious contravention suspected of money laundering, terror financing or affecting sovereignty and integrity of the nation or where the contravener fails to pay the sum for which contravention was compounded within specified period

in terms of the compounding order, shall be referred to the Directorate of Enforcement for further investigation and necessary action under FEMA, 1999 or to the authority instituted for implementation of the Prevention of Money Laundering Act 2002, or to any other agencies, for necessary action as deemed fit.

- In this connection, it is clarified that whenever a contravention is identified by the Reserve Bank or brought to its notice by the entity involved in contravention by way of a reference other than through the prescribed application for compounding, the Bank will continue to decide:
  - whether a contravention is technical and/or minor in nature and, as such, can be dealt with by way of an administrative/ cautionary advice;
  - whether it is material and, hence, is required to be compounded for which the necessary compounding procedure has to be followed or
  - whether the issues involved are sensitive / serious in nature and, therefore, need to be referred to the Directorate of Enforcement (DOE). However, once a compounding application is filed by the concerned entity *suo moto*, admitting the contravention, the same will not be considered as 'technical' or 'minor' in nature and the compounding process shall be initiated in terms of section 15 (1) of Foreign Exchange Management Act, 1999 read with Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

Answer 1 (c)

Section 32(1) of Foreign Contribution (Regulation) Act, 2010 provides that the Central Government may, either of its own motion or on an application for revision by the person registered under this Act, call for and examine the record of any proceeding under this Act in which any such order has been passed by it and may make such inquiry or cause such inquiry to be made and, subject to the provisions of this Act, may pass such order thereon as it thinks fit.

The Central Government shall not of its own motion revise any order under this section if the order has been made more than one year previously.

In the case of an application for revision under this section by the person referred to in sub-section (1), the application must be made within one year from the date on which the order in question was communicated to him or the date on which he otherwise came to know of it, whichever is earlier.

Central Government may, if it is satisfied that such person was prevented by sufficient cause from making the application within that period, admit an application made after the expiry of that period.

The Central Government shall not revise any order where an appeal against the order lies but has not been made and the time within which such appeal may be made has not expired or such person has not waived his right of appeal or an appeal has been filed under this Act.

Every application by such person for revision under this section shall be accompanied by such fee, as may be prescribed.

Answer 1 (d)

Section 15 of the Special Economic Zones Act, 2005 entitles any person, who intends to set up a Unit for carrying on the authorised operations in a Special Economic Zone, to submit a proposal to the Development Commissioner concerned.
The Development Commissioner in turn place the proposal before the Approval Committee for its approval. The Approval Committee may, approve the proposal with or without modification, and subject to such terms and conditions as it may deem fit, or reject the same.

In case of modification or rejection of a proposal, the Approval Committee has been put under obligation to afford a reasonable opportunity of being heard to the person concerned and after recording the reasons therefor, either modify or reject the proposal.

A person aggrieved by an order of the Approval Committee, to make an appeal to the Board of Approvals, within the prescribed time and specified manner.

Section 15 empowers the Central Government to prescribe the requirements (including the period for which a unit may be set up) subject to which the Approval Committee may approve, modify or reject the proposal.

The Development Commissioner may, after the approval of the proposal, grant a letter of approval to the person concerned to set up a Unit and undertake in the Unit such operations which the Development Commissioner may authorise and every such operation so authorised is mentioned in the letter of approval.

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

Question 2.

(a) Discuss the terms and conditions for overseas direct investment by a proprietorship *concern/unregistered partnership firm in India.*

(4 marks)

(b) What do you mean by Liberalised Remittance Scheme?

(4 marks)

(c) In which manner External Commercial Borrowings (ECB) proceeds are permitted to be parked abroad as well as domestically?

(4 marks)

(d) What mandatory documents are required to be submitted for export and import of goods from/into India?

(4 marks)

(e) What is meant by Core Investment Company (CIC)?

(4 marks)

OR (Alternate question to Q. No. 2)

Question 2A.

(i)Define the following terms as stated under Foreign Exchange Management Act, 1999:

(a) Automatic Route
(b) Government Route
(c) Foreign Portfolio Investment
(d) Foreign Portfolio Investor.

(4 marks)

(ii) Explain any four provisions related to eligibility of service providers under Service Exports from India Scheme (SEIS) as per Foreign Trade Policy and Procedure.

(4 marks)

(iii) State the provisions of Reserve Bank of India Act, 1934 regarding creation of reserve fund by non-banking financial companies. How can it be appropriated?

(4 marks)

(iv) What do you mean by “Financial Commitment” and “Indian Party” under Overseas Direct Investment?

(4 marks)

(v) Explain the following instruments used by Reserve Bank of India for implementing monetary policy:

(a) Liquidity Adjustment Facility
(b) Marginal Standing Facility.

(4 marks)

Answer 2 (a)

The proposal for overseas direct investment (or financial commitment), by a proprietorship concern / unregistered partnership firm in India to be considered by the Reserve Bank under the approval route are subject to following terms and conditions:

(a) The proprietorship concern / unregistered partnership firm in India is classified as ‘Status Holder’ as per the Foreign Trade Policy issued by the Ministry of Commerce and Industry, Government of India from time to time;

(b) The proprietorship concern / unregistered partnership firm in India has a proven track record, i.e., the export outstanding does not exceed 10% of the average export realisation of preceding three years and a consistently high export performance;

(c) The Authorised Dealer bank is satisfied that the proprietorship concern / unregistered partnership firm in India is KYC (Know Your Customer) compliant, engaged in the proposed business and has turnover as indicated;
(d) The proprietorship concern / unregistered partnership firm in India has not come under the adverse notice of any Government agency like the Directorate of Enforcement, Central Bureau of Investigation, Income Tax Department, etc. and does not appear in the exporters' caution list of the Reserve Bank or in the list of defaulters to the banking system in India; and
(e) Any overseas investment by the sole proprietorship or unregistered partnership firms may be made by the proprietor concerned or the individual partners concerned within their limit available under the LRS in accordance with schedule III of the Foreign Exchange Management (Overseas Investment) Rules, 2022. If the proposed investment is in strategic sector, any application for making overseas investment in excess of the LRS limit may be made under the government approval route.

Answer 2 (b)

The Reserve Bank of India as part of its liberalization measure to facilitate resident individuals to remit funds abroad for permitted current or capital account transactions or combination of both issues Liberalised Remittance Scheme. Liberalised Remittance Scheme permits the Authorised Dealers to freely allow remittances by resident individuals up to *USD 2,50,000 per Financial Year (April-March)* for any permitted current or capital account transaction or a combination of both.

Remittances under the Liberalised Remittance Scheme can be consolidated in respect of family members subject to individual family members complying with its terms and conditions. However, clubbing is not permitted by other family members for capital account transactions such as opening a bank account/investment/purchase of property, if they are not the co-owners/co-partners of the overseas bank account/ investment/property. Further, a resident cannot gift to another resident, in foreign currency, for the credit of the latter's foreign currency account held abroad under LRS.

Answer 2 (c)

External Commercial Borrowing (ECB) proceeds are permitted to be parked abroad as well as domestically in the manner given below:

Parking of ECB proceeds abroad: ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilisation. Till utilisation, these funds can be invested in the following liquid assets (a) deposits or Certificate of Deposit or other products offered by banks rated not less than AA (-) by Standard and Poor/ Fitch IBCA or Aa3 by Moody's; (b) Treasury bills and other monetary instruments of one-year maturity having minimum rating as indicated above and (c) deposits with foreign branches/subsidiaries of Indian banks abroad.

Parking of ECB proceeds domestically: ECB proceeds meant for Rupee expenditure should be repatriated immediately for credit to their Rupee accounts with AD Category I banks in India. ECB borrowers are also allowed to park ECB proceeds in term deposits with AD Category I banks in India for a maximum period of 12 months cumulatively. These term deposits should be kept in unencumbered position.

Answer 2 (d)

Mandatory documents required for export of goods from India are as under:

- Bill of Landing/Airways Bill
- Commercial Invoice cum Packing List
- Shipping Bill/Bill of Export

Mandatory documents required for import of goods into India are as under:

- Bill of Landing/Airways Bill
- Commercial Invoice cum Packing List
- Bill of Entry

For export or import of specific goods or category of goods, which are subject to any restrictions/policy conditions or require NOC or product specific compliances under any statute, the regulatory authority concerned may notify additional documents for purposes of export or import.

