

TYB Fm V SPM

NOV - 2018

UNIVERSITY PAPER

T.Y.B.F.M

SEM-V

NOV. - 2018

TYBfm I

(Tax-No)

Paper / Subject Code: 43811 / Financial Derivatives

(Time : 2 ½ Hours)

Total Marks: 75]

- N.B.: 1. All questions are compulsory.
 2. Figures to the right indicate M.
 3. Each question carries 15 M each.

Q.1 (A) Match the column: (any 8)

8M

| 'A' Column | 'B' Column |
|----------------------------|---|
| 1. Derivatives | a. Cost of holding |
| 2. Tick size | b. Option spread |
| 3. Hedgers | c. Change in time till maturity |
| 4. Risk free interest rate | d. Carry out pay in & pay out of funds |
| 5. Cost of carry | e. Similar to butterfly spread |
| 6. Vertical spread | f. OTC Contract |
| 7. Clearing banks | g. Quantifiable factor affecting option premium |
| 8. Forward | h. Participant of derivative market |
| 9. Condor | i. Derived from value of underlying asset |
| 10. Gamma | j. Minimum change in future price |

Q.1 (B) State whether following statements are True or False: (any 7)

7M

- Future & options contracts are settled through Clearing house.
- A future contract to sell underlying is referred to as long futures.
- Arbitrage is a process of simultaneous buying in cheap at one market & selling in another market at high.
- A relationship where future price exceeds spot price is known as backwardation.
- Perfect Hedge is a situation where the loss in spot market is fully offset by profits in spot markets.
- The difference between the future price and spot price is referred to as future price.
- The option has Non-linear payoffs.
- Strips is a Bullish strategy.
- BSM is a continuous time model.
- MTM means Mean to Market.

TURN OVER

- Q.2 (a) What are financial derivatives and explain its economic functions?
(b) Explain the underlying assets in Financial Derivatives.

8M
7M

OR

- Q.2 (c) Discuss the factors driving growth of financial derivatives .
(d) Explain features & specifications of stock index futures.

8M
7M

- Q.3 (a) Explain the following terminologies:

8M

1. Spot price 2. Contract Size 3. Settlement Date 4. Initial Margin

- Q.3 b) An investor bought future contract of M/s Roy Ltd. with a lot size of 1,500 shares at Rs. 1,800 and at expiry it closed at Rs. 2,150. Calculate Profit and Loss.

7M

OR

- Q.3 (c) An investor took the position in the futures market which are as follows:

8M

(1) Sold 2 futures contract on ICICI bank with a lot size of 200 shares at Rs. 178 spot and at expiry it closed at Rs. 184.

(2) Sold a 5 future contract on L & T with a lot size of 4500 shares at Rs. 220 Spot and at expiry it closed at Rs. 350

Find the net profit or loss for the investor from both the positions.

- (d) Explain the concept of pricing of future contracts.

7M

- Q.4 (a) Mr Tejas writes European put option of XYZ ltd. Having an exercise price of Rs. 150 and receives a premium of Rs. 3 Calculate intrinsic value & profit & loss of Mr. Tejas for spot prices at expiry of Rs. 146 to Rs. 155. Also draw the payoff

8M

- (b) Explain the three board categories of options.

7M

OR

- Q.4 c) The share is currently available for Rs. 275. Expected underlying asset price will be either up by 25% or down by 20% in each of the future period. The exercise price of a call option is Rs. 285. The risk free interest rate is 5%. Draw a Binomial tree (2 multiple period).

8M

- (d) Mrs. Vinaya buys a call option of TCS Ltd. at Rs.100 premium with a strike price of Rs.850 and at expiry it closed at Rs. 910. Lot size is 1000 shares. Find out the amount of profit/loss to him and draw a pay off diagram.

7M

TURN OVER

- Q.5 (a). Discuss in brief Ordering types & conditions
(b) Explain the Clearing system.

