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Subodh Management Institute

MBA IV Semester
M-411
F S I I

Sample Questions

Part A: Short answer question (up to 25 words)

Part B: Analytical/ problem Solving questions

Part C: Descriptive/ Analytical/ Problem Solving/ Case questions.

PART A

Very Short Questions

Unit:1

1. What is the Indian financial system?
2. What are the components of the formal financial system in India?
3. What are the functions of a financial system?
4. Name some key elements of a well-functioning financial system.
5. What is the role of financial institutions in the Indian financial system?
6. What is the significance of the Indian financial system for the economy?
7. Give an example of a regulatory body overseeing the Indian financial system.
8. How does the Indian financial system facilitate capital formation?
9. Explain the role of stock exchanges in the Indian financial system.
10. What are the various types of financial intermediaries in India?

Unit:2

1. What is the definition of financial institutions?
2. Name some types of financial institutions.
3. What are the key functions of banking institutions?
4. What is the role of Non-Banking Financial Companies (NBFCs) in the financial system?
5. What are Development Financial Institutions (DFIs) and their primary objective?
6. What is the purpose of Mutual Funds in the financial market?
7. What role do pension funds play in the financial industry?
8. What are the primary services offered by insurance companies?

9. Explain the role of Housing Finance Companies (HFCs) in the housing sector.
10. How do financial institutions contribute to the overall economy?

Unit:3

1. What is the money market?
2. Define the term "call money market."
3. What is the significance of the notice money market?
4. Name some money market intermediaries.
5. What are the tools used for managing liquidity in the money market?
6. What are money market derivatives?
7. How do money market derivatives help manage risk?
8. Give an example of a commonly traded money market derivative.
9. Explain the role of commercial papers in the money market.
10. What are the key characteristics of the money market?

UNIT:4

1. What is a call money instrument?
2. Explain the purpose of notice money in the money market.
3. What are Treasury bills (T-bills)?
4. Define commercial bills in the money market.
5. What are commercial papers?
6. Explain the concept of certificate of deposits (CDs).
7. How do call money and notice money differ from Treasury bills?
8. Differentiate between commercial bills and commercial papers.
9. What is the primary purpose of certificate of deposits in the money market?
10. How are money market instruments different from capital market instruments?

UNIT:5

Capital Market - Primary Market:

1. What is the primary market in the capital market?
2. Name the methods of raising funds from the capital market.
3. Define a public issue in the primary market.
4. Explain the concept of a rights issue.
5. What is private placement in the primary market?
6. Define a preferential issue in the primary market.

Secondary Market - NSE and BSE:

1. What are NSE and BSE?
2. Explain the role of NSE in the secondary market.
3. Discuss the role of BSE in the secondary market.
4. How do NSE and BSE facilitate trading of securities?

Secondary Market - Stock Exchanges and Depositories:

1. Explain the role of stock exchanges in India.
2. What are depositories in the context of the capital market?
3. What is the function of custodians in the capital market?
4. Define a depository participant in the context of the capital market.

Unit :6

1. What are equity shares?
2. What is the difference between primary and secondary securities in the capital market?
3. What is the key characteristic of debentures in the capital market?
4. What do GDR, ADR, and IDR stand for in the context of capital markets?
5. What is a key characteristic of convertible bonds in terms of their features and potential for investment returns?
6. What is the meaning of capital market instruments?
7. What is the difference between primary and secondary securities?

8. What are debentures?
9. What are preference shares?
10. What are derivatives?
11. What are subordinated loans?
12. What are convertible bonds?
13. What is senior debt?
14. What is mezzanine financing?

Unit :7

1. What is the debt market?
2. What is the private corporate debt market?
3. What are PSU bonds?
4. What is the government securities market?

Unit :8

1. What are the challenges associated with low liquidity and shallowness in financial markets?
2. What are the ethical issues in merchant banking?
3. How effective are regulators like RBI (Reserve Bank of India) and SEBI (Securities and Exchange Board of India) in controlling the money market and capital market?

PART B

Short Questions

Unit:1

1. Introduction:

a. Explain the concept of the Indian financial system and its importance in the economy.

b. Discuss the evolution and development of the Indian financial system over the years.

c. What are the key features and characteristics of the Indian financial system?

2. Components of the Formal Financial System:

a. Identify and describe the major components of the formal financial system in India.

b. Discuss the roles and functions of commercial banks, non-banking financial companies (NBFCs), insurance companies, mutual funds, and stock exchanges within the Indian financial system.

c. Explain the significance of regulatory bodies such as the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and Insurance Regulatory and Development Authority of India (IRDAI) in overseeing different components of the Indian financial system.

3. Functions of a Financial System:

a. Define the functions of a financial system and explain how it facilitates the flow of funds in an economy.

b. Discuss the role of the Indian financial system in mobilizing savings and channelizing them into productive investments.

c. Elaborate on the functions of financial intermediation, risk management, and price discovery within the Indian financial system.