In specific cases of export or import, the regulatory authority concerned may electronically or in writing seek additional documents or information, as deemed necessary to ensure legal compliance.

Answer 2 (e)

Core Investment Company (CIC) is a non-banking financial company carrying on the business of acquisition of shares and securities and which satisfies the following conditions as on the date of the last audited balance sheet: -

(i) it holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;

(ii) its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies and units of Infrastructure Investment Trust only as sponsor constitute not less than 60% of its net assets as mentioned in clause (i) above;

(iii) it does not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;

(iv) it does not carry on any other financial activity referred to in Section 45I(c) and 45I (f) of the Reserve Bank of India Act, 1934 except

- (a) investment in
  - (i) bank deposits,
  - (ii) money market instruments, including money market mutual funds and liquid mutual funds
  - (iii) government securities, and
  - (iv) bonds or debentures issued by group companies,
- (b) granting of loans to group companies and
- (c) issuing guarantees on behalf of group companies.

Answer 2A (i)

(a) *'Automatic Route'* means the entry route through which investment by a person resident outside India does not require the prior approval of the Reserve Bank of India or the Central Government.

(b) *'Government Route*' means the entry route through which investment by a person resident outside India requires prior Government approval and foreign investment received under this route shall be in accordance with the conditions stipulated by the Government in its approval.

(c) *'Foreign Portfolio Investment'* means any investment made by a person resident outside India through capital instruments where such investment is less than ten percent of the post issue paid-up share capital on a fully diluted basis of a listed Indian company or less than ten percent of the paid-up value of each series of capital instrument of a listed Indian company.

(d) *'Foreign Portfolio Investor'* (FPI)1 means a person registered in accordance with the provisions of Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended from time to time.

(4 Marks)

Answer 2A (ii)

(1) Service Providers of notified services, located in India, shall be rewarded under Service Exports from India Scheme (SEIS), subject to conditions as may be notified. The notified services and rates of rewards are listed in Appendix 3D of Appendices and Aayat Niryat Forms of FTP 2015-2020. Following Services shall be eligible:

- (i) Supply of a 'service' from India to any other country; (Mode1- Cross border trade)

(ii) Supply of a ‘service’ from India to service consumer(s) of any other country; (Mode 2-Consumption abroad).

(2) Such service provider should have minimum net free foreign exchange earnings of US$15,000 in preceding financial year to be eligible for Duty Credit Scrip. For Individual Service Providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US$10,000 in preceding financial year.

(3) Payment in Indian Rupees for service charges earned on specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India. The list of such services is indicated in Appendix 3E of Appendices and Aayat Niryat Forms of FTP 2015-2020.

(4) Net Foreign exchange earnings for the scheme are defined as under:

Net Foreign Exchange = Gross Earnings of Foreign Exchange minus Total expenses/payment/ remittances of Foreign Exchange by the IEC holder, relating to service sector in the financial year.

(5) If the IEC holder is a manufacturer of goods as well as service provider, then the foreign exchange earnings and Total expenses/payment/remittances shall be taken into account for service sector only.

(6) In order to claim reward under the scheme, Service provider shall have to have an active IEC at the time of rendering such services for which rewards are claimed.

Answer 2A (iii)

Section 45-IC of the Reserve Bank of India Act, 1934 provides that every non-banking financial company shall create a reserve fund and transfer therein a sum not less than twenty per cent. of its net profit every year as disclosed in the profit and loss account and before any dividend is declared.

Appropriation of any sum from the reserve fund shall not be made by the non-banking financial company except for the purpose as may be specified by the Reserve Bank of India from time to time and every such appropriation shall be reported to the Reserve Bank of India within twenty-one days from the date of such withdrawal:

It may be noted that the Reserve Bank of India may, in any particular case and for sufficient cause being shown, extend the period of twenty-one days by such further period as it thinks fit or condone any delay in making such report.

The Central Government may, on the recommendation of the Reserve Bank of India and having regard to the adequacy of the paid-up capital and reserves of a non-banking financial company in relation to its deposit liabilities, declare by order in writing that the provisions of reserve fund shall not be applicable to the non- banking financial company for such period as may be specified in the order.

Provided that no such order shall be made unless the amount in the reserve fund under sub-section (1) together with the amount in the share premium account is not less than the paid-up capital of the nonbanking financial company.

Answer 2A (iv)

“Financial Commitment” means the aggregate amount of investment made by a person resident in India by way of Overseas Direct Investment, debt other than Overseas Portfolio Investment in a foreign entity or entities in which the Overseas Direct Investment is made and shall include the non-fund-based facilities extended by such person to or on behalf of such foreign entity or entities;

“Indian Party” means a company incorporated in India or a body created under an Act of Parliament or a partnership firm registered under the Indian Partnership Act, 1932, or a Limited Liability Partnership (LLP), registered under the Limited Liability Partnership Act, 2008, making investment in a Joint Venture or Wholly Owned Subsidiary abroad, and includes any other entity in India as may be notified by the Reserve Bank. When more than one such company, body or entity makes investment in the foreign JV / WOS, such combination will also form an “Indian Party”.

Answer 2A (v)

(a) *Liquidity Adjustment Facility (LAF):* The LAF consists of overnight as well as term repo auctions. Progressively, the Reserve Bank has increased the proportion of liquidity injected under fine-tuning variable rate repo auctions of range of tenors. The aim of term repo is to help develop the inter-bank term money market, which in turn can set market-based benchmarks for pricing of loans and deposits, and hence improve transmission of monetary policy. The Reserve Bank also conducts variable interest rate reverse repo auctions, as necessitated under the market conditions.

(b) *Marginal Standing Facility (MSF):* A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.

Part –II

Question 3.

(a) Under what circumstances the Central Government may remove the Chairperson or any member of the Competition Commission of India under the Competition Act, 2002?

(b) Discuss the provisions when the order passed by the Competition Commission of India may be rectified under the Competition Act, 2002.

(c) An Organization constituted by the owners of Cement Industries unanimously decided to raise the price of cement above competitive levels resulting in injury to the consumers and to the economy. But the decision taken by the organization was not in writing and also not intended to be enforced by legal proceedings. Discuss whether the decision taken by organization may be considered as an 'agreement' under the provisions of the Competition Act, 2002?

(d) Mention the most commonly adopted ways in which collusive bidding or bid rigging may occur.

(e) Explain the provisions regarding "Meetings of Commission" under Section 22 of The Competition Act, 2002.

(3 marks each)

Answer 3 (a)

Under Section 11(2) of the Competition Act, 2002 in the following circumstances the Central Government may, by order, remove the Chairperson or any Member from his office if such Chairman or Member as the case may be, -

(a) is, or at any time has been, adjudged as an insolvent; or

(b) has engaged at any time, during his term of office, in any paid employment; or

(c) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(d) has acquired such financial or other interest as it likely to affect prejudicially his functions as a member; or

(e) has so abused his position as to render his continuance in office prejudicial to the public interest; or

(f) has become physically or mentally incapable of acting as a member.

Answer 3 (b)

Section 38(1) of the Competition Act, 2002 provides that the Competition Commission of India may amend any order passed by it under the provisions of this Act with a view to rectifying any mistake apparent from the record.

Section 38(2) provides that subject to other provisions of this Act, the Commission may make –

(a) an amendment of an order of its own motion;

(b) an amendment for rectifying any mistake apparent from record, which has been brought to its notice by any party to the order.
An explanation below the Section clarifies that while rectifying any mistake apparent from the record, the Commission shall not amend substantive part of the order passed by it under the provisions of this Act.

Answer 3 (c)

According to Section 2(b) of the Competition Act, 2002 the term **agreement** includes any arrangement or understanding or action in concert –
(i) whether or not, such arrangement, understanding or concert is in formal or in writing; or

(ii) whether or not such arrangement, understanding or concert is intended to be enforceable by legal proceedings.

It implies that an arrangement need not necessarily be in writing. Intention of legal enforceability is also not relevant for an arrangement to be treated as agreement under this section. The term is relevant in the context of Section 3, which envisages that anti-competitive agreements shall be void and thereby prohibited by the law. Thus, the organisation constituted by the owners of cement industries which decided to raise the price of cement above competition level which is causing injury to the consumers and economy, will be treated as an agreement under Section 2(b), though it was neither in writing nor intended to have legal enforceability. Such agreement will be void and thereby prohibited under the Competition Act.