7M

8M

OR

Q.5 Write short notes on : (any 3)

15M

1. Participants of derivative markets
2. Volatile Strategies
3. Future contract
4. Types of margins
5. Option Spread

Ty/Bm -E

Total Marks : 75

Duration: 2.5 hrs

NB 1. All questions are compulsory subject to internal choice

2. Figures to the right indicate maximum marks

Q1 A) Fill in the blanks with correct alternative (answer any 8) (08 marks)

1. Black marketing, hoarding etc are examples of ethical issues in _____ (marketing, HRM, accounting, IT)
2. Government, society, customers etc are collectively known as _____ of the business (creditors, shareholders, trustees, stakeholders)
3. _____ training enables employees to practise organisation's values (vestibule, on-site, appraisal, ethics)
4. The Integrity pact has been developed by _____ (Infosys, SEBI, Transparency International, NCGF)
5. _____ is a forum for corporate governance, located within IFC and co-founded by World Bank and OECD. (SEBI, GCGF, WHO, UNICEF)
6. As per the clause 49, audit committee should consist of minimum of _____ directors (3,4,5,6)
7. The _____ committee identifies persons who are qualified to become directors and who may be appointed in senior management (nomination, remuneration, audit, appraisal)
8. _____ trading refers to disclosing unpublished price sensitive information to an outsider. (bull, share, insider, corporate)
9. The _____ is a major player in the Integrity Pact (CVC, CBI, RBI, SBI)
10. _____ is a set of rules, which are accepted as general principles in an organisation. (selection policy, code of ethics, honesty pledge, leadership)

Q1 B) Say whether True or False (answer any 7) (07 marks)

1. Government has no role in ensuring business ethics.
2. Ethical dilemma is a process of evaluating and choosing among alternatives consistent with business principles.
3. Ethics training is compulsory as per SEBI
4. Corporate governance helps to maintain a balance among all stakeholders of a company
5. The chairman of Audit committee must be an Independent Director.
6. Rights of shareholders include right to inspect statutory registers and returns.
7. Stakeholders are owners of the company.
8. Cadbury committee report was the first report to be published on Corporate Governance.
9. Ethics and law are one and the same.
10. Audit committee has full access to information contained in the records of the company.

Q2 A) Define business ethics and explain the advantages of business ethics. (08 marks)

Q2 B) Explain the scope of business ethics (07 marks)

OR

Q2 C) What is ethical dilemma? What are the ways to address ethical dilemmas? (08 marks)

Q2 D) Explain the role of ethics committee in an organisation (07 marks)

Q3 A) Explain the benefits of ethics training. (08 marks)

Q3 B) What is integrity pact? Who are the major players in integrity pact? (07 marks)

OR

Q3 C) Define Corporate governance. Explain the benefits of corporate governance. (08 marks)

Q3 D) Explain the various issues in corporate governance (07 marks)

Q4 A) What are the various rights of shareholders? (08 marks)

Q4 B) Explain the various functions of SEBI? (07 marks)

OR

Q4 C) Explain the various committees in an organisation. (08 marks)

Q4 D) Explain the role / objectives of NCFG in promoting corporate governance. (07 marks)

Q5 A) What are related party transactions? Which are various related parties with reference to a company as per the Companies Act 2013? (08 marks)

Q5 B) What are the various mechanisms of Corporate Governance in India? (07 marks)

OR

Q5 C) Write short notes on (any three) (15 marks)

1. Disclosures as per clause 49 of listing agreement.
2. Organisational climate.
3. Code of conduct
4. Need for corporate governance
5. Role of Independent Director.

TYBfm V

Time: 2.30 hours

Marks 75

Note: All questions are compulsory
Figures to the right indicate marks.

Q1 A) Fill in the blanks (Any 8 out of 10)

(8 marks)

1. Providers of services make up the _____ sector of the economy.
(a. Primary b. Secondary c. Tertiary)
2. _____ refers to services provided by finance industry
(a. Financial Services b. Business services c. Marketing services)
3. The service consumer is _____ from service delivery
(a. Variable b. Inseparable c. Separable)
4. Service map is a _____ tool
(a. Purchase b. Communication c. Sales)
5. External Marketing tries to create _____ customers
(a. Habitual b. One time c. Casual)
6. _____ positioning is based on a single feature of a service
(a. Attribute b. Benefit c. competitor)
7. _____ is a key tool in service designing
(a. Encounter b. Recovery c. Blueprint)
8. Service encounter is considered as _____ marketing
(a. Interactive b. Real time c. Period of time)
9. _____ is a set of procedures for optimizing performance
(a. Service assurance b. Service failure c. Recovery)
10. All types of _____ bring about negative experiences
(a. Service arguments b. Service failure c. mishandling)

