[This question paper contains 4 printed pages.]

Your Roll No.....

Sr. No. of Question Paper : 6490 **J**

Unique Paper Code : 2922101202

Name of the Paper : Financial Institutions and Markets

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

Semester : II

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. This paper contains **six** questions. Attempt any **five** of them.
3. **All** questions carry equal marks.
4. Use of simple calculator and time value tables is allowed.

1. Mr. Raj intends to take a home loan of ₹10,00,000 for 15 years. A bank offers him the following options :

   Case A: Rate of interest is fixed at 8% for the entire term of the loan.

   Case B: Starts with a floating rate of 7%, which changes to 8% after 7 years.

   Mr. Raj assumes the rate of interest will remain at 8% for the remaining term of the loan. Assuming that the interest is compounded annually, determine the amount of the installments in each of the above cases and suggest to Mr. Raj which option will be cost effective for him? (18)

P.T.O.

2. (a) IPO is the most used method for raising funds for expansion plans of the corporates. Explain SEBI-prescribed routes for IPO entry/eligibility norms for a company to launch an IPO in India?

   (b) What do you mean by the Book Building Process? Describe how bidding takes place and how the final share price is determined? (9,9)

3. (a) What is a Rights Issue? Explain the types, procedure and impact of a rights issue on the theoretical price of a share post the issue.

   (b) Aryan Tech Ltd. launches an IPO of 1.5 crore shares at ₹200 per share. Due to overwhelming investor demand, the underwriter activates the Green Shoe Option and over-allots 15% additional shares.

   After listing: The share price falls to ₹185 during the stabilization period.

   The underwriter buys back all the over-allotted shares from the open market at this lower price to stabilize the market.

   (i) Calculate the number of over-allotted shares under the Green Shoe Option.

   (ii) Determine the total amount spent by the underwriter to buy back these shares.

   (iii) Calculate the profit or loss made by the underwriter.

   (iv) Explain how this stabilizes the market price.

   (v) If the share price had risen to ₹220, what would the underwriter do? Would this cause dilution of the promoters' shareholding? (9,9)

4. (a) Explain the various types of orders that an investor can place through a broker while buying or selling securities in the stock market.

(b) Assume that there are 3 companies J, K & L constituting an index.

The prices and outstanding shares for on 31.12.2024 were as follows:

- Company J: Price = ₹500; Outstanding Shares = 1,000
- Company K: Price = ₹300; Outstanding Shares = 2,000
- Company L: Price = ₹200; Outstanding Shares = 3,000

On 31.12.2024, the Company J announces a 2-for-1 Stock Split.

Prices on 30.6.2025 were as follows :

- Company J: Price = ₹275
- Company K: Price = ₹310
- Company L: Price = ₹190

Assuming the Base Index Value as 1000 answer the following questions :

(i) Calculate the original market capitalization.

(ii) Calculate the current market capitalization.

(iii) Compute the adjusted index using the S&P formula. (9,9)

5. (a) The Indian debt market is primarily dominated by a limited number of large institutional participants. Identify and briefly describe the major participants in the debt market.

(b) Describe in detail the guidelines involved in the issuance of Commercial Paper (CP) in India. (9,9)

6. Attempt **any three** of the following :

(a) What are NPAs? Discuss in detail any three tools and legal mechanisms available to manage and reduce Non-Performing Assets in India.

(b) Explain the objectives, and major functions of the Securities and Exchange Board of India (SEBI).

(c) Rohit is selling 100 bonds of an 8.8% Government Security (Face Value ₹100) on September 10. Interest is paid semi-annually on January 1 and July 1 and the last interest was paid on July 1. What is the accrued interest on the date of sale. What will be the total amount Rohit will receive on September 10 on the sale of 100 bonds.

(d) An investor is considering an 8.5% Government of India bond (FV ₹100) currently trading at ₹102, maturing in 4 years. Calculate its YTM. Compare with a fixed deposit giving a YTM of 6.2%, which investment should he go for. (6,6,6)

(1000)