Answer 3 (d)

Some of the most commonly adopted ways in which collusive bidding or bid rigging may occur are:

- agreements to submit identical bids
- agreements as to who shall submit the lowest bid, agreements for the submission of cover bids (voluntarily inflated bids)
- agreements not to bid against each other,
- agreements on common norms to calculate prices or terms of bids
- agreements to squeeze out outside bidders
- agreements designating bid winners in advance on a rotational basis, or on a geographical or customer allocation basis.

Answer 3 (e)

Section 22 of the Competition Act, 2002 provides that the Commission shall meet at such times and places, and shall observe such rules and procedure in regard to the transaction of business at its meetings as may be provided by regulations. The Chairperson, if for any reason, is unable to attend a meeting of the Commission, the senior-most Member present at the meeting, shall preside at the meeting.
All questions which come up before any meeting of the Commission shall be decided by a majority of the Members present and voting, and in the event of an equality of votes, the Chairperson or in his absence, the Member presiding, shall have a second or/casting vote. However, the quorum for such meeting shall be three Members.

Question 4

(a) Explain the procedure which is being regulated by the Competition Commission of India under Section 36(2) while trying the suit under the provisions of the Competition Act, 2002.
(b) What are the orders that may be issued by the Competition Commission of India after inquiry into any agreement entered into by any enterprise or association of enterprises or any person or association of persons or an enquiry into abuse of dominant position under Section 27 of the Competition Act, 2002?

(5 marks each)

Answer 4(a)

According to Section 36 of the Competition Act, 2002, in the discharge of its functions, the Competition Commission of India shall be guided by the principles of natural justice and, subject to the other pro visions of this Act and of any rules made by the Central Government, the Commission shall have the powers to regulate its own procedure.
The Commission shall have, for the purposes of discharging its functions under this Act, the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely: -
(a) summoning and enforcing the attendance of any person and examining him on oath; (b) requiring the discovery and production of documents;
(c) receiving evidence on affidavit;
(d) issuing commissions for the examination of witnesses or documents;
(e) requisitioning, subject to the provisions of sections 123 and 124 of the Indian Evidence Act, 1872, any public record or document or copy of such record or document from any office.

Answer 4(b)

Section 27 of the Competition Act, 2002 envisages that the Commission after any inquiry into agreement entered into by any enterprise or association of enterprises or person or association of persons, or an inquiry into abuse of dominant position may pass all or any of the following orders, namely, –

(i) direct that such agreement, or abuse of dominant position shall be discontinued and such agreement, which is in contravention of Section 3 shall not be re-entered or the abuse of dominant position in contravention of Section 4 shall be discontinued, as the case may be. The direction to discontinue and not to recur is commonly known as “Cease & desist” order.
(ii) the Commission may impose penalty not exceeding ten percent of the average turnover of last three preceding financial years, upon each of person or enterprises which are parties to such agreement in contravention of Section 3 or are abusing dominant position within meaning of Section 4.
In case any agreement which is prohibited by Section 3 has been entered into by any cartel, the Commission may impose upon each producer, seller, distributor, trader or service provider participating in that cartel, a penalty up to three times of its profits for each year of the continuance of such agreement whichever is higher.
(iii) The Commission may direct that the agreements shall stand modified to the extent and in the manner as specified in the order.
(iv) The Commission may direct the enterprises concerned to comply with such other orders and directions, including payment of cost, if any, as it deems fit.
(v) to pass such order or issue such directions as it may deem fit.

Part –III

Question 5.

(a) *A tendered to supply goods to B up to ₹ 50,000 for a period of one year. B ordered the goods up to ₹ 30,000 only. A wants to sue B for breach of contract as order did not come up to the amount expected. Discuss with reasons whether A can sue B under The Indian Contract Act, 1872.*

(4 marks)

(b) *C agrees to appoint B as his clerk to sell goods at a yearly salary upon A’s becoming surety to C for B for his conduct of duly accounting for money received by him as such clerk. Afterwards, without A’s knowledge or consent, C and B agree that B should be paid commission on the goods to be sold by him and not by a fixed salary. B later misappropriated funds. Discuss the liability of A.*

(4 marks)

(c) *Ranu, hired a taxi car from his residence to airport as he and his family were going from Mumbai to Bengaluru. The taxi was in a poor condition and the driver had not adequate rest and drove rashly. Eventually, it went burst in the middle due to which Ranu and his family could not reach the airport in time to catch their flight. Decide whether Ranu may be treated as a 'consumer' under the Consumer Protection Act, 2019?*

(4 marks)

(d) *Discuss the provisions for the confiscation and vesting of benami property under the Benami Transactions (Prohibition) Act, 1988.*

(4 marks)

(e) *Explain in brief the role of the Financial Action Task Force (FATF) in the prevention of money laundering under The Prevention of Money Laundering Act, 2002?*

(4 marks)

Answer 5 (a)

Where a person offers to another to supply specific goods, up to a stated quantity or in any quantity which may be required, at a certain rate, during a fixed period, he makes a standing offer. Thus, a tender to supply goods as and when required, amounts to a standing offer.

A standing offer or a tender is of the nature of a continuing offer. An acceptance of such an offer merely amounts to intimation that the offer will be considered to remain open during the period specified and that it will be accepted from time to time by placing order for specified quantities. Each successive order given, while the offer remains in force, is an acceptance of the standing offer as to the quantity ordered, and creates a separate contract. It does not bind either party unless and until such orders are given.

Each order made by B is a separate contract and A was bound to fulfil orders made, but there was no obligation on B to make any order at all [(*Percival* Ltd. vs. *L.C.C*. (1918)].

Hence A cannot sue B for breach of contract.

Answer 5 (b)

Section 133 of the Indian Contract Act, 1872 deals with discharge of surety by variance in terms of contract. It states that any variance, made without the surety's consent, in the terms of the contract between the principal debtor and the creditor, discharges the surety as to transactions subsequent to the variance.

Thus, as per the facts of the problem C agrees to appoint B as his clerk to sell goods at a yearly salary, upon A's becoming surety to C for B's duly accounting for moneys received by him as such clerk. Afterwards, without A's knowledge or consent, C and B agree that B should be paid by a commission on the goods sold by him and not by a fixed salary.

A is not liable for subsequent misconduct of B.

Answer 5 (c)

Section 2(7)(ii) of the Consumer Protection Act, 2019, consumer means any person who hires or avails of any service for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such service other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person, but does not include a person who avails of such service for any commercial purpose.

Further, as per Section 2(11) of the Consumer Protection Act, 2019, Deficiency means any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service and includes–

(i) any act of negligence or omission or commission by such person which causes loss or injury to the consumer; and

(ii) deliberate withholding of relevant information by such person to the consumer.
Accordingly, Ranu who hired the taxi service for his travel along with his family could not reach well in time at the airport to catch the flight. There was also deficiency in performance of service rendered by taxi driver, which caused loss to Ranu. Therefore, Ranu is a consumer as per the above stated provisions of Consumer Protection Act, 2019.

Answer 5 (d)

Section 27 of the Benami Transactions (Prohibition) Act, 1988deals with confiscation and vesting of benami property.
Sub-section (1) of this section provides that where an order is passed in respect of any property under sub-section (3) of section 26 holding such property to be a benami property, the Adjudicating Authority shall, after giving an opportunity of being heard to the person concerned, make an order confiscating the property held to be a benami property. However, where an appeal has been filed against the order of the Adjudicating Authority, the confiscation of property shall be made subject to the order passed by the Appellate Tribunal under section 46. Further, confiscation of the property shall be made in accordance with such procedure as may be prescribed.
Sub-section (2) of this section provides that the above shall not apply to a property held or acquired by a person from the benamidar for adequate consideration, prior to the issue of notice under sub-section (1) of section 24 without his having knowledge of the benami transaction.

Sub-section (3) of this section provides that where an order of confiscation has been made, all the rights and title in such property shall vest absolutely in the Central Government free of all encumbrances and no compensation shall be payable in respect of such confiscation.

Sub-section (4) of this section provides that any right of any third person created in such property with a view to defeat the purposes of this Act shall be null and void.

Sub-section (5) of this section provides that where no order of confiscation is made upon the proceedings under this Act attaining finality, no claim shall lie against the Government.

Answer 5 (e)

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions.

