

M.B.A. Semester-III Examination
INDIAN FINANCIAL SYSTEM
Paper-MBA/3101/F

Time : Three Hours]

[Maximum Marks : 70

N.B. :— (1) Attempt all questions.

(2) Figures to the right indicate full marks.

SECTION—A

1. (a) Discuss the role of Indian Financial system in the economic development and economic recovery-with reference to recent events, such as Demonetisation and GST. 14

OR

- (b) Throw light on the various issues prevailing in Indian financial system. 14

SECTION—B

2. (a) Explain the composition of Indian Money Market. 7
- (b) A company requires Rs.2Cr. for inventory, payment of wages, salaries, maintaining bank balance etc :
- (i) Suggest which financial market company may approach & why. 3
- (ii) State instruments to raise finance in that market. 4

OR

- (c) Draw the structure of Indian capital market. 7
- (d) "An active & efficient secondary market for government securities adds to a great extent to the attractiveness of government bonds to investors at no cost to the government". Comment. 7
3. (a) Explain the importance of stock exchanges from the point of view of companies & investors. 7
- (b) Supriya's grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificates inside. As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates.

- (i) Identify & state the process. 4
- (ii) Also give two reasons to Supriya as to why physical form had been stopped. 3

OR

- (c) "Every listing company has certain obligations & is required to comply with the various documents for listing". List documents required for listing. 7
- (d) 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 issue of shares.
 - (i) Advise the directors whether to approach the exchange or a consultant for new public issue of shares & why. 3
 - (ii) Also advise them the different methods which the company may adopt. 4

SECTION—C

- 4. (a) Treasury Bills are an important short term source of finance for the government. Discuss. 7
- (b) Compare certificates of deposit & commercial papers. 7

OR

- (c) Why has the commercial/trade bills market not developed in India. 7
- (d) What are the various kinds of risks that are involved in financial instruments ? 7

SECTION—D

- 5. Merchant Bankers continue to quote a nominal fee for book running & lead managing the public sector offering even after recent selection norms changes substantially lowered the weights for bid price.

According to sources in the government, one merchant banker had bid for the Coal India IPO assignment at a fee as low as, 0.000001 percent. Public sector issues sources said the changed rules last month which put greater weights (70%) on quality technical expertise and experience-over that on quoted fees (30%) has not influenced the bidding pattern. "The

pool of registered merchant bankers sports almost similar qualitative statereds. Therefore the quoted fee determines short listings. Competitive pressures for public sector offerings forces the merchant bankers to keep the fee low, often highly loss making or stay out", said a top official of the public sector enterprise.

Market sources say while the going rate for merchant banking fees for a private issue of a comparable size is around 3%, the rate for PSU offerings remains close to zero.

"This is not a charitable exercise. Merchant bankers extract marketing mileage and seek more future business from the government run organisations to serve their commercial interest indirectly. But they also to make up for the huge cost, which runs into crores of rupees, through other means which are strictly not clean".

Mr. Prithvi Haldea, primary market expert and the chairman of prime database told that the environment was not conducive to a fair & transparent method of selecting quality services.

"The Government needs to pay a reasonable fee to merchant bankers for the best services so that the issues do not suffer".

- (i) Why Merchant Bankers are quoting less fees even after changes in the selection norms by SEBI ? 7
- (ii) Why the environment in the case has been stated as not conducive for fair & transparent method of selecting quality services ? 7