Q1 B) Match the following (Any 7 out of 10)

(7 marks)

| | COLUMN "A" | | COLUMN "B" |
|----|-------------------|---|--|
| 1 | Media strategy | A | Is built on leadership principles |
| 2 | Quality | B | Consistent performance |
| 3 | Collaborative CRM | C | PDCA model |
| 4 | Customer loyalty | D | Tool to provide right information |
| 5 | Differentiation | E | Used to hedge against risk of uncertain loss |
| 6 | Service culture | F | Create competitive edge |
| 7 | Reliability | G | Reward for supplier efforts |
| 8 | Quality Assurance | H | Direct interaction with customers |
| 9 | Insurance | I | Benefits to customer |
| 10 | Marketing | j | Deliver its message |

Q2 A) Define services and explain its features in brief

(8 marks)

B) Explain the classification of services

(7 marks)

OR

C) What are the types of retail financial services?

(8 marks)

D) Explain the 4 I's of service marketing

(7 marks)

Q3 A) Define market segmentation and state its importance

(8 marks)

B) What is sales promotion and explain some tools for effective promotion

(7 marks)

OR

Q3. Explain the 7 P's of services marketing mix in detail (15 marks)

Q4 A) Explain Service delivery process and its elements (8 marks)

B) Write a note on Service Mapping (7 marks)

OR

C) What are the challenges in distribution of services? (8 marks)

D) Define the term "Quality" and explain its dimensions (7 marks)

Q5. a) Explain GAP Model of service quality in detail along with a diagram (8 marks)

b) Explain role of I.T in service marketing. (7 marks)

OR

Q5 . Write Short notes (Any 3 out of 5) (15 marks)

- a. Product life cycle
- b. Internal Marketing
- c. Customer loyalty
- d. CRM
- e. Service Assurance

TyBfm ✓

Paper / Subject Code: 43814 / Technical analysis

Duration: 2 ½ Hours

Total marks: 75

Instructions:

All questions are compulsory.

Figures to right indicate full marks.

Q.1. A) Match the following (attempt any 8)

(08)

| Column A | Column B |
|-------------------------------------|--|
| 1. Point and Figure Chart | a. 'X' s and 'O' s Columns |
| 2. Elliot Wave theory | b. Originated in Japan |
| 3. Common Gap | c. 0% to 100% |
| 4. Candlestick Charts | d. This divergence suggests a reversal of trend from down to top. |
| 5. RSI oscillates between | e. Simple Moving Averages |
| 6. Positive Divergence | f. Lagging Indicator |
| 7. The stock market as three trends | g. 2 nd Principle of Dow theory |
| 8. Day Trading | h. Trading gap |
| 9. Bollinger bands | i. Buying and selling financial Instruments within same trading day. |
| 10. SMA | j. Ralph Nelson Elliott |

B) State the following statements are true or false (attempt any 7)

(07)

1. Leading indicator is also called as lagging indicator
2. Candle stick charts are same like point and figure chart.
3. Line chart shows only closing price on graph.
4. Hanging man is a one candle pattern.
5. A gap is an area on a price chart in which there were no trades.
6. RSI stands for Relative Slope Indicator.
7. Dow Theory introduced by John Bollinger.
8. Stop loss is an order placed to buy or sell security once certain price is reached.
9. MACD line = Subtract the 26 period EMA from 12 period EMA.
10. In Elliot wave theory, corrective wave includes four waves.

Q2 A. Explain the advantages and disadvantages of technical analysis?

(08)

B. Explain Line chart and Bar chart?

(07)

OR

- C. Explain candlestick analysis –shooting star and Inverted Hammer? (08)
- D. Explain the importance of Support & Resistance line? (07)

- Q.3
- A. What is Runaway gap and Breakaway gap? (08)
 - B. Explain Candlestick chart and point and figure chart? (07)

OR

- C. Explain Elliot Wave theory- Dominant 5 Waves (When markets are increasing)? (08)
- D. Explain Head & Shoulders chart? (07)

- Q.4
- A. What are Bollinger bands? (08)
 - B. Explain Momentum trading? (07)

OR

- C. Explain Exponential Moving average? (08)
- D. Explain William % R Indicator? (07)

- Q.5
- A. What are the needs of Risk Management? (08)
 - B. What are do's and don'ts in trading? (07)

OR

- Q.5
- Write a short note on (any three) (15)
 - a. Any three principles of Dow Theory
 - b. Stochastic Indicator
 - c. Risk associated with trading
 - d. Qualities of successful traders
 - e. Uses of stop loss

Bfm
TY

Duration: 2½ Hours

Marks: 75

- N.B.:** (1) All questions are compulsory
(2) Figures to the right indicate marks

- Q1. (A)** Fill in the blank with suitable option and rewrite the statement (Any Eight): (8)
- (1) Interest on Sinking Fund Investment is credited to _____ A/c
 - (a) Sinking Fund A/c
 - (b) Profit & Loss A/c
 - (c) General Reserve A/c
 - (d) Profit & Loss Appropriation A/c
 - (2) The claim of debenture holders on redemption is credited to _____ A/c
 - (a) Bank A/c
 - (b) Sinking Fund A/c
 - (c) Debenture holders A/c
 - (d) None of the above
 - (3) The expenses pertaining to vendor should be allocated in _____ period
 - (a) Pre-incorporation
 - (b) Post-incorporation
 - (c) Both (a) and (b)
 - (d) None
 - (4) For computation of pre-incorporation profit, salary to director is _____
 - (a) Allocated in time ratio
 - (b) Allocated in sales ratio
 - (c) treated as pre-incorporation expenditure
 - (d) treated as post-incorporation expenditure
 - (5) On amalgamation as a merger, all assets and liabilities of the transferor company are incorporated in the books of transferee company at _____
 - (a) Book Value
 - (b) Agreed Value
 - (c) Market Value
 - (d) Market or Book value whichever is less
 - (6) Purchase consideration under payment method in amalgamation is _____
 - (a) Payment to Shareholders
 - (b) Payment of borrowed funds
 - (c) Payment to debenture holders
 - (d) Payment to Preference Shareholders
 - (7) Under purchase method, excess of purchase consideration over the net assets taken over is accounted as _____
 - (a) Capital Reserve
 - (b) Reserve Capital
 - (c) Securities premium
 - (d) Goodwill
 - (8) Share Capital A/c (Rs. 10) _____ Dr.
To Share Capital A/c (Rs. 100) _____
- The above entry is the entry of _____
- (a) Internal reconstruction
 - (b) Amalgamation
 - (c) Sub-division of Share capital
 - (d) Consolidation of Share Capital
- (9) Balance in Capital Reduction Account should be transferred to _____
 - (a) Capital Reserve
 - (b) Profit & Loss A/c
 - (c) General Reserve
 - (d) None of the above
 - (10) The Profit/Loss during post incorporation period is transferred to _____
 - (a) Capital Reserve
 - (b) Goodwill A/c
 - (c) Profit & Loss A/c
 - (d) None of the above

- Q1. (B)** Match the following Columns (Any Seven): (7)

| Column 'A' | Column 'B' |
|---|--|
| (1) Partly Paid Shares | (a) Post-incorporation |
| (2) Capital Redemption Reserve | (b) Debit – Capital Reduction a/c |
| (3) Dividend Equalisation Reserve | (c) Purchase method |
| (4) Company related expenses | (d) Debenture holders accepting part payment |
| (5) Transferor company | (e) Credit – Capital reduction account |
| (6) Amalgamation Adjustment Reserve A/c | (f) Not redeemable |
| (7) Compromise | (g) Issue of bonus shares |
| (8) Cancellation of surrendered shares | (h) Indicate “and reduced” |
| (9) Loss on revaluation of Asset | (i) To be liquidated |
| (10) Balance Sheet after Internal Reduction | (j) Divisible profit |

Q2. (A) Following is the Balance Sheet of RITU Ltd. as on 31st March, 2018:

Balance Sheet as on 31st March, 2018

(15)

| Liabilities | Rs. | Assets | Rs. |
|---|-----------|----------------------|-----------|
| Equity Shares of Rs. 10 each fully paid | 12,00,000 | Fixed Assets | 13,00,000 |
| 10% Redeemable Preference Shares of Rs. 10 each, fully paid | 5,00,000 | Investments | 4,00,000 |
| Securities Premium | 50,000 | Cash at Bank | 5,00,000 |
| General Reserve | 2,00,000 | Other Current Assets | 5,00,000 |
| Profit & Loss A/c | 1,50,000 | | |
| 11% Debentures of Rs. 100 each | 4,00,000 | | |
| Sundry Creditors | 2,00,000 | | |
| | 27,00,000 | | 27,00,000 |

On the above date, company decided to redeem 10% Redeemable Preference Shares at 10% premium. For the purpose of redemption, company issued 20,000 Equity Shares of Rs. 10 each at a premium of 10%.

- (1) The company sold all the investments at book value
- (2) All payments were made to redeemable preference shareholders except those holding 200 Shares, who could not be traced out.

Pass Journal Entries in the books of the company for the above transactions

OR

Q2. (B) The following balances appeared in the books of SIDNEY Ltd. as on 31st March, 2018:

(15)

| Particulars | Rs. |
|---|-----------|
| 10% Mortgage Debentures of Rs. 100 each | 12,50,000 |
| Sinking Fund Account | 13,02,500 |
| Sinking Fund Investment Account | 13,77,500 |

- (1) On 1st April, 2018; the sinking fund investment was sold at Rs. 14,40,725
- (2) Company redeemed Mortgage Debentures on 1st April, 2018 and debenture holders were paid off at Rs. 105 per debenture. The interest on debentures had been paid up to 31st March, 2018.

You are required to prepare the following ledger accounts:

- (a) 10% Mortgage Debentures A/c
- (b) Sinking Fund A/c
- (c) Sinking Fund A/c Investment A/c
- (d) Debenture Holders A/c

Q3. (A) Abhishek Ltd. took over the business of Karan Bros., a firm w.e.f. 1st January, 2017. The company was registered on 1st August, 2017. The accounts of the company for the period ended 31st December, 2017, disclosed the following facts:

- (1) Sales for each of the months April, May, June, October, November and December, 2017 were twice the Sales for each of the months January, February, March, July, August and September, 2017.
- (2) Abhishek Ltd. settled the purchase consideration on 1st October, 2017.
- (3) Audit fees are payable for the entire year.
- (4) The combined Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31st December, 2017

(15)

| Particulars | Rs. | Particulars | Rs. |
|---------------------------------------|-----------|-----------------|-----------|
| To Salaries | 11,10,000 | By Gross Profit | 37,80,000 |
| To Rates and Insurance | 5,40,000 | | |
| To Printing & Stationery | 2,40,000 | | |
| To Audit Fees | 90,000 | | |
| To Directors Fees | 72,000 | | |
| To Advertising | 4,59,000 | | |
| To Commission on Sales | 3,24,000 | | |
| To Debenture Interest | 84,000 | | |
| To Interest on Purchase Consideration | 81,000 | | |
| To Net Profit | 7,80,000 | | |
| | 37,80,000 | | 37,80,000 |

Prepare a statement for the year ended 31st December, 2017 showing amount of profits for pre-incorporation and post-incorporation period.

OR

Q3. (B) The following is the summarized Balance Sheet of RISKY Ltd. as on 31st March, 2018 (15)

| Liabilities | Rs. | Assets | Rs. |
|--------------------------------------|-----------|----------------------|-----------|
| Equity Shares of Rs. 10 each | 8,00,000 | Plant & Machinery | 10,40,000 |
| 10% Preference Shares of Rs. 10 each | 4,80,000 | Furniture & Fixtures | 6,40,000 |
| 5% Debentures of Rs. 100 each | 9,60,000 | Investments | 2,40,000 |
| Bank Overdraft | 2,40,000 | Stock | 2,88,000 |
| Sundry Creditors | 4,00,000 | Sundry Debtors | 2,72,000 |
| Other Liabilities | 3,20,000 | Preliminary Expenses | 3,20,000 |
| | | Profit & Loss A/c | 4,00,000 |
| | 32,00,000 | | 32,00,000 |

Note: Preference Dividend is in arrears for 3 years.

A scheme of reconstruction is prepared and approved by all the authorities. The salient features of the scheme are:

- (1) The paid-up value of Equity Shares is to be reduced to Rs. 2 per share and 10% Preference Shares is to be reduced to Rs. 5 per share. However, the face value of both Equity and Preference Shares remain unchanged.
- (2) Arrears of preference dividend is not payable
- (3) The creditors are settled as:
 - (a) 20% immediate payment in cash
 - (b) 40% amount is cancelled
 - (c) 40% paid by issue of 6% debentures
- (4) Other liabilities of Rs. 80,000 is to be cancelled
- (5) Plant and Machinery having book value of Rs. 1, 60,000 is obsolete. This is sold as scrap for Rs. 32,000.
- (6) The depreciation on Furniture & Fixtures is to be provided to the extent of Rs. 80,000
- (7) Stock includes items valued at Rs. 96,000 which are sold at a loss of 50%.
- (8) The present realisable value of Investment is Rs. 1,12,000
- (9) Reconstruction expenses were Rs. 16,000

You are required to pass Journal Entries in the books of RISKY Ltd. to record the above transactions.

Q4. (A) 'A' Ltd. and 'B' Ltd. agreed to amalgamate and a new company 'C' Ltd. was formed. Their Balance Sheet on the date of amalgamation were as follows: (15)

Balance Sheet 31st March, 2018

| Liabilities | A Ltd. Rs. | B Ltd. Rs. | Assets | A Ltd. Rs. | B Ltd. Rs. |
|-------------------------------|---------------|---------------|---------------------|---------------|---------------|
| Equity Shares of Rs. 100 each | 1,00,000 | 1,20,000 | Building | 50,000 | 60,000 |
| General Reserves | 15,000 | 18,500 | Plant and Machinery | 30,000 | 40,000 |
| Profit & Loss A/c | 8,000 | 10,000 | Debtors | 30,000 | 30,000 |
| Sundry Creditors | 14,000 | 17,000 | Inventories | 20,000 | 20,000 |
| | | | Cash and Bank | 7,000 | 15,500 |
| | 1,37,000 | 1,65,500 | | 1,37,000 | 1,65,500 |

The new company 'C' Ltd. to takeover Assets and Liabilities of both the companies on the following basis:

- (1) Assets of 'A' Ltd. are taken over at a reduced valuation of 10% and that of 'B' Ltd. at reduced valuation of 15%.
- (2) Entire Purchase Consideration is discharged by issuing Equity Shares of 'C' Ltd. of Rs.100 each at par.
- (3) The Amalgamation is in the nature of purchase.

You are required to:

- (a) Calculate Purchase consideration.
- (b) Pass journal entries in the books of 'C' Ltd.

OR

Q4. (B) The promoters of proposed New Wave Ltd. purchased a running business on 1st April, 2017 from Mr. ULTRA Modern. New Wave was incorporated on 1st August, 2017. The combined Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31st March, 2018

(15)

| Particulars | Rs. | Particulars | Rs. |
|---------------------------------------|----------|-------------------------------------|----------|
| To Administration Expenses | 12,000 | By Gross Profit | 1,50,000 |
| To Directors Fees | 3,600 | By Discount Received from Creditors | 6,000 |
| To Preliminary Expenses | 4,900 | | |
| To Selling Expenses | 5,500 | | |
| To Interest on Purchase Consideration | 10,000 | | |
| To Net Profit | 1,20,000 | | |
| | 1,56,000 | | 1,56,000 |

Following further information is available:

- (1) Sales up to 30th July, 2017 were Rs. 3,00,000 out of total sales of Rs. 15,00,000 of the year.
- (2) Purchases up to 30th July, 2017 were Rs. 3,00,000 out of total sales of Rs. 9,00,000 of the year.
- (3) Interest paid to vendor on 1st February, 2018 @12% on Rs. 1,00,000 being purchase consideration.

Prepare Profit & Loss of New Wave Ltd. for the year ended 31st March, 2018 in columnar form apportioning all the income and expenditure items between Pre incorporation and Post incorporation period on suitable basis.