The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

The FATF is a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

The FATF has developed a series of Recommendations that are recognised as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a co-ordinated response to these threats to the integrity of the financial system and help ensure a level playing field.

The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally.

In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

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

Question 6.

(a) *Explain the provisions of the "Publication of names of convicted companies by Court" as per Section 10-B of The Essential Commodities Act, 1955.*

(3 marks)

(b) *Discuss the aims and advantages for which Real Estate (Regulation and Development) Act, 2016 (RERA) was enacted.*

(3 marks)

(c) *Section 2A of the Essential Commodities Act, 1955 lists 'foodstuffs' as an essential commodity in its Schedule. Discuss with the help of decided case whether 'tea' is also a 'foodstuff ' in this sense ?*

(3 marks)

(d) *What are the penalty provisions for vexatious search under the Legal Metrology Act, 2009?*

(3 marks)

(e) *Enumerate any four kind of properties which cannot be transferred under the Transfer of Property Act, 1882.*

(3 marks)

OR (Alternate question to Q. No. 6)

Question 6A

6A. Distinguish between the following:

(i) Cheque and Bill of Exchange
(ii) 'Contract of service' and 'Contract for service' under Consumer Protection Act, 1986
(iii) Sale and Agreement to sell
(iv) Actual, Active or Ostensible partner and Sleeping or Dormant partner.
(v) Simple mortgage and Mortgage by conditional sale.

(3 marks each)

Answer 6 (a)

Section 10-B of the Essential Commodities Act, 1955 provides that the Court may cause to be published in newspapers or in other manner at the expense of the company the name, place of business and nature of the contravention, the fact that the company has been so convicted and such other particulars as the Court may consider to be appropriate in the circumstances of the case, when a company has been convicted under this Act.

However, no publication shall be made until the period for preferring an appeal against the order of the Court has expired, without any appeal having been preferred or where such appeal having been preferred, was disposed of. The expenses of any publication shall be recoverable from the company as if it were a fine imposed by Court.

Answer 6 (b)

Real Estate (Regulation and Development) Act, 2016 which aims at protecting the rights and interests of consumers and promotion of uniformity and standardization of business practices and transactions in the real estate sector. It attempts to balance the interests of consumers and promoters by imposing certain responsibilities on both. It seeks to establish symmetry of information between the promoter and purchaser, transparency of contractual conditions, set minimum standards of accountability and a fast-track dispute resolution mechanism.

Advantages of the Act are as under:

- Increased FDI
- Customer management
- Timely completion of the project
- Project planning
- Transparency
- Reduction in litigation.

Answer 6 (c)

Section 2A of the Essential Commodities Act dealing with Essential commodities declaration, etc. defines the "essential commodity" as to mean a commodity specified in the Schedule. The term commodities include foodstuff.

In the case of *S. Samuel, MD. Harrisons Malayava v. Union of India, AIR 2004 SC 218,* Supreme Court held that Tea is not foodstuff. Even in a wider sense, foodstuffs will not include tea as tea either in the form of the leaves or in the form of beverage, does not go into the preparation of food proper to make it more palatable and digestible.

Tea leaves are not eaten. Tea is a beverage produced by steeping tea leaves or buds of the tea plants in the boiled water. Such tea is consumed hot or cold for its flavour, taste and its quality as a stimulant. The stimulating effect is caused by the presence of caffeine therein. Tea neither nourishes the body nor sustains nor promotes its growth. It does not have any nutritional value. It does not help formation of enzymes nor does it enable anabolism. Tea or its beverage does not go into the preparation of any foodstuff. In common parlance, anyone who has taken tea would not say that he has taken or eaten food. Thus, tea is not a food.

Answer 6 (d)

Section 42 of the Legal Metrology Act, 2009 provides for vexatious search and empowers the Director, the Controller or any legal metrology officer, exercising powers under this Act or any rule made thereunder, who knows that there are no reasonable grounds for so doing, and yet searches, or causes to be searched, any house, conveyance or place; or searches any person; or seizes any weight; measure or other movable property shall, for every such offence, be punished with imprisonment for a term which may extend to one year, or with fine which may extend to ten thousand rupees or with both.

Answer 6 (e)

Section 6 of the Transfer of Property Act, 1882 provides that property of any kind may be transferred, except as otherwise provided by this Act or by any other law for the time being in force:
(a) The chance of an heir-apparent succeeding to an estate, the chance of a relation obtaining a legacy on the death of a kinsman, or any other mere possibility of a like nature, cannot be transferred.
(b) A mere right of re-entry for breach of a condition subsequent cannot be transferred to anyone except the owner of the property affected thereby.
(c) An easement cannot be transferred apart from the dominant heritage.
(d) An interest in property restricted in its enjoyment to the owner personally cannot be transferred by him.
(dd) A right to future maintenance, in whatsoever manner arising, secured or determined, cannot be transferred.
(e) A mere right to sue cannot be transferred.
(f) A public office cannot be transferred, nor can the salary of a public officer, whether before or after it has become payable.
(g) Stipends allowed to military, naval, air-force and civil pensioners of the Government and political pensions cannot be transferred.

Answer 6A (i)

- A cheque is a bill of exchange and always drawn on a banker, while a bill of exchange may be drawn on any one, including banker.
- A cheque can only be drawn payable on demand, a bill of exchange may be drawn payable on demand, or on the expiry of a specified period after sight or date.
- A bill of exchange payable after sight must be accepted before payment can be demanded, a cheque does not require acceptance and is intended for immediate payment.
- A grace of 3 days is allowed in the case of time bills of exchange, while no grace is given in the case of a cheque, for payment.
- The drawer of a bill of exchange is discharged, if it is not presented for payment, but the drawer of a cheque is discharged only if he suffers any damage by delay in presentment for payment.

- Notice of the dishonour of a bill of exchange is necessary, but not in the case of a cheque.
- The cheque being a revocable mandate, the authority may be revoked by countermanding payment, and is determined by notice of the customer's death or insolvency. This is not so in the case of bill of exchange.
- A cheque may be crossed, but not a bill of exchange.

Answer 6A (ii)

The Supreme Court in the case of *Indian Merchants Association vs. V P Shantha, (CA No. 688 of 1993 decided on 13th November 1995)* observed that a contract for service implies a contract whereby one party undertakes to render services e.g., professional or technical services to or for another in the performance of which he is not subject to detailed direction and control but exercises professional or technical skill and uses his own knowledge and discretion.

A contract of service on the other hand implies relationship of master and servant and involves an obligation to obey orders in the work to be performed and as to its mode and manner of performance.

Answer 6A (iii)

(a) In a sale, the property in the goods sold passes to the buyer at the time of contract so that he becomes the owner of the goods. In an agreement to sell, the ownership does not pass to the buyer at the time of the contract, but it passes only when it becomes sale on the expiry of certain time or the fulfilment of some conditions subject to which the property in the goods is to be transferred.

(b) An agreement to sell is an executory contract, a sale is an executed contract.

(c) An agreement to sell is a contract pure and simple, but a sale is contract plus conveyance.

(d) If there is an agreement to sell and the goods are destroyed by accident, the loss falls on the seller. In a sale, the loss falls on the buyer, even though the goods are with the seller.

(e) If there is an agreement to sell and the seller commits a breach, the buyer has only a personal remedy against the seller, namely, a claim for damages. But if there has been a sale, and the seller commits a breach by refusing to deliver the goods, the buyer has not only a personal remedy against him but also the other remedies which an owner has in respect of goods themselves such as a suit for conversion or detenue, etc.

Answer 6A (iv)

Actual, Active or Ostensible Partner are the ordinary types of partners who invest money into the business of the firm, actively participate in the functioning and management of the business and share its profits or losses. Section 12(a) of the Partnership Act lays down that "Subject to contract between the partners, every partner is entitled to take part in the conduct of the business of the firm". Such partner as actively participates in the firm's business, binds himself and other partners by all his acts done in the usual course of partnership business. Such partner must give a public notice of his retirement from the firm in order to absolve (free) himself from liability for the acts of the other partners done after his retirement.

Sleeping or Dormant Partners invest money in the firm's business and take their share of profits but do not participate in the functioning and management of the business. But even then, their liability is unlimited. The Act specially provides that if an act is binding on the firm, every partner is liable for it.

A sleeping partner can retire from the firm without giving any public notice to this effect. His liability for the acts of the firm ceases soon after retirement. Such partner has no duties to perform but is entitled to have access to books and accounts of the firm and he can have a copy of them.

