



Institute of Management
JK Lakshmipat University
Jaipur

END TERM EXAMINATION NOV 2018



BBA& B.Com (H) Sem-III
MM: 40 Marks

Course: Banking & Capital Market Fundamental
Time: 2 Hours
Subject code: FN 27

Answer any **Four** questions from given below. Each question carries 10 marks each.

Q1. Arijit is 30, newly married and a successful actor in the Indian film industry. Right from his struggling days, Ajit always saved a part of his income and invested in safe instruments like fixed deposits. However, during the internet boom in the late 90's and early 2000, he successfully invested in equities. Ajit thought that he has made well investment decision, but when internet stock bubble burst in 2002, Ajit lost a majority of his investment. Ajit has always had a penchant for technology from his young age and thus he usually ended up buying tech stocks and funds. Currently, Ajit suffers from the snake-bite effect and thus he is not willing to participate in the equity market at all. Ajit, now misses the high returns that his portfolio had earned during the internet boom days. He has come to you to seek your suggestion to help his portfolio generate higher returns.

- a. What do you think is Ajit's ability and willingness to take risk?
- b. Will you recommend a stock only portfolio to Ajit or a mutual funds only portfolio for Ajit?
- c. What kind of mutual funds will you recommend to Ajit?
- d. Explain to Ajit how his new mutual fund portfolio achieves diversification. Why is this diversification important?

Q2. What is Credit Rating? How credit rating agencies do rates the instruments? Give a brief of various credit rating agencies working in India.

Q3. Write notes on any three.

- a. Functions of Secondary Market
- b. Bulk deal and Block deal
- c. Rolling Settlement
- d. Methodologies for calculating index

Q4.

The following particulars relates to Gift Fund Scheme :-

Particulars		Value
1.	Investment in Shares (at Cost)	
	• IT and IIES Companies	₹28 Crores
	• Infrastructure Companies	₹15 Crores
	• Aviation, Transport and Logistics	₹7 Crores
	• Automotive	₹32 Crores
	• Banking / Financial Services	₹8 Crores
2.	Cash and Other Assets in Hand (even throughout the fund period)	₹2 Crores
3.	Investment in Fixed Income Bearing Bonds	
	• Listed Bonds [10,000 10.50% Bonds of ₹1 0,000 each]	₹10 Crores
	• Unlisted Bonds	₹8 Crores
4.	Expenses payable as on closure date	₹3 Crore
5.	Market Expectation on Listed Bonds	8.40%
6.	No. of Units Outstanding	5.50 Crores

The particulars relating to sectoral index are as follows —

Sector	Index on the date of purchase	Index on the valuation date
IT and IIES	1750	2950
Infrastructure	1375	2475
Aviation, Transport & Logistics	1540	2570
Automotive	1760	2860
Banking / Financial	1600	2300

Required :-

- Net Asset Value of the Fund
- Net Asset Value per Unit
- If the period under consideration is 2 Years, and the Fund has distributed ₹2 per unit per year as Cash Dividend
- Ascertain the Net Return (Annualized). Ascertain the Expense Ratio, if the Fund has incurred the following expenses —

Management and Advisory Fees	₹275 Lakhs
Administration Expenses (including Fund Manager Remuneration)	₹350 Lakhs
Publicity and Documentation	₹80 Lakhs
	₹705 Lakhs

Q5. Write Notes on any three -

- Entry Norms for Public Issue
- Green Shoe Option
- Fixed price Vs. Book Building
- Physical Vs. Dematerialized Shares