- Q5. (A) Explain the creation of Capital Redemption Reserve.
- Q5. (B) Meaning and types of Amalgamation

(8)
(7)

OR

Q.5. (C) Write Short Note on (Any Three):

(15)

- (1) Capital Reduction A/c
- (2) Profit Prior to Incorporation
- (3) Methods of Redemption of Debenture
- (4) Basis of Allocation of expenses between Pre-incorporation and Post-incorporation period
- (5) Distinction between Amalgamation, Absorption and External Reconstruction

| |
|--------|
| Ltd. |
| Rs. |
| 60,000 |
| 40,000 |
| 30,000 |
| 20,000 |
| 15,500 |
| 55,500 |

TYB

Time: 2 ½ Hours

Marks: 75

- N.B. 1) All question are compulsory.
2) Figures to the right indicate marks.

Q.1 A State whether the statements are True or False. (Any 8) (08)

1. Delisting of shares refers to the Permanent removal of the share of a company from being listed on a stock exchange
2. Preference share represents same degree of ownership in a company but usually come with the same voting right
3. A foreign portfolio investor is an entity established or incorporated outside India that propose to make investment in India
4. Porter's 5 forces model developed by Dr. Michael Porter in 1980
5. The selection of data collection method depends on nature of the research problem.
6. A company may declare final dividend during the financial year
7. Contingent liabilities are that liabilities which maybe incurred by an entity depending on the outcome of an uncertain future event
8. Casual research refers to descriptive information about certain aspects of problem
9. Bonus share is also known as equity dividend
10. Pilot study is conducted on a larger segment of the research universe.

Q.1.B.Match the following. (Any 07) (07)

GROUP A

1. Qualitative Research.
2. Off balance sheet items
3. Hard underwriting
4. Depositories
5. Right issue
6. Depository Participant
7. Merger and acquisition
8. Technical analysis
9. Macro economics
10. Political factor

GROUP B

- a) Study of nation as a whole
- b) Legislation and policy
- c) Solves behavioral Sciences
- d) Operating lease
- e) Commitment at initial stage of IPO
- f) CDSL
- g) Issue to existing share holder
- h) Agent of depositories
- i) Change in ownership structure
- j) Price Trend

Q2 A What is research? State the objectives of research. (8)

B Write a note on Features of a good research design. (7)

OR

P Elaborate on Advantages and disadvantages of secondary research (8)

Q State the Importance of research in financial market (7)

- Q.3 A Mention the different steps of equity research (8)
B Enumerate the Qualities of research analyst (7)

OR

- P Itemize the various Market participants of market (8)
Q What are the Responsibilities of research analyst (7)

- Q.4 A State the Key points to be considered before investing (8)
B Writes a note on Fundamental analysis (7)

OR

- P Intricate the Principles of macroeconomics (8)
Q Elaborate on PESTEL analysis (7)

- Q.5 A Explains the Management quality and its governance system of a business (8)
B Distinguishes between History of business and future of business (7)

OR

- Q.5 Write a short note on the following (Any 3) (15)
A Descriptive research
B Technical analysis
C SWOT analysis of a company
D Compliance orientation
E BCG analysis
-

T/B/m

2 ½ HRS

75 Marks

Q.1A Match the Column. (Any 8)

(08 Marks)

| A | B |
|---------------------------|-------------------------------|
| 1. Assets | a. Build on its own |
| 2. Asset Based Approach | b. Assets - liabilities |
| 3. Value | c. What we own |
| 4. Capital employed | d. Net asset Value |
| 5. Self-constructed Asset | e. worth as estimated |
| 6. Market based approach | f. Distinctive identity |
| 7. DCF | g. Principle of Substitution |
| 8. Brand | h. Excess over normal Profits |
| 9. yield value | i. Time Value of Money |
| 10. Super profit | j. Market value method |

Q.1B State whether following statements are True or False (Any 7)

(07 Marks)

1. Valuations are highly subjective calculations
2. Relative value approach is also known as market based approach.
3. Intrinsic value indicates Earning value of the shares
4. Goodwill has realizable value.
5. Brand valuation has creditability.
6. Under net asset value shares are valued on the basis of ERR and NRR.
7. A self-constructed asset is a one that a business purchase under its own management.
8. Valuation is an art not a science.
9. A fixed asset is a resource purchased for business use that has short term value
10. Fair value of shares indicates average of intrinsic value and yield value.

Q.2 A) Discuss the purpose of business valuation.

(08 Marks)

B) What is the role of valuation in business acquisition?

(07 Marks)

OR

Q.2 C) what is valuation bias? How we can mitigate the effects of bias?

(08 Marks)

D) Distinguish between Price and value.

(07 Marks)

Q.3 A) Explain Free cash flow valuation.

(08 Marks)

B) Calculate Discounted Cash flow from the following.

(07 marks)

| Year | 1 | 2 | 3 | 4 | 5 |
|------------------|-------|-------|-------|-------|-------|
| CIF (Rs.) | 18000 | 20000 | 22000 | 20000 | 25000 |
| P/V factor @ 10% | 0.909 | 0.826 | 0.751 | 0.683 | 0.620 |

Cost of Investments Rs. 60000 & Cost of Capital is 10%.

OR

Q.3 C) What is Relative valuation approach?

(08 Marks)

D) Calculate Discounted Cash flow from the following.

(07 marks)

| Year | 1 | 2 | 3 | 4 | 5 |
|------------------|-------|-------|-------|-------|-------|
| CIF (Rs.) | 18000 | 20000 | 22000 | 20000 | 25000 |
| P/V factor @ 12% | 0.892 | 0.797 | 0.711 | 0.635 | 0.567 |

Cost of Investments Rs. 50000 & Cost of Capital is 12%.

Q.4 A) Following is the Balance Sheet of Indian Corporation Ltd. as on 31st March, 2018.

| Liabilities | Rs. | Assets | Rs. |
|---|------------------|----------------------|------------------|
| Equity Share capital of Rs. 10 each | 6,00,000 | Goodwill | 2,00,000 |
| 8% Preference Share Capital of Rs. 100 each | 4,00,000 | Fixed assets | 7,00,000 |
| 9% Debentures | 2,00,000 | Stock | 2,00,000 |
| Creditors | 1,50,000 | Debtors | 1,50,000 |
| Other liabilities | 1,00,000 | Cash | 1,00,000 |
| | | Bank | 50,000 |
| | | Preliminary Expenses | 50,000 |
| | 14,50,000 | | 14,50,000 |

Average Net Profit After Tax Of the company is Rs. 1, 80,000. NRR is 10%

You are require to value the shares of the company on the basis of

1. Net Asset basis 2. Yield Value basis 3. Fair Value basis. (15 Marks)

OR

Q.4 B) Following is the Balance sheet of Gomti Ltd. as on 31st March, 2018

| Liabilities | Rs. | Assets | Rs. |
|-------------------------------------|-----------------|-----------|-----------------|
| Equity Share capital of Rs. 10 each | 1,00,000 | Building | 44,000 |
| Profit and Loss A/c | 21,000 | Machinery | 19,000 |
| Bank Overdraft | 4,000 | Stock | 70,000 |
| Creditors | 15,000 | Debtors | 16,000 |
| Other liabilities | 24,000 | Cash | 15,000 |
| | 1,64,000 | | 1,64,000 |

The Net profit of the company after deducting All expenses and depreciation and tax were

| Year | NPAT Rs. |
|------|----------|
| 2014 | 17,000 |
| 2015 | 19,200 |
| 2016 | 18,000 |
| 2017 | 20,000 |
| 2018 | 19,000 |

On 31st March, 2018 Building was valued at Rs. 50,000 and Machinery Rs. 30,000.

Normal rate of return is assumed to be 10%. Consider closing capital employed as Average capital employed. You are require to value of Goodwill on the basis of 5 year's purchase of Super Profit. (15 Marks)

Q.5.A) What is patent and its benefit. (08 Marks)

B) What is Goodwill? What are the factors affecting Valuation of Goodwill. (07 Marks)

OR

Q.5 Write Short Notes (Any 3) (15 Marks)

1. Future Maintainable Profit.
2. Self Constructed Asset.
3. Valuation of Brand.
4. Copy rights
5. Discounted Cash flow approach