Answer 6A (v)

In a simple mortgage, the mortgagor binds himself personally to pay the debt and agrees in the event of his failure to pay the mortgage money, the mortgagee shall have the right to cause the property to be applied so far as may be necessary by means of a decree for the sale of property. If the mortgaged property is not sufficient to discharge the debt, the mortgagee can bring a personal action against the mortgagor and obtain a decree which, like any other money decree, can be executed against other properties of the mortgagor. In simple mortgage, no right of possession or foreclosure is available to the mortgagee.

Mortgage by conditional sale the property is mortgaged with a condition super added that in the event of a failure by the debtor to repay the debt at the stipulated time, the transaction should be regarded a sale, and in case the loan is repaid at the stipulated time, the sale shall be invalid, or on condition that on such payment being made the buyer shall transfer the property to the seller.
Thus, for all practical purposes, this type of mortgage is ostensible sale of the mortgaged property with a condition for re-purchase by the mortgagor by repaying the loan.

FINANCIAL AND STRATEGIC MANAGEMENT

Time allowed : 3 hours *Maximum marks : 100*

PART I

1. In order to increase a given net present value from a given set of outflows and inflows, the discount rate should generally be :

(A) Increased

(B) Decreased

(C) Kept as it is

(D) None of the above is required

2. Wealth maximization is preferred over profit maximization as it :

(A) Considers wealth for the short term perspective

(B) Ignores risk or uncertainty

(C) Facilitates calculation of profits

(D) Considers shareholders' returns

3. Which of the following is NOT a reason for criticism of profit maximization as the basic objective of finance function ?

(A) It is vague conceptually

(B) It ignores the timing of returns

(C) Its emphasis is generally long-term

(D) None of the above

4. Which of the following is true from the perspective of calculating Market Value Added ?

(A) MVA is a calculation that shows the difference between the market value of the company and capital contributed by all the investors

(B) MVA is a calculation that shows the difference between the market value of the company and capital contributed by all the shareholders

(C) MVA is a calculation that shows the difference between the market value of the company and capital contributed by all the equity shareholders

(D) All the above are incorrect

5. Failure of a firm to meet its current obligations, when its liabilities exceed its assets is :

(A) Financial uncertainty

(B) Financial insolvency

(C) Financial distress

(D) Technical insolvency

6. You have ₹ 9,000 to deposit. ABC Bank offers 12 percent per year compounded monthly, while Kings Bank also offers 12 percent per year, but will only compound annually. How much will your investment be worth in 10 years at each bank respectively ?

(A) ₹ 29,703.48 and ₹ 27,952.63

(B) ₹ 27,952.63 and ₹ 26,703.48

(C) ₹ 28,703.48 and ₹ 26,952.63

(D) ₹ 29,952.63 and ₹ 28,703.48

7. ₹ 2,000 is invested at the end of each month in an account paying interest 6% per year compounded monthly. What is the approximate amount/value of this investment after 10th payment ?

(A) ₹ 21,220

(B) ₹ 20,360

(C) ₹20,450

(D) ₹ 20,580

8. .... is the most suitable method assessing projects in those circumstances where availability of resources is not a constraint.

(A) Pay Back Period method

(B) Net Present Value

(C) EVA Method

(D) MVA Method

9. A company is considering investing in a project that will cost ₹ 3 lakh, will last for 5 years with straight line method of depreciation and salvage value of ₹ 20,000. Annual NPAT expected from project is ₹ 60,000. The pay-back period of the project will be :

(A) 5 years

(B) 2.59 years

(C) 2.50 years

(D) Cannot be determined with given information

10. Point out the FALSE statement in relation to MIRR method :

(A) Under MIRR method, all cash inflows are assumed to be reinvested at reinvestment rate

(B) This method of calculation eliminates the problem of multiple IRR for projects with abnormal cash flows

(C) A project can simultaneously have positive NPV & MIRR lower than the cost of capital

(D) None of the above

11. A project under consideration is expected to require ₹ 9 lakh of initial investment. Its expected life is 5 years and it is expected to generate Cash flow after tax (CFAT) of ₹ 2,82,500 through years 1 to 5. If the cutoff rate for decision making is 12%, the Internal Rate of Return of the project will lie in the range of : (A) 12% - 13%

(B) 11% - 12%

(C) 16% - 17%

(D) 23% - 24%

12. Raja & Co. desires to take a project whose cost is ₹ 10,000 and useful life is 4 years. Expected annual cash flows are 4,000 p.a. Cost of capital is 14%. The sensitivity of the project (in terms of percentage) will be :

(A) 16.55%

(B) 16.95%

(C) 17.55%

(D) 17.95%

13. A firm is considering a project requiring ₹ 3,00,000 with 7 years life and ₹ 55,000 salvage value. The project is expected to generate net profit before depreciation and tax of ₹ 1,20,000 per annum. If straight

line method of depreciation is to be followed and applicable income tax rate is 20%, the Average Rate of Return (ARR) of the project will be :

(A) 27.75%

(B) 47.88%

(C) 38.31%

(D) 22.66%

14. Two projects are under consideration with following details : Project A will require initial outlay of ₹ 60,000, will last for 5 years and will generate annual CFAT of ₹ 20,000. Project B will require initial outlay of ₹ 90,000, will last for 5 years and will generate annual CFAT of ₹ 29,000. If the cost of capital of the company is 10%, which of the following statements is true regarding these projects ?

(A) Project A is better on the basis of NPV criteria, whereas project B is better on IRR criteria

(B) Project B is better on the basis of NPV criteria, whereas project A is better on IRR criteria

(C) Both the projects are indifferent and acceptable similarly on NPV and IRR criteria

(D) Both the projects shall be rejected on NPV and IRR criteria

15. In Risk-Adjusted Discount Rate method, ... is adjusted.

(A) Cash Inflows

(B) Cash Outflows

(C) Project duration

(D) None of the above

16. Company A has an offer to invest in three projects – B, C and D. However, Company A has funds to invest in only one project. So, it decided to use the NPV method to decide on the project that it should invest in. Which project should the company invest in ? Following are the details : Project B – ₹ 56,000 (Initial Investment), Cash flows for year, 1, 2 and 3 resp. (₹ 25,000; ₹ 20,000; ₹ 15,000), Risk-free rate is 2%, while Risk premium is 5%. Project C – ₹ 68,000 (Initial Investment), Cash flows for year l, 2 and 3 resp. (₹ 32,000; ₹ 12,000; ₹ 35,000), Risk-free rate is 1.2%, while Risk premium is 4%. Project D – ₹ 85,000 (Initial Investment), Cash flows for year 1, 2 and 3 resp. (₹ 12,000; ₹ 30,000; ₹ 53,000), Risk-free rate is 3%, while Risk premium is 7%.

(A) Project B

(B) Project C

(C) Project D

(D) None of the above

17. Which one of the following statements is TRUE ?

(A) IRR method can tend to understate the relative attractiveness of superior investment projects when the opportunity cost of cash flows is below the IRR

(B) Selection solely according to the NPV criterion will tend to favor larger rather than smaller investment projects

(C) When NPV = 0, the IRR exceeds the cost of capital

(D) Use of the PI criterion is especially appropriate for larger firms with easy access to capital markets

18. Which of the following is TRUE for Net Income Approach ?

(A) Lower Equity is better

(B) Lower Debt is better

(C) Debt-Equity ratio is irrelevant

(D) None of the above

19. One-fifth of the total market value of X Ltd. consists of loan stock, which has a cost of 10%. Another company, Y Ltd. is identical in every respect to X Ltd., except that its capital structure is all-equity, and its cost of equity is 16%. According to Modigliani and Miller approach, if we ignored taxation and tax relief on debt capital (proposition I), what would be the cost of equity of X Ltd. ?

(A) 16.5%

(B) 17.5%

(C) 18.5%

(D) 19.5%

20. Skyline Software Ltd. wants to implement a project for which ₹ 30 lakh is required. Following financing options are at hand : Option 1 : Equity Shares 30,000 nos. @ ₹ 100 each Option 2 : Equity Shares 10,000 nos. @ ₹ 100 each, 12% Preference Shares 5,000 nos. @ ₹ 100 each, and 10% Debentures 15,000 nos. @ ₹ 100 each Calculate the indifference point (level of EBIT) assuming corporate tax to be 35%.

(A) ₹ 3,63,462

(B) ₹ 3,53,562

(C) ₹ 3,33,662

(D) ₹ 3,66,762

21. Which of the following statements is TRUE ?

(A) If Fixed cost rises, DOL and EPS rises

(B) If Sales rises, DOL increases and EPS reduces

(C) If EBIT increases, DFL increases and EPS reduces

(D) Higher the DFL higher the financial risk and vice versa

22. Which of the following is considered to be the optimal combination ?

(A) Low DOL & Low DFL

(B) High DOL & High DFL

(C) High DOL & Low DFL

(D) Low DOL & High DFL

23. Which of the following statements is TRUE ?

(A) Higher fixed cost implies higher DOL & lower DFL

(B) Lower fixed cost implies lower DOL & higher DFL

(C) No Fixed cost implies DOL = 1 & DFL = 2

(D) None of the above

24. ‘‘Cost of capital may be defined as the rate that must be earned on the net proceeds to provide the cost elements of the burden at the time they are due’’. This definition has been given by :

(A) William and Donaldson

(B) John J. Hampton

(C) Solomon Ezra

(D) James C. Van Horne

25. Which is not the factor affecting cost of capital that the company has control over ?

(A) Capital Structure Policy

(B) Dividend Policy

(C) Investment Policy

(D) Management Policy

26. A company raised ₹ 4,90,000 by issuing 5,000 10% debentures of ₹ 100 each with 8-year maturity at 2% discount. It also paid commission of 3% of the face value to brokers. If the company falls in 30% tax bracket, the approx. effective cost of the debt is :

(A) 10.90%

(B) 7.37%

(C) 7.63%

(D) 7.25%

27. A company issued 20000 7% preference shares of ₹ 50 each at premium of 4%. Flotation cost was ₹ 2 per share. Applicable income tax rate is 20%. Cost of preference share capital will be :

(A) 7%

(B) 6.73%

(C) 7.29%

(D) 5.6%

28. A company has outstanding 2,00,000 equity shares of ₹ 100 each and 5,00,000 8% preference shares of ₹ l0 each. Apart from the dividend on preference shares, the company has paid a dividend of ₹ 12, ₹ 13.2 and ₹ 14.52 respectively for last 3 years on its equity shares. If the current market price of equity shares is ₹ 140, the cost of equity share capital as per Dividend Growth Model approach will be :

(A) 29.96%

(B) 25.97%

(C) 21.41%

(D) 20.37%

29. A Ltd. requires an amount of ₹ 5,00,000 to finance a project. It was decided to raise such finance by the issue of debentures. Cost of debt (before tax) up to ₹ 2,00,000 is l0% and 13% (before tax) for additional amount. Applicable tax rate is 30%. What is the average marginal cost of capital of new finance of ₹ 5,00,000 ?

(A) 7.26%

(B) 7.96%

(C) 8.26%

(D) 8.96%

30. Which of the following statements is true from the perspective of weighted average cost of capital ?

(A) Generally, WACC calculated using book value weights will be overstated if the market value of the shares is higher than the book value

(B) Generally, WACC calculated using book value weights will be understated if the market value of the shares is higher than the book value

(C) Generally, WACC calculated using book value weights will be understated if the market value of the shares is lower than the book value

(D) None of the above

31. Which among the following is generally not incorporated in set of analysis in a project report ?

(A) Market Analysis

(B) Technical Analysis

(C) Financial Analysis

(D) Fundamental Analysis

32. The project is unviable when Benefit Cost Ratio (BCR) it is less than :

(A) One

(B) Two

(C) Three

(D) None of the above

33. .... analysis takes care of only one or two variables which is at times inadequate. This limitation is partially overcome by what is known as .... analysis, where .... of certain prices, cost and other variables are created and the financial parameters are computed.

(A) Scenario, Sensitivity, Sensitivity

(B) Scenario, Sensitivity, Risk Analysis

(C) Sensitivity, Scenario, Scenario

(D) Risk, Scenario, Sensitivity

34. .... does not result in a substantial transfer of the risks and rewards of ownership from one party to other.

(A) Finance Lease

(B) Operating Lease

(C) Hire Purchase

(D) None of the above

35. This refers to a strategy of making equity investments as part of a transaction in which a company, business unit or business assets are acquired from the current shareholders typically with the use of financial leverage.

(A) Venture Capital

(B) Growth Capital

(C) Leveraged Buyout (LBO)

(D) None of the above

36. Which of the following is not a required condition for SEZ units to avail tax incentives ?

(A) Must be engaged in the export of goods and services from April 1, 2006 onward;

(B) Must not be formed by splitting up or reconstructing an existing business;

(C) Must not to be formed by transferring a previously owned plant and machinery to the SEZ unit;

(D) None of the above

37. Issue of bonus shares is a nature of :

(A) Cash Dividend

(B) Bond Dividend

(C) Property Dividend

(D) None of the above

38. Walter's Model suggests for 100% Dividend Payout Ratio when :

(A) $r > Ke$

(B) $r = Ke$

(C) $r < Ke$

(D) $Ke = 0$

39. The following inforrnation is available in respect of Sober Ltd. : No. of shares outstanding : 1 lakh; Earnings per share : ` 4; Equity capitalization rate : l2%, Rate of return on investment : l5%; you are required to calculate the Dividend payout ratio to keep the share price at ` 40 as per the Walter's model. (A) 50%

(B) 40%

(C) 60%

(D) 20%

40. The earning per share of a company is ₹ 25. Its internal rate of return is l5% and capitalization rate of the risk category to which it belongs is 12%. If the retention ratio is 100%, the approx. market price of the shares according to Walter's model will be ₹ :

(A) 167

(B) 260

(C) 133

(D) 208

41. Which of the following approach advocates irrelevance of dividend ?

(A) Walter's Model

(B) Gordon's Model

(C) M.M. Approach

(D) All of the above advocates relevance of dividend

42. The market price of A Ltd. is ₹ 200 per share as per Gordon Model. Earning per share is ₹ 20. Cost of capital is 11%. Rate of return on investment is l2%. What was the retention ratio ?

(A) 25%

(B) 50%

(C) 75%

(D) 100%

43. The aggressive working capital investment approach covers those policies, which :

(A) Invest high capital in current assets, keep inventory at higher level

(B) Follow liberal credit policies and higher cash balances

(C) Hold lower level of inventory and follow strict credit policies

(D) None of the above

44. A Ltd. has provided the following information : Net working capital ₹ 2,800; Current ratio 2.4; Liquid ratio 1.6; Amount of Current Assets is :

(A) ₹ 2,000

B) ₹ 4,800

(C) ₹ 2,800

(D) ₹ 3,600

45. Tandon Committee recommendations aims that the dependence of industry on bank finance should gradually :

(A) Decrease

(B) Remain Stable

(C) Increase

(D) None of the above

46. Quarterly consumption of materials : 2,000 kg; Cost of placing an order : ₹ 50; Cost per unit : ₹ 40; Storage and other carrying costs : 8% of average inventory cost. Economic order quantity and number of orders to be placed per quarter of the year will be :

(A) 400 kg and 5 orders

(B) 400 kg and 20 orders

(C) 500 kg and 4 orders

(D) 500 kg and 16 orders

47. An asset is not classified as current when :

(A) The asset is held primarily for the purpose of trading activities

(B) It is not cash equivalent

(C) It is expected to be realized within twelve months after the reporting period

(D) It is expected to be realized or intends to be sold or consumed in normal operating cycle of the entity

48. Sales collection policy of a company is ‘‘20% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month’’, The Collection for the month of March will be :

(A) 20% of Jan sales + 40% of February sales + 40% of March sales

(B) 20% of February sales + 50% of January sales + 50% of March sales

(C) 20% of March sales + 40% of January sales + 40% of February sales

(D) 20% of March sales + 50% of January sales + 50% of February sales

49. Apollo Ltd. sells its products allowing a credit period of l5 days only. The average variable cost is 60% of sales value and current sales amount to ₹ 100 lakh. Data for the year is as follows :

Particulars	Current	Proposed
Credit Period	½	1

(Months)		
Sales (lakh ₹)	100	120
Fixed Cost (lakh ₹)	15	8
Bad Debts (% sales)	1	1.5%

Debtors are calculated on cost price. Expected rate of return is 16%. Which one of the following is correct ?