4. Key Elements of a Well-functioning Financial System:

a. Identify and explain the key elements necessary for a financial system to function effectively.

b. Discuss the importance of financial stability, transparency, and accountability in a well-functioning financial system.

c. Analyze the role of technology and digital innovations in enhancing the efficiency and inclusiveness of the Indian financial system.

Unit:2

5. Definition of Financial Institutions:

a. Define the concept of financial institutions and explain their significance in the financial system.

b. Discuss the role of financial institutions in mobilizing savings and providing financial intermediation services.

c. Explain how financial institutions facilitate the flow of funds in the economy and support economic growth.

6. Types of Financial Institutions:

a. Describe the functions and services offered by banking institutions in the financial system.

b. Discuss the role of Non-Banking Financial Companies (NBFCs) and their contribution to the Indian financial sector.

c. Explain the concept of Development Financial Institutions (DFIs) and their role in promoting industrial and infrastructure development.

d. Analyze the purpose and functioning of Mutual Funds as investment vehicles in the financial market.

e. Discuss the role of pension funds in ensuring retirement security and managing long-term savings.

f. Elaborate on the services provided by insurance companies and their role in managing risks.

g. Explain the significance of Housing Finance Companies (HFCs) in providing financing for the housing sector.

7. Contribution of Financial Institutions to the Economy:

a. Discuss how banking institutions support economic activities through their lending and deposit services.

b. Explain how NBFCs bridge the gap in credit availability and cater to the diverse financial needs of individuals and businesses.

c. Discuss the role of DFIs in promoting long-term investments, infrastructure development, and industrial growth.

d. Analyze how Mutual Funds mobilize savings and facilitate investments in diverse financial instruments.

e. Explain how pension funds contribute to the stability of the financial system and support long-term investments.

f. Discuss how insurance companies protect individuals and businesses from financial risks and uncertainties.

g. Explain the role of HFCs in promoting homeownership and providing affordable housing finance.

Unit:3

8. Introduction and Meaning of the Money Market:

a. Define the money market and explain its importance in the overall financial system.

b. Discuss the main features and characteristics of the money market.

c. Explain how the money market differs from the capital market.

9. Call/Notice Money Market:

a. Define the call money market and discuss its significance in short-term financing.

b. Explain how call money rates are determined and the role of banks in the call money market.

c. Discuss the notice money market and its role in providing liquidity to participants.

10. Money Market Intermediaries:

a. Identify and describe the key intermediaries in the money market.

b. Explain the functions and roles of commercial banks, non-banking financial companies (NBFCs), and mutual funds in the money market.

c. Discuss the importance of money market mutual funds (MMMFs) as a popular investment option.

11. Tools for Managing Liquidity in the Money Market:

a. Explain the concept of managing liquidity in the money market and its importance for financial institutions.

b. Discuss the role of open market operations (OMOs) and the use of Treasury bills in managing liquidity.

c. Describe the repurchase agreement (repo) market and its significance in managing short-term liquidity.

12. Money Market Derivatives:

a. Define money market derivatives and their purpose in the financial markets.

b. Discuss the types of money market derivatives, such as interest rate swaps and forward rate agreements.

c. Explain how money market derivatives help manage interest rate risk and enhance flexibility in managing liquidity.

Unit :4

13. Call/Notice Money:

a. Explain the concept of call money and notice money in the money market, highlighting their role in short-term financing.

b. Discuss the features and characteristics of call money and notice money transactions.

c. Analyze the factors that influence call money rates and the significance of call money market in managing liquidity.

14. Treasury Bills (T-bills):

a. Define Treasury bills (T-bills) and discuss their features as short-term money market instruments.

b. Explain the process of issuing and trading T-bills and how they help the government manage its short-term borrowing requirements.

c. Discuss the advantages and risks associated with investing in Treasury bills.

15. Commercial Bills:

a. Define commercial bills and their role in facilitating short-term credit for businesses.

b. Discuss the characteristics and features of commercial bills and how they are traded in the money market.

c. Explain the process of discounting and rediscounting of commercial bills and their significance in managing liquidity.

16. Commercial Papers:

a. Define commercial papers and their purpose in the money market as a source of short-term financing for corporations.

b. Discuss the features, eligibility criteria, and issuance process of commercial papers.

c. Analyze the advantages and risks associated with investing in commercial papers.

17. Certificate of Deposits (CDs):

a. Explain the concept of certificate of deposits (CDs) and their role as money market instruments.

b. Discuss the features, types, and maturity periods of certificate of deposits.

c. Analyze the advantages and risks associated with investing in certificate of deposits.

18. Comparison of Money Market Instruments:

a. Compare and contrast the features, purpose, and characