

BUSINESS STUDIES

BOOKS - ARIHANT BUSINESS STUDIES (HINGLISH)

FINANCIAL MARKET

Check Point 1

1. What is the benefit of 'allocative function' of financial markets?

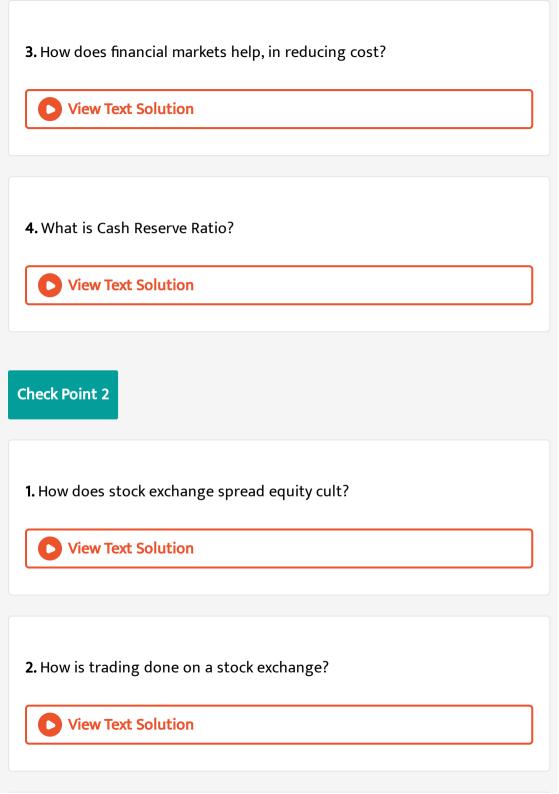


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2. Define financial assets.



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3. Who is a Depository Participant?
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4. State two objectives of NSE.
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5. What is OTCEI?
View Text Solution
6. State the malpractices that take place in securities market.
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Ncert Folder Multiple Choice Questions

A. compete with each other
B. complement each other
C. function independently
D. control each other
Answer: B
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2. The total number of stock exchanges in India is
A. 20
B. 21
C. 22
D. 23

1. Primary and secondary markets

Answer: b



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- **3.** The settlement cycle in NSE is
 - A. T+5
 - B.T+3
 - $\mathsf{C}.\,T+2$
 - D. T+1

Answer: C



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4. The National Stock Exchange of India was recognised as stock exchange in the year

B. 1993
C. 1994
D. 1995
Answer: A View Text Solution
5. NSE commenced future trading in the year
A. 1999
B. 2000
C. 2001
D. 2002
Answer: B
View Text Solution

A. 1992

6. Clearing and settlement operations of NSE are carried out by
A. NSDL
B. NSCCL
C. SBI
D. CDSL
Answer: B
Allowell, b
View Text Solution
View Text Solution

C. an instrument of capital market

D. None of the above

Answer: A



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Ncert Folder Short Answer Type Questions

1. What are the functions of a financial market?

or

'Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions'. Explain any three functions of financial market.

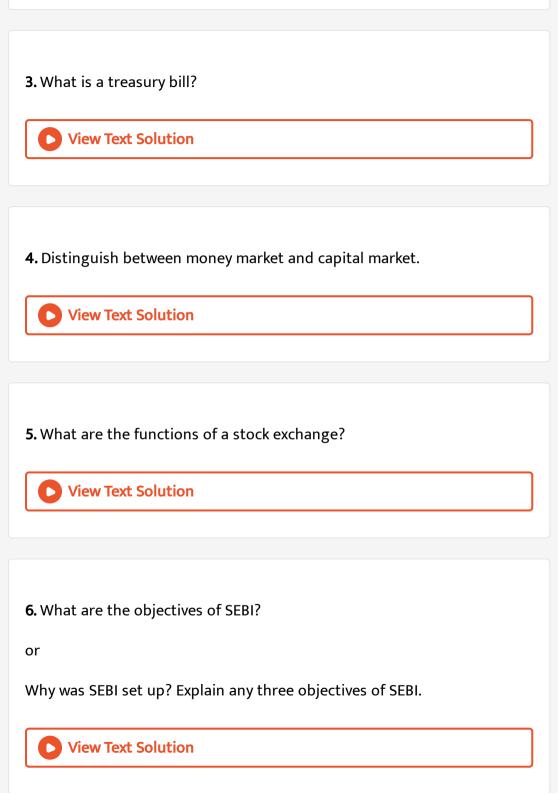


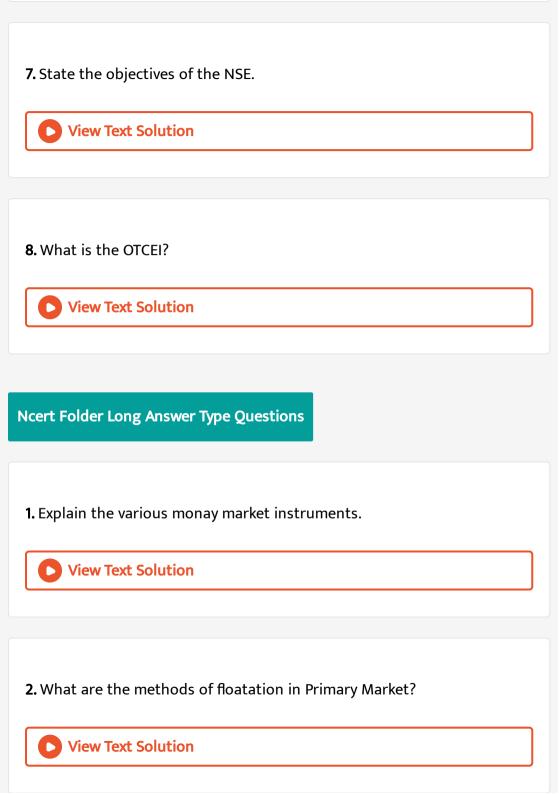
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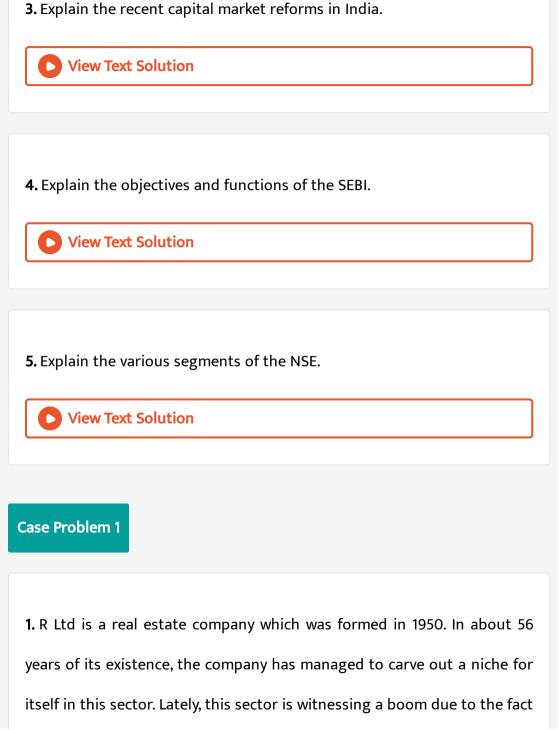
2. Money market is essential market for shortterm funds'. Discuss.



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that the Indian economy is on the rise. The incomes of middle class are rising. More prople can afford to buy homes for themselves due to easy availability of loans and accompanying tax concessions.

To expand its business in India and abroad, the company weighs various options to raise money through equity offerings in India.

Whether to tap equity or debt market, whether to raise money from domestic market or to raise money from domestic market or international market or combination of both? When to raise the necessary finance from money market or capital market? It is also planning to list itself in New York Stock Exchange to raise money through ADRs. To make its offerings stractive, it is planning to offer host of financial plans and products to its stakeholders and investors and also expand its listing at NSE after complying with the regulations of SEBI.

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2. R Ltd is a real estate company which was formed in 1950. In about 56 years of its existence, the company has managed to carve out a niche for

itself in this sector. Lately, this sector is witnessing a boom due to the fact that the Indian economy is on the rise. The incomes of middle class are rising. More prople can afford to buy homes for themselves due to easy availability of loans and accompanying tax concessions.

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How does the SEBI exercise control over 'R' Ltd in the interest of investors?

Case Problem 2

Case Problem 2

NSE Indices

Index	Current	Previous	% Change		
S & P CNX Nifty	3641.1	3770.55	-3.43%		
CNX Nifty Junior	6458.55	6634.85	-2.66%		
CNX IT	5100.5	5314.05	-4.02%		
Bank Nifty	5039.05	5251.55	-4.05%		
CNX 100	3519.35	3640.35	-3.32%		

World Markets

Index	Current	Previous	% Change		
NYSE Composite	8926.88	9120.93	-2.13%		
NASDAQ Composite	2350.57	2402.29	-2.15%		
DOW Jones IA	12076	12318.6	-1.97%		
S & P 500	1377.95	1406.6	-2.04%		
Nikkei 225	16676.9	17178.8	-2.92%		

1.

The above figures are taken from the website of National Stock Exchange of India. They illustrate the movement of NSE stock indices as well as world stock indices on the date indicated.

What do you mean by a stock index? How is it calculated?



Case Problem 2

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What conclusions can you draw from the various movements of NSE atock indices?



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What factors affect the movement of stock indices? Elaborate on the nature of these factors.



3.

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1. Under which of the following methods, securities are not issued directly to the public, but are offered through intermediaries like issuing houses or stock brokers?

A. Offer through prospectus

B. Offer for sale

C. Private placement

D. E-IPO

Answer: B



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2. In which of the following aspects, money market is different from capital market?

A. Participants

B. Tenure of securities traded

C. Liquidity of securities traded
D. All of the above
Answer: D
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3. In case of an e-IPO , who co-ordinates with all the intermediaries
connected with the issue?
A. Issuing house
B. Managing director
C. Chief financial officer
D. Lead manager
Answer: D
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4.	Funds	raised	through	commercial	paper	are	used	to	meet	the
floatation costs are known as										

- A. equity financing
- B. bridge financing
- C. debt financing
- D. None of these

Answer: B



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- **5.** Mr A, an existing shareholder of a company is offered the 'right' to buy new shares in proportion to the number of shares, he already possess. This kind of issue is known as
 - A. (a) offer through sale
 - B. (b) e-IPOs

C. (c) private placement D. (d) rights issue Answer: D **Watch Video Solution** 6. Mr B has purchased treasury bills of face value of Rs. 1,00,000 at Rs. interest is received by him?

96,000. At the time of maturity, he will get Rs. 1,00,000. How much

A. (a) Rs. 10,000

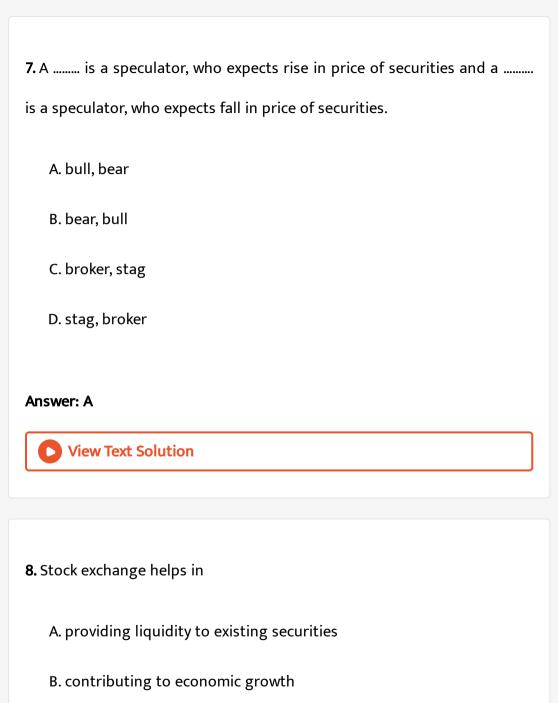
B. (b) Rs.4,000

C. (c) Nil

D. (d) None of these

Answer: B





C. pricing of securities

D. All c	f the	above
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Answer: D



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- 9. SEBI was established on and its headquarter is situated at
 - A. 12th April 1988, Mumbai
 - B. 12th April 1090, Mumbai
 - C. 12th May 1988, Delhi
 - D. 12th May 1990, Delhi

Answer: A



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10. Which of the following is a depository formed for the purpose of ensuring free transferability of securities in India,?

A. NSDL

B. RBI

C. SEBI

D. None of the above

Answer: A



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11. Which of following is /are depository participants?

A. ICICI bank

B. Angel broking

C. SBI bank

D. All of these

Answer: D



- **12.**is manipulating the market price of shares by increasing or decreasing their prices.
 - A. Price rigging
 - B. Insider trading
 - C. Private placement
 - D. Fluctuation

Answer: A



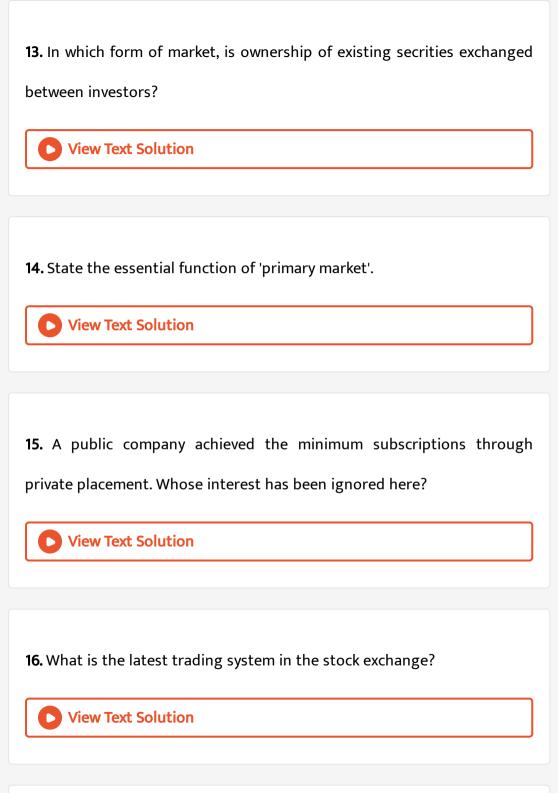
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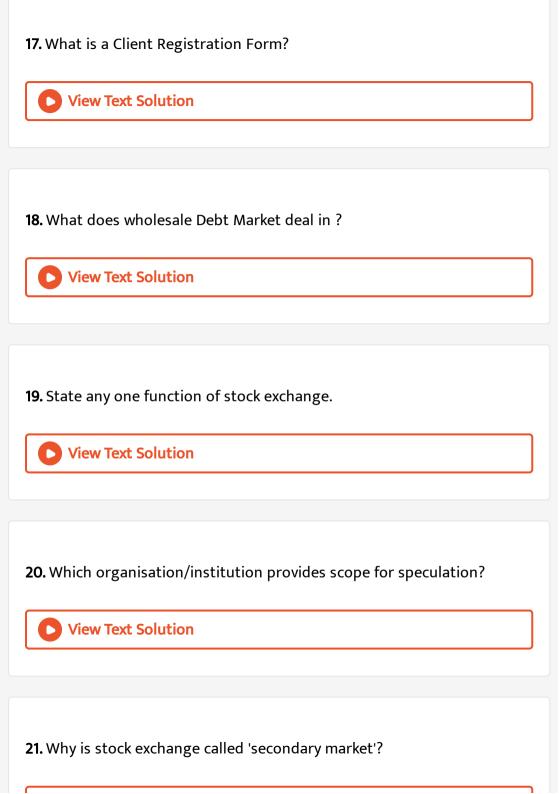
Chapter Practice Very Short Answer Type Questions

1. Give the meaning of 'money market'.
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2. What is meant by 'capital market'?
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3. What do you mean by financial markets?
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4. What function does financial market perform?
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5. Mention two major alternative mechanisms through which allocation of funds can be done. **View Text Solution** 6. Financial market facilitates easy purchase and sale of financial assets. Do you agree? **View Text Solution** 7. Give any two participants in the money market? **View Text Solution** 8. Which instrument of money market is drawn by one business firm on another for a period of 90 days? **View Text Solution**

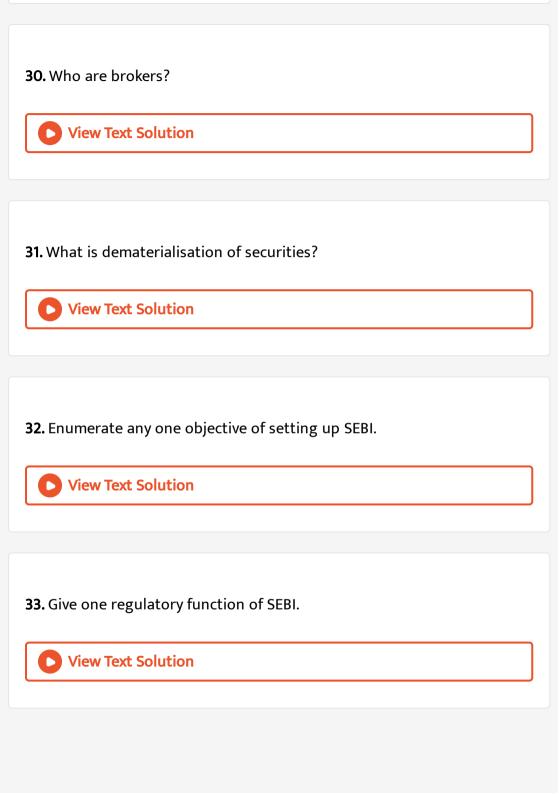
9. Give a difference between CD and FD.
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10. What is meant by 'secondary market'?
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11. What do you mean by 'bridge financing'?
View Text Solution
12. State two different ways of issuing securities in primary market.
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22. Give the full form of the following abbreviations.	
(i) NSEI (ii) OTCEI	
(iii) NASDAQ	
(III) NASDAQ	
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23. How many stock exchanges are there in India?	
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24. Name the Index of Bombay Stock Exchange.	
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25. What is 'Badla' in stock exchange?	

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26. What is 'Odd' lot trading ?		
View Text Solution		
27. What is penny stocks?		
View Text Solution		
28. What do you understand by the term depository ?		
20. What do you understand by the term depository.		
Now Tot Colution		
View Text Solution		
29. State the procedure for an investor, who wants to buy securities on a		
stock exchange.		
View Text Solution		



34. State one development function of SEBI. View Text Solution 35. State any one protective function of Securities and Exchange Board of India. **View Text Solution** 36. Explain the term 'Price rigging'. **View Text Solution** 37. How does financial market help in mobilisation of savings and channelise them into the most productive uses? **View Text Solution**

38. Give a difference between capital market and money market, on the basis of duration.



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39. Sika Ltd., a reputed industrial machine manufacturer, needs Rupees twenty crores as additional capital to expand the business. Mr. Amit Joshi, the chief Exceutive officer (CEO) of the company wants to raise funds through equity. The finance Manager, Mr. Narender Singh, suggested that the shares may be sold to investing public through intermediaries, as the same will be less expensive.

Name the method through which the company decided to raise additional capital.



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40. Meca Ltd. A reputed auotmobile manufacturer needs Rupees ten crores as additional capital to expand its business. Atul Jalan, the CEO of

the company wanted to raise funds through equity. On the other hand the Finance Manager, Nimi sahdev said that the public issue may be expensive on account of various mandatory and non-mandatory expenses. Therefore, it was decided to allot the securities to institutional investors.

Name the method through which the company decided to raise additional capital.



41. In secondary market, sale of securities takes place between investors only, then how does this market contribute to capital formation?



42. Mr Sahil and Mr Rajesh are promoting a new company. They are not able to decide on, how to raise funds.

Sahil is interested in a new issue through prospectus, while Rajesh wants

a rights issue. As a financial manager, suggest Sahil and Rajesh for the appropriate decision.



43. An investor wanted to invest RS. 20,000 in Treasury Bills for a period of 91 days. When he approached the Reserve Bank of India for this purpose he came to know that it was not possible.

Identify the reason why the investor could not invest in the Treasury Bill.



Chapter Practice Short Answer Type Questions

1. Nature of 'capital market' can be explained well with the help of its features. State any three such features of capital market.



2. What is meant by money market? Explain any two instruments used in money market.

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3. Nature of money market can be well explained with the help of its features. State any three such features of money market.



4. What is meant by primary market?

Explain any two methods of floating new issues in the primary market.



5. Discuss in detail the type of market which deals in previously issued securities.



View lext solution
6. What is meant by right is issue of shares ?
View Text Solution
View lext solution
7. State the esential features of a stock exchange.
View Text Solution
8. What is a depository and what services they offer to the investors?
View Text Solution
9. State some of the benefits, which are offered by depository system.
2. State 30 me of the benefits, which are offered by depository system.
View Text Solution

10. Explain any three functions of stock exchange. or Explain any two functions of stock exchange. or 'Stock exchange not only contributes to the economic growth, but performs many other functions, Explain any three such functions. **View Text Solution** 11. What are the advantages of screen based tradings system? **View Text Solution** 12. Explain the working of a Demat Account. **View Text Solution** 13. What are the objectives NSE?

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14. What is OTCEI? Explain the advantages of OTCEI?
View Text Solution
15. What were the objectives behind establishment of NSEI?
View Text Solution
16. What do you understand by insider trading ?
View Text Solution
17. What does the abbreviation 'SEBI' stand for ? Explain the term SENSEX.
How many shares are included in the SENSEX?
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18. State any three 'protective functions' of Securities and Exchange Board of India (SEBI).



19. Why are money market instruments more liquid as compared to capital market instruments ?



20. You are working as a financial advisor. One of your clients asked, how securities are sold in secondary market. Give details in this context.



21. The directors of a company want to modernise its plant and machinery by making a public issue of shares. They wish to approach the stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares.

Advise the directors whether to approach the stock exchange or a consultant for new public issue of shares and why.

Also advise them about different methods which the company may adopt for the new public issue of share.



22. Stock market imparts liquidity to investment'. Comment.



23. SEBI is the watch dog of security market. Do you agree ? Give three reasons in support of your answer.



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24. Mr Axe, one of the directors of XYZ Ltd, knew that bonus shares were to be announced in the next meeting and he expected the price to rise. He bought 10000 shares from the stock market. By the end of few months, price rose by Rs. 9. He sold his shares and made huge profit.

- (i) Name the act of Mr Axe.
- (ii) Is it permitted?



Chapter Practice Long Answer Type Questions

1. Explain any four functions of financial market.

or

'Financial market plays an important role in the allocation of scarce

resources in an economy by performing many important functions'.

Explain any four such functions.



2. To promote orderly and healthy growth of securities market and protection of investors, Securities and Exchange Board of India was setup. With reference to this statement, explain the objectives of Securities and Exchange Board of India.



3. Differentiate between 'Primary market' and 'secondary market' on any five basis.



- **4.** Differentiate between 'capital market' and 'money market' on the basis of the following.
- (i) Participants (ii) Instruments
- (iii) Duration (iv) Investment outlay
- (v) Liquidity

or

Differentiate between 'capital market' and 'money market' on the basis of the following .

- (i) Meaning (ii) Liquidity
- (iii) Safety (iv) Expected Return
- (v) Duration



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5. In today's commercial world, the stock exchange performs many vital functions which lead the investors towards positive environment'. Explain how, by giving any four reasons.

or

'Stock market contributes to better allocation of capital and promoting the habit of investment'. In the light of above statement, enumerate the functions of stock exchange.



6. List some examples of the malpractices in capital market, which forced government to set-up a separate regulatory body SEBI. State some of the regulatory functions of SEBI.



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Case Studies 1

1. Idea Seeks to Capitalise on Market Momentum

With the explosive growth of their subscriber base, telecom companies are all looking at capital markets to raise funds to fuel their expansion plan. Idea Cellular, the fifth largest operator in the country and the flagship telecom venture of AV Birla Group, has decided to enter the capital market to raise between Rs. 1,700 and Rs. 2,000 crore.

The company has appointed J.M.Morgan Stanley, Merrill Lynch among other as look-runners for the proposed Initial Public Offer (IPO), which is expected to be ready by January end. Since, under SEBI norms, the minimum float size is 10 per cent, the company will divest between 10 and 12 per cent, "The last private placement made by the promoters is at a

market capitalisation of Rs. 15,000 crore. The proposed float is expected to be at 10 to 20 per cent premium of the private placement price, " AV Birla Group recently divested 35 per cent take in the company to a clutch of private equity firms. However, this is a fresh issue of shares, where the proceeds will be utilised by Ideal Cellular for capital expenditure. After the proposed issues, the promoters stake will come down to atound 58 per cent.

With reference to the above case, define capital market.



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Differentiate between Capital and Money Market



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Case Studies 2

1. Sterlite Industries

Sterlite Industries, part of the London listed Vedanta Resources Group, is scheduled to be listed on the New York Stock Exchange through an initial public offering (IPO) of about \$2 billion. The proceeds will be used to fund its \$1.9 billion, Greenfield power project in Orissa and to expand its aluminium and copper facilities. The IPO is a part of an enabling resolution passed by Sterlite to raise upto 12,500 crores through American Depository Shares (ADS). Consequently, the company has increased its authorised capital from Rs. 150 crore to Rs. 185 crore by creating an additional 17.5 crore equity shares of Rs. 2 each. The shares of Sterlite, which will be among the first metal firms from India to list on NYSE, outpaced Sensex and rose by $1.4\,\%$ to close at Rs. 145.2 on BSE on the day of the announcement .

What do you mean by e-IPO?



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What are the other methods of floating securities in capital market?



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Case Studies 3

1. History of the Stock Market in India The history of the stock market in India goes back to the end of the eighteenth century when long-term negotiable securities were first issued. In 1850 the Companies Act was introduced for the first time bringing with it the feature of limited liability and generating investor interest in corporate securities. The first

stock exchange in India was set-up in 1875 as The Native Share and Stock Brokers Association in Bombay. Today it is knows as the Bombay Stock Exchange (BSE). This was followed by the development of exchanges in Ahmedabed (1894), Calcutta (1908) and Madras (1937). It is interesting to note that stock sxock exchanges were first set up in major centers of trade and commerce. Until the early 1990s, the Indian secondary market comprised regional stock exchanges with BSE heading the list. After the reforms of 1991, the India secondary market acquired a three tier form.

Regional Stock Exchanges

This consists of:

National Stock Exchange (NSE)

Over the Counter Exchange of India (OTCEI) stock exchange.

What do you mean by a stock exchange?



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This consists of:

National Stock Exchange (NSE)

Regional Stock Exchanges

Over the Counter Exchange of India (OTCEI) stock exchange.

What functions are performed by stock exchange.



1. Stock Market Index

A stock market index is a barometer of market behaviour. It measures overall market sentiment through a set of stocks that are representative of the market . It reflects market direction and indicates day-to-day fluctuations in stock prices. An ideal index must represent changes in the prices of securities and reflect price movements of typical shares for better market representation. In the India markets the BSE, SENSEX and

Some important global stock market indices are:

NSE, NIFTY are important indices.

• Dow Jones Industrial Average is among the oldest quoted stock market index in the US.

. ${\sf NASDAQ}$ ${\sf CompositeIndexisthemarket} \cap italisationweighta > sofpricesf ext{ or } s$ —

S and $P500Indexismadeupof500big <math>\geq stpubliclytraded companies \in the$ *`FTSE 100 consists of the largest 100 companies by full market value

listed on the London Stock Exchange. The FTSE 100 is the benchmark index of the European market.

What is meant by NSE.

2. Stock Market Index

A stock market index is a barometer of market behaviour. It measures overall market sentiment through a set of stocks that are representative of the market . It reflects market direction and indicates day-to-day fluctuations in stock prices. An ideal index must represent changes in the prices of securities and reflect price movements of typical shares for better market representation. In the India markets the BSE, SENSEX and NSE, NIFTY are important indices.

Some important global stock market indices are:

- Dow Jones Industrial Average is among the oldest quoted stock market index in the US.
- · NASDAQ Composite Index is the market capitalisation weightages of prices for stocks listed in the NASDAQ stock market.
- · S and P 500 Index is made up of 500 biggest publicly traded companies in the US. The S and P 500 is often treated as a proxy for the US stock market.

• FTSE 100 consists of the largest 100 companies by full market value listed on the London Stock Exchange. The FTSE 100 is the benchmark index of the European market.

What are the objectives of NSE?



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Case Studies 5

1. SENSEX - The Bombay Stock Exchange Sensitive Index

Have you counted the number of times newspaper headlines in the past few weeks have been discussing the SENEX? It goes up and down all the time and seems to be a very important part of business and economic news. Has that made you wonder what the SENSEX actually is?

The SENSEX is the benchmark index of the BSE. Since the BSE has been leading exchange of the Indian secondary market, the SENSEX has been an important indicator of the Indian stock market. It is the most frequently used indicator while reporting on the state of the market. An index has just one job: to capture the price movement. So a stock index

will reflect the price movement. So a stock index will reflect the price movements of shares while a bond index captures the manner in which bond prices go up or down. If the SENSEX rises, it indicates the market is doing well. Since stocks are supposed to reflect what companise expect to earn in the future, a rising index indicates that investors expect better earnings from companies. It is also a measure of the state of the Indian economy. If Indian companies are expected to do well, obviously the economy should do well too. The SENSEX, launched in 1986 is made up of 30 of the most actively traded stocks in the market. In fact, they account for half the BSE's market capitalisation. They represent 13 sectors of the economy and are leaders in their respective industries.

Which stock exchange is related to the term SENSEX?



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2. SENSEX - The Bombay Stock Exchange Sensitive Index

Have you counted the number of times newspaper headlines in the past few weeks have been discussing the SENEX? It goes up and down all the time and seems to be a very important part of business and economic news. Has that made you wonder what the SENSEX actually is?

The SENSEX is the benchmark index of the BSE. Since the BSE has been leading exchange of the Indian secondary market, the SENSEX has been an important indicator of the Indian stock market. It is the most frequently used indicator while reporting on the state of the market. An index has just one job: to capture the price movement. So a stock index will reflect the price movement. So a stock index will reflect the price movements of shares while a bond index captures the manner in which bond prices go up or down. If the SENSEX rises, it indicates the market is doing well. Since stocks are supposed to reflect what companise expect to earn in the future, a rising index indicates that investors expect better earnings from companies. It is also a measure of the state of the Indian economy. If Indian companies are expected to do well, obviously the economy should do well too. The SENSEX, launched in 1986 is made up of 30 of the most actively traded stocks in the market. In fact, they account for half the BSE's market capitalisation. They represent 13 sectors of the economy and are leaders in their respective industries.

What are the objective of BSE?



1. SEBI on Thursday unearthed yet another abuse of IPO norms in the IDFC's Initial Public Offering (IPO) where a few investors opened over 14,000 dematerialized accounts to corner large number of shares of the company. This is the second such incident, after a similar such violations were detected in the YES Bank's IPO. SEBI said in IDFC's IPO too four investors opened as many as 14,807 dematerialized accounts with Karvy-DP and 'Strangely', all these account holders have their bank accounts with Bharat Overseas Bank Ltd., Ahmedabad. SEBI order said: "Further probe is required for examining the systemic fault, if any, of the registrar Karvy-RTI, i.e., Karvy Computer Shares P Ltd., and the lead managers Kotak Mahindra Capital Company Ltd., DSP Merrill Lynch Ltd. and SBI Capital Markets Ltd. in identifying and weeding out the benami applications. " Reference is being made to the RBI to exmine the role of BOB, HDFC Bank, Indian Overseas Bank, ING Vysya Bank and Vijaya Bank in opening the bank accounts of these benami entities and apparently funding them.

Source The Economic Times

What was the reason behind the establishment of SEBI?



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2. SEBI on Thursday unearthed yet another abuse of IPO norms in the IDFC's Initial Public Offering (IPO) where a few investors opened over 14,000 dematerialised accounts to corner large number of shares of the company. This is the second such incident, after a similar such violations were detected in the YES Bank's IPO. SEBI said in IDFC's IPO too four investors opened as many as 14,807 dematerialised accounts with Karvy-DP and 'Strangely', all these account holders have their bank accounts with Bharat Overseas Bank Ltd., Ahmedabad. SEBI order said:"Further probe is required for examining the systemic fault, if any, of the registrar Karvy-RTI, i.e., Karvy Computer Shares P Ltd., and the lead managers Kotak Mahindra Capital Company Ltd., DSP Merrill Lynch Ltd. and SBI Capital Markets Ltd. in identifying and weeding out the benami applications. " Reference is being made to the RBI to exmine the role of BOB, HDFC Bank, Indian Overseas Bank, ING Vysya Bank and Vijaya Bank in opening the

bank accounts of these benami entities and apparently funding them.

Source The Economic Times

State the Objectives of SEBI.



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Case Studies 7

1. Squib Ltd. is a large creditworthy company operating in the kashmir Valley. It is an export-oriented unit, dealing in exclusive embroidered shawls. The floods in the Valley have created many problems for the company. Many craftsmen and workers have been dislocated and raw material has been destroyed. The firm is therefore, unable to get an uninterrupted supply of raw materials and the duration of the production cycle has also increased.

To add to the problems of the organisation, the suppliers of raw materials who were earlier selling on credit are asking the company for advance payment or cash payment on delivery. The company is facing a liquidity crisis. The CEO of the company feels that taking a bank loan is

the only-term shortage of cash. As a finance manager of the company, name and explain the alternative to bank borrowings that the company can use to resolve the crisis.



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Case Studies 8

1. Mr Vikas Mehra was the Chairman of 'IBM Bank'. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of 'UK Bank'. Mr Vikas Mehra knew that the share price of IBM Bank ' would rise on this announcement. Being a part of the Bank, he was not allowed to buy shares of the Bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukand and asked him to invest 4 crotes in shares of his bank promising him the capital gains.

As expected, after the announcement, the share prices went up by 50% and the market price of Mukand's shares was now 6 crores. Mukand

earned a profit of 2 crores. He gave 1 crore to Vikas Mehra and kept. 1 crore with him. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect irregularity. SEBI imposed a heavy penalty on Vikas Mehra. Quoting the lines from the above para identify and atate any two functions performed by SEBI in the above case.

or

Mr Sanjay Nehra was the Chairman of 'Taran Bank'. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their share was also steadily rising. The bank was about to announce taking over of 'Vena Bank'. Mr Sanjay Nehra knew that the share price of 'Taran Bank' would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friend Sudhir and asked him to invest Rs. 5 crores in shares of his bank promising him the capital gains.

As expected tha share prices went up by 40% and the market price of Sudhir's shares was now Rs. 7 crores. He earned a profit of Rs. 2 crores. He gave Rs.1 crore to Mr Sanjay Nehra and kept Rs.1 crore with himself. On

regular inspection and by conducting enguiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. The SEBI imporsed a heavy penalty on Mr Sanjay Nehra. By quoting the lines from the above para identify and state any two functions that were performed SEBI in the above case.



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Case Studies 9

1. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which unsecured and short-term debt instruments are actively traded evry day. These markets together help the savers and investors in directing the available fund into their most productive investment opportunity.

Name the function being performed by the market in the above case.

2. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which unsecured and short-term debt instruments are actively traded evry day. These markets together help the savers and investors in directing the available fund into their most productive investment opportunity.

Name the market segment other than the capital market segment in which unsecured and short-term debt instruments are traded. Also, give any three points of difference between the two.



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1. Mr George, an investor from England, wrote a letter to financial adisor of TRILX Ltd India.

Dear Sir,

I want to invest £12000 in your company. I believe that after investing in your reputed compnay, I will receive a good amount of return. In regard to this, I have certian querries please answer the following questions.

How would I invest in your company?



Watch Video Solution

2. Mr George, an investor from England, wrote a letter to financial advisor of TRILX Ltd India.

Dear Sir,

I want to invest £12000 in your company. I believe that after investing in your reputed compnay, I will receive a good amount of return. In regard to this, I have certian querries please answer the following questions.

Explain the procedure that Mr George is required to go through for making such investment.

Self Assessment Multiple Choice Questions

1.	Allotment	of securities	by a	company	to	institutional	investors	and
امء	ected indi	viduals is knov	wn ac					

A. public offer

B. private offer

C. private placement

D. offer through prospectus

Answer: C



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2. What can be the method of floating new issues in the primary market?

A. Offer through prospectus B. Private placement C. Rights issue D. All of the above **Answer: D View Text Solution** 3.is a market for the purchase and sale of existing securities. A. Primary market B. Money market C. Secondary market D. Retail market Answer: C **View Text Solution**

4. Which market helps in channelising surplus funds into most productive		
uses?		
A. Financial market		
B. Wholesale market		
C. Retail market		
D. None of the above		
Answer: A		
View Text Solution		
5. In case of public issue of shares, in order to save company from		
undersubscription, the issue may be		
A. insured		
B. rigged		

C. underwritten
D. All of the above
Answer: C
View Text Solution
Self Assessment Very Short Answer Type Questions
4 M/L at in a day anitom 2
1. What is a depository ?
View Text Solution
2. What do you understand by demat account?
View Text Solution
3. Name two instruments of money market.

View Text Solution
4. Give a distinction between capital market and money market on the basis of duration.
View Text Solution
5. State two malpractices that take place on a stock exchange.
View Text Solution
Self Assessment Short Answer Type Questions I
1. Enumerate any two instruments of money market.
View Text Solution

2. Stock exchange is the barometer of a country's economic health'. Discuss. View Text Solution
Self Assessment Short Answer Type Questions Ii
1. SEBI is the watch dog of the securities market'. Give reasons. View Text Solution
2. Discuss in brief any two methods of floatation in primary market. View Text Solution

Self Assessment Long Answer Type Questions I

1. If you are working in a stock market, how would you differentiate between an investor and a speculator.
View Text Solution
2. Differentiate between primary and secondary market.
View Text Solution
Self Assessment Long Answer Type Questions Ii
1. Explain the objectives and developent functions of SEBI.
View Text Solution
2. Trading on a stock exchange involves a series of steps'. Explain in brief.

3. What is meant by 'Dematerialisation of securities'? How can it be done?



Cbse Examinations Archive Very Short Answer Type Questions

1. An investor wanted to invest RS. 20,000 in Treasury Bills for a period of 91 days. When he approached the Reserve Bank of India for this purpose he came to know that it was not possible.

Identify the reason why the investor could not invest in the Treasury Bill.



2. Sika Ltd., a reputed industrial machine manufacturer, needs Rupees twenty crores as additional capital to expand the business. Mr. Amit Joshi, the chief Exceutive officer (CEO) of the company wants to raise funds through equity. The finance Manager, Mr. Narender Singh, suggested that

the shares may be sold to investing public through intermediaries, as the same will be less expensive. Name the method through which the company decided to raise additional capital. **Watch Video Solution** 3. State any one consequence of a well performed 'allocative function' of financial market. **View Text Solution** 4. Name the two major alternative mechanisms through which allocation of funds can be done. **View Text Solution**

5. Give the meaning of 'secondary market'.

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6. Give the meaning of 'money market'.
View Text Solution
7. State the essential function of 'primary market'.
View Text Solution
8. State any one function of stock exchange.
View Text Solution
9. State any one regulatory function of Securities and Exchange Board of India(SEBI).
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10. State any one protective function of Securities and Exchange Board of India (SEBI).



11. State any one development function of SEBI.



12. What is meant by 'capital market'?



Cbse Examinations Archive Short Answer Type Questions

1. State any three 'protective functions' of Securities and Exchange Board of India (SEBI).



2. Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions'. Explain any three functions of financial market.



3. State any three 'development functions' of Securities and Exchange Board of India (SEBI).



Cbse Examinations Archive Long Answer Type Questions

1. Differentiate between 'Primary market' and 'secondary market' on any five basis.



- 2. Differentiate between 'capital market' and 'money market' on the basis of the following.
- (i)Participants (ii)Instruments
- (iii) Duration (iv)Investment outlay
- (v)Liquidity

or

Differentiate between 'capital market' and 'money market' on the basis of the following:

- (i) Meaning (ii) Liquidity
- (iii) Safety (iv) Expected return
- (v) Duration



3. Explain any three functions of financial market.

or Explain any four functions of financial market.

or Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions.



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Explain any four such functions.

4. Explain any four functions of stock exchange.



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5. Explain any four methods of floting new issues in the primary market. or Explain any four methods of floatation of new issues in the primary market.



6. What is meant by money market? Explain any two instruments used in money market.