(A) Incremental profit ₹ 3.50 lakh

(B) Incremental loss ₹ 3.50 lakh

(C) Incremental profit ₹ 4.20 lakh

(D) Incremental loss ₹ 4.20 lakh

50. Which of the following statements is/are true ?

(A) When a firm relaxes the credit terms and offers cash discount for extended term, the profitability is sure to increase

(B) When a firm relaxes the credit terms and offers cash discount for extended term, the profitability is sure to increase if the sales increases

(C) When a firrn relaxes the credit terms and offers cash discount for extended term, the profitability is sure to increase if cash sales increases

(D) None of the above

51. Which statement is true about terms of trade credit of 2/10, net 30 ?

A) A 10% cash discount is offered for payment before 30 days

(B) A 2% cash discount can be taken for payment before the l0th of the following month

(C) A l0% cash discount can be taken if paid by the second day after invoicing

(D) No cash discount is offered from the eleventh day of sales

52. Which is not key requirement/premise for an efficient securities market ?

(A) Prices must be efficient so that new inventions and better products will cause a firms' securities prices to rise and motivate investors to buy the stocks

(B) Information must be discussed freely and quickly across the nations so that all investors can react to the new information

(C) Transaction costs such as brokerage on sale and purchase of securities are not ignored

(D) Investors are rational and make investments in the securities providing maximum yield

53. According to Dow Jones theory, share prices demonstrate a pattern over 4 to 5 years. These patterns can be :

(A) Preliminary, primary and secondary trends

(B) Preliminary, bullish and bearish trends

(C) Primary, secondary and minor trends

D) Primary, secondary and major trends

54. Random walk theory does not imply that .... price changes are random.

(A) Day to day

(B) Week to week

(C) Year to year

(D) None of the above

55. Portfolio theory was originally proposed by :

(A) Kenneth Fisher

(B) Harry Markowitz

(C) Henry Fayol

(D) Peter Drucker

56. If a portfolio's expected refurn is 9 percent, variance of return is 100 percent and the investor's risk tolerance is 50, the risk penalty and utility respectively are :

(A) 2 & 7

(B) 2 & 8

(C) 3 & 7

(D) 3 & 8

57. Which of the following is located on the horizontal axis of the Security Market Line ?

(A) Beta

(B) Standard Deviation

(C) Expected Return

(D) None of the above

58. Which one of the following is not a key difference between Capital Market Line (CML) & Security Market Line (SML) ?

(A) CML uses systematic risk, while SML uses total risk

(B) CML uses efficient portfolio only, while SML uses both efficient & inefficient portfolio

(C) Capital Market Line is a proportional combination between Risk free Rate of Return and Market Return, while SML graphs all portfolios and securities which lie on and off the Capital Market Line

(D) None of the above

59. Which one of the following is not true in relation to Sharpe Ratio ?

(A) Sharpe ratio is a risk-adjusted measure of return that is often used to evaluate the performance of a portfolio

(B) The ratio helps to make the performance of one portfolio comparable to that of another portfolio by making an adjustment for risk

(C) The idea of the ratio is to see how much additional returns are receiving for the additional volatility of holding the risky asset over a risk-free asset

(D) Lower the Sharpe ratio, better is the situation

60. The current capital invested in a company is ₹ 60 Lakh. Its post-tax net operating profit is ₹ 15 Lakh. Applicable income tax rate is 30%. If the opportunity cost of investment is 12%, the amount of Economic Value Added will be ₹ :

(A) 3,30,000

(B) 7,80,000

(C) 10,50,000

(D) 7,20,000

61. Which of the following is not a principle of Bureaucratic theory by Max Weber ?

(A) Task specialization–importance of each employee fulfilling a specific role within a company

(B) Hierarchy–to have a clear hierarchy within the organization

(C) Form selection–When selecting leaders, businesses view a person's attitudes

(D) Rules and requirements–These ensure everyone knows what’s expected of them

62. X & Y Theory was formulated by :

(A) Douglas McGregor

(B) Ludwig von Bertalanffy

(C) Elton Mayo

(D) None of the above

63. .... is a bridge between the operational needs and the human requirements of its employees. Since it aims to improve productivity, you are strengthening how well the organization succeeds.

(A) Planning

(B) Staffing

(C) Directing

(D) Controlling

64. Which one does match, out of the following leadership styles ?

(A) Democratic Leadership – Rarely Effective

(B) Autocratic Leadership – Commonly Effective

(C) Laissez-Faire Leadership – Sometimes Effective

(D) None of the above

65. Which one of the following is not in the Maslow's hierarchy of needs ?

(A) Psychological

(B) Social (belongingness and love)

(C) Self-esteem

(D) Safety

66. Which one of the following is not correct ?

(A) Douglas McGregor formulated two distinct views of human being based on participation of workers

(B) The first is basically negative, labelled as Theory X, and the other is basically positive, labelled as Theory Y

(C) Theory X : workers are inherently lazy, self-centered, and lacking ambition and an appropriate management style is strong, top-down control

(D) Theory Y : workers are less-motivated and not eager to accept responsibility and an appropriate management style is to focus on creating a productive work environment coupled with negative rewards and reinforcement

67. Which one of the followings is not a feature of Controlling Function ?

(A) Controlling is performed by managers at all levels and in all type of concems.

(B) Controlling always look to future so that follow-up can be made whenever required.

(C) Controlling presupposes planning and planning succeeds controlling.

(D) Controlling is forward looking- because effective control is not possible without past being controlled.

68. Which one of the followings is not a phase of strategic management process ?

(A) Environmental Scanning

(B) Strategy Forecasting

(C) Strategy Implementation

(D) Strategy Evaluation

69. attracts, develops and retains talent to ensure that people with the right skills and motivations to meet business needs are in the right place at the right time.

(A) Enterprise Guardian

(B) Captivator

(C) Talent Advocate

(D) Global Thinker

70. Which of the following statements is not true ?

(A) Kaplan and Norton developed the concept of a ‘‘balanced scorecard’’

(B) Balanced Scorecard helps to monitor, measure and control strategic performance within four perspectives : Financial, Customer, Internal Business Process, and Planning and Control

(C) The main value of the balanced scorecard model lies in its emphasis on forging a balanced approach to measuring and managing strategic control factors

(D) It remains for each organization to identify its own key strategy, strategic objectives, strategic initiatives and strategic measurements

71. Business policies are the .... developed by an organization to govern the actions.

(A) Benchmarks

(B) Regulations

(C) Roadmaps

(D) Guidelines

72. Identify the wrong statement out of the following :

(A) A mission statement talks about HOW you will get to where you want to be, whereas a Vision statement outlines WHERE you want to be

(B) Mission answers the question, ‘‘What do we do ? What makes us different ? ’, whereas vision answers the question, ‘‘Where do we aim to be ?’’

(C) A mission statement talks about the past leading to its present whereas a vision statement talks about your present and future

(D) Mission statement lists the broad goals for the organization, whereas vision statement lists where you see yourself some years from now

73. Identify the FALSE statement out of the following :

(A) Corporate level strategy defines how the firm will remain sustainable in the long run

(B) Business level strategy is applicable in those organizations, which have different businesses and each business is treated as Strategic Business Unit (SBU)

(C) Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein

(D) None of the above

74. In .... market strategy, business avoids ''neck to neck'' competition and its objective is to build strong ties with the existing customer base and develop strong loyalty with them.

(A) Market leader

(B) Market challenger

(C) Market follower

(D) Market nicher

75. Which one of the following is FALSE in context of human resource planning ?

(A) Human resource planning is a process that identifies past, current and future human resources needs for an organization to achieve its goals

(B) Human resource planning should serve as a link between human resource management and the overall strategic plan of an organization

(C) Human resource planning includes creating an employer brand, retention strategy, absence managernent strategy, flexibility strategy, (talent management) strategy, (recruitment) and selection strategy

(D) All the above are true

76. Which of the following is not a component of 'competition priorities' dimension in formulating Production Strategies ?

(A) Price

(B) Low Cost

(C) Delivery

(D) Eco-friendly product

77. Which one of the following questions may not be relevant in assessing the effectiveness of Situation analysis ?

(A) Is it simple and practical to use ?

(B) Is it easy and clear for even an outsider to understand ?

(C) Does it clearly identify present goals for the business ?

(D) Is it focused on key factors that are impacting my business both internally and externally ?

