



PG – 781

**III Semester M.B.A. (Day) Examination, January 2009
(2007-08 Scheme)
MANAGEMENT**

F-2 :Financial Markets and Institutional Management

Time : 3 Hours

Max. Marks : 75

SECTION – A

(6×2=12)

Answer **any six** of the following :

1. a) Differentiate between capital and money market.
- b) What is securitization ?
- c) Define monetary policy.
- d) What is book building ?
- e) What is free float index ?
- f) What is short selling ?
- g) What is margin trading ?
- h) What is Net asset value of a mutual fund ?
- i) What is meant by circuit breakers ?

SECTION – B

(3×8=24)

Answer **any three** questions. **Each** question carries **eight** marks.

2. “There is a close relationship between financial system and economic growth”.
Comment critically.
3. Briefly explain the sub-markets operating in a typical money market.
4. Explain the various steps involved in a trading on a stock exchange.
5. Discuss the factors responsible for the growth of derivatives market in India.
6. Discuss the functions and working of Industrial Finance Corporation of India.

P.T.O.



SECTION – C

(2×12=24)

Answer **any two** questions. **Each** question carries **twelve** marks.

7. Explain in detail the steps involved in book building process.
8. Discuss the methodology adopted by credit rating agencies while rating financial instruments of an entity.
9. Explain in brief the different functions of merchant banking.

SECTION – D

15

Case Study

10. DLP Pvt. Ltd. considering the possibility of purchasing a multipurpose machine which cost Rs. 10 lakhs. The machine has a expected life of 5 years. The machine generates Rs. 6 lakhs per year before depreciation and tax and the management wishes to dispose the machine at the end of 5 years which will fetch Rs. 1,00,000. The depreciation allowable for the machine is 25% on written down value and the company's tax rate is 50%. The company approached a NBFC for a five year lease for financing the asset which quoted a rate of Rs. 28 per thousand per month. The company wants you to evaluate the proposal with purchase option. The cost of capital of the company is 12% and for lease option it wants you to consider a discount rate of 16%.

	0	1	2	3	4	5
PV @ 12%	1.000	0.893	0.792	0.712	0.636	0.567
PV @ 16%	1.000	0.862	0.743	0.641	0.552	0.476