[This question paper contains 4 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 1573 **L**

Unique Paper Code : 2922101202

Name of the Paper : DSC: Financial Institution 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 **Seven** questions. Attempt any **Five** questions.
3. Simple calculator is allowed
4. **All** questions carry equal marks.

Q1. A borrower intends to avail a home loan of ₹42,00,000 for a period of 12 years. The loan is to be repaid in equal annual instalments, and interest is compounded annually.

The borrower is considering the following alternatives

Option 1: Fixed Rate Loan
Interest at 9% per annum for the entire loan tenure.

Option 2: Floating Rate Loan
The current floating rate of interest is 7% per annum. After 5 years, it is expected to increase to 8% per annum. At that point, the corresponding fixed rate is expected to be 9% per annum. Further, there is a possibility that the floating rate may increase in subsequent years. In view of this, the borrower decides to avail the loan at the floating rate for the initial 5 years and thereafter switch to the fixed rate. The cost of switching is 2% .
Determine, with suitable calculations, whether the borrower should opt for:

(i) the fixed rate loan for the entire tenure, or

(ii) the floating rate loan for the first 5 years followed by a switch to the fixed rate.

OR

'Non-Performing Assets (NPAs) are a major concern for banks as they directly impact profitability, liquidity, and overall financial stability'.
In this context, explain the meaning of NPAs and discuss their types and classification. Further, analyse the tools and mechanisms available to banks for managing and resolving NPAs, highlighting their significance in improving asset quality and recovery of dues.

(18 marks)

Q2 (a) The following bids have been received in respect of an Initial Public Offer (IPO) under the book-building process. The issue is oversubscribed. The company proposes to determine the issue price applying Weighted Average Method.

You are required to:

1. Compute the cut-off price based on the Weighted Average Method.
2. Identify the investors who qualify for allotment.
3. Determine the number of shares to be allotted to each successful investor.

Investor	Number of Shares Applied	Bid Price (₹)
A	40	520
B	50	510
C	60	500
D	50	490
E	40	480
F	60	470
G	50	450
H	50	430

Additional Information:

Total shares demanded = 400 shares

Total shares available for allotment = 120 shares

(b) A company makes an IPO of 10,00,000 shares at ₹120 per share. The issue is oversubscribed three times. Promoters lend 15% shares under GSO. After listing, the market price falls to ₹100 and the Stabilising Agent buys 1,00,000 shares from the market. Stabilising expenses are ₹30,000. Prepare a GSO statement.

i. Shares lent by promoters

ii. Funds in GSO Bank A/c

iii. Market purchase in Rs

iv. Balance amount in Rs

v. New shares issued

vi. Amount to company

vii. Amount transferred to IPEF

viii. Explain what SA will is expected to do , If market price falls, rise or remain equal to IPO price.

(10,8 Marks)

Q3 (a) Describe the different types of public issues available to companies in India for mobilising capital from investors, explaining the key features of each method.

(b) Discuss the concept and types of delisting of securities in India, highlighting the key features of each.

(10, 8 Marks)

Q4 (a) Three scripts X, Y, and Z constitute a stock index. The number of outstanding shares of these companies are 400, 600, and 500 respectively. The base period prices of the three scripts are ₹45, ₹60, and ₹55 respectively, while their current market prices are ₹135 for X, ₹180 for Y, and ₹220 for Z. Company Y announces a rights issue under which shareholders are allowed to buy 1 additional share for every 3 shares they already hold. Using the S&P methodology, determine the impact of this rights issue on the value of the index.

(b) During the early 1990s, a stockbroker exploited loopholes in the banking system to divert funds into the stock market. This led to an artificial rise in stock prices, creating a massive bull run. Eventually, the scam was exposed, causing a sharp market crash and heavy losses to investors.

1. Identify the type of scam highlighted in the case.
2. How did the misuse of the banking system contribute to the scam?
3. What were the major impacts of this scam on the Indian financial system?

(10,8 Marks)

Q5. (a) An investor purchases 100 shares of a listed company through a broker on the National Stock Exchange. The trade is executed successfully. However, the investor is unaware of how the transaction is completed after the trade is matched.
Based on the above case, explain the processes of clearing and settlement in the Indian securities market.

(b) Analyse the causes of volatility in stock markets and explain the mechanism of circuit breakers used to control extreme price movements.

(10,8 Marks)

Q6. (a) Examine the structure of the Indian debt market by explaining its key instruments, market size, major participants, and the regulatory framework governing it

(b) What are Treasury Bills? Explain the auction process of Treasury Bills in India. How does the Reserve Bank of India conduct these auctions?

(10,8 Marks)

Q7. Short Notes (Any Two)

(a) Delisting of corporate stocks

(b) Rights Issue

(c) Repo and Reverse Repo rate **(9,9 Marks)**