78. Match the followings in the light of Amazon's SWOT analysis :

A1	Strength	B1	Seasonality
A2	Weakness	B2	Brand Identity
A3	Opportunity	B3	Patent Infringement

A4 Threats B4 Expansion of local business

(A) A1-B2; A2-B1; A3-B4; A4-B3

(B) A1-B2; A2-B3; A3-B1; A4-B4

(C) A1-B4; A2-B1; A3-B2; A4-B3

(D) A1-B4; A2-B3; A3-B2; A4-B1

79. Match the following in the light of COCA- COLA's SWOT analysis :

A1 Strength B1 Pepsi biggest competitor

A2 Weakness B2 Olympic games sponsorship

A3 Opportunity B3 Loss of market development opportunities

A4 Threats B4 Long history with certain status

(A) A1-B4; A2-B3; A3-B2; A4-B1

(B) A1-B4; A2-B2; A3-B3; A4-B1

(C) A1-B2; A2-B3; A3-B1; A4-B4

(D) A1-B2; A2-B3; A3-B4; A4-B1

80. Identify the FALSE statement :

(A) Weihrich developed TOWS Matrix in 1982, as the next step of SWOT Analysis in developing alternative strategies

(B) TOWS Matrix is an effective way of combining (a) internal strengths with external opportunities and threats, and

(b) internal weaknesses with external opportunities and threats to develop a strategy

(C) The SWOT/TOWS Matrix is not just meant for the top levels of management in an organization, rather can be very useful tool for divisions, products, functions as well as departments

(D) These cannot be used for individual employees on an operational level

81. Match the following as per the TOWS strategies :

A1 Aggressive strategy B1 mini-mini

A2 Conservative strategy B2 mini-maxi

A3 Competitive strategy B3 maxi-mini

A4 Defensive strategy B4 maxi-maxi

(A) A1-B3; A2-B2; A3-B1; A4-B4

(B) A1-B2; A2-B3; A3-B4; A4-B1

(C) A1-B4; A2-B3; A3-B2; A4-B1

(D) A1-B4; A2-B2; A3-B1; A4-B3

82. Match the followings as per the TOWS matrix of Pepsi :

A1 'WT' Analysis B1 Pepsi had more expensive products than Coke

A2 'WO' Analysis B2 Very strong taste, it really feels that something highly toxic

A3 'ST' Analysis B3 Use celebrities in their advertising campaigning

A4 'SO' Analysis B4 They lack behind in catering the rural areas

(A) A1-B3; A2-B1; A3-B4; A4-B2

(B) A1-B3; A2-B1; A3-B2; A4-B4

(C) A1-B2; A2-B4; A3-B3; A4-B1

(D) A1-B2; A2-B4; A3-B1; A4-B3

83. CPM computes the path of planned jobs/activities to logical end points/the end of the project, and the earliest and latest time by which each activity can start and finish without making the project longer. This process determines the activities that are ''......................' or on the longest path and having ''total float''.

(A) Shortest; Crucial

(B) Shortest; Critical

(C) Longest; Critical

(D) Longest; Feasible

84. The BCG Matrix aims to evaluate each product in following two dimensions :

(A) Market growth & Market share

(B) Market Volatility & Market share

(C) Market volatility & Market strength

(D) Market growth & Market strength

85. are products which have a high market share in a low growing market.

(A) Stars

(B) Question Marks

(C) Dogs

(D) Cash Cows

86. Which of the following strategies is not based on BCG matrix ?

(A) Build

(B) Hold

(C) Invest

(D) Divest

87. Match the four growth options of the Ansoff's Growth Matrix :

A1 Market Penetration	B1 new products and strategy current markets
A2 Product development	B2 current products strategy and new markets
A3 Market development	B3 current products strategy and current markets
A4 Diversification	B4 new products and new markets

(A) A1-B2; A2-B1; A3-B4; A4-B3

(B) A1-B2; A2-B1; A3-B3; A4-B4

(C) A1-B3; A2-B2; A3-B1; A4-B4

(D) A1-B3; A2-B1; A3-B2; A4-B4

88. Which one is not an Industry Maturity or Life Cycle stage in ADL Matrix ?

(A) Embryonic

(B) Pre-Mature

(C) Mature

(D) Growth

89. The fundamental concept of strategic business unit is to identify the independent .... served by an organization.

(A) Cost/Market segments

(B) Profit/Market segments

(C) Profit/Cost segments

(D) Product/Market segments

90. Matrix structure is one where each .... becomes strategic.

(A) Problem and Solution

(B) Problem and Project

(C) Problem and Product

(D) Project and Product

91. Which structure is suitable to firms operating single or related business ?

(A) Functional Structure

(B) Divisional Structure

(C) Matrix Organization Structure

(D) Free Form Organization

92. Which of the following is NOT one of the objectives of the Business Process Reengineering (BPR) ?

(A) Boost effectiveness and produce higher quality products for end customer

(B) Improve efficiency in the production processes

(C) Providing more meaningful work to employees

(D) Cost saving in short-run

93. Which of the following may NOT be the reason for failure of Business Process Reengineering ?

(A) Employees' resistance against change

(B) Communication Breakdown

(C) Personnel Turnover during transition

(D) None of the above

94. Point out the FALSE statement :

(A) BPR challenges process fundamentals whereas Six Sigma prioritizes by Cost of Poor Quality

(B) BPR relies on outside consultants whereas Six Sigma on internal experts

(C) BPR based as process maps, whereas Six Sigma on Statistical analysis

(D) Risk/return of BPR is Medium-High, whereas that of Six Sigma is High-Low

95. Match the following :

A1 Benchmarking B1 Determining how strong a company's products & services are

A2 Strategic B2 Finding and benchmarking implementing Best Business Practices

A3 Performance B3 Looking others to benchmarking identify best practices to improve own processes

A4 Process B4 Identifying best benchmarking way to compete in the market

(A) A1-B4; A2-B2; A3-B1; A4-B3

(B) A1-B4; A2-B2; A3-B3; A4-B1

(C) A1-B2; A2-B4; A3-B1; A4-B3

(D) A1-B2; A2-B4; A3-B3; A4-B1

96. Ford Motor Company total quality management or TQM practices started in the 1980s when .... was their slogan.

(A) ‘‘Quality is main Job’’

(B) ‘‘Quality is most important’’

(C) ‘‘Quality is Job 1’’

(D) ‘‘Quality is priority’

97. is a disciplined, statistical- based, data-driven quality control program.

(A) TQM

(B) Six Sigma

(C) Quality Control Management

(D) None of the above

98. Identify the statement which is incorrect :

(A) ERP is a modular software system designed to integrate the main functional areas of an organization’s business processes into a unified system

(B) ERP may be implemented on premises as well as through cloud

(C) Gartner coined the term ‘‘enterprise resource planning’’ in 1990

(D) ERP do not require change management during implementation

99. Industry 4.0 is the digitization of the manufacturing sector, driven by four clusters of disruptive technologies. Which one of the following is not included in such technologies ?

(A) Data, computational power and connectivity

(B) Physical-to-digital conversion

(C) Human-machine interaction

(D) Analytics and intelligence

100. ________is used to describe new tech that seeks to improve and automate the delivery and use of financial services.

(A) Financial technology (Fintech)

(B) Artificial Intelligence (AI)

(C) TQM

(D) 5G

ANSWER KEY

FINANCIAL AND STRATEGIC MANAGEMENT - SELECT SERIES

Question	Answer
	Part -I
1	B
2	D
3	C
4	A
5	B
6	A
7	C
8	B
9	B
10	D
11	C
12	A
13	C
14	B
15	D
16	B
17	B
18	A
19	B
20	A
21	D
22	D
23	D
24	A
25	D
26	C
27	A
28	C
29	C
30	B
31	D
32	A

33	C
34	B
35	C
36	A
37	D
38	C
39	D
40	B
41	C
42	B
43	C
44	B
45	A
46	C
47	B
48	C
49	A
50	D
51	D
52	C
53	C
54	C
55	B
56	A
57	A
58	A
59	D
60	B

Part II: Strategic Management

61	C
62	A
63	C
64	C
65	A
66	D
67	C
68	B

69	C
70	B
71	D
72	C
73	D
74	D
75	A
76	B
77	C
78	A
79	A
80	D
81	C
82	D
83	C
84	A
85	D
86	C
87	D
88	B
89	D
90	D
91	A
92	D
93	D
94	D
95	C
96	C
97	B
98	D
99	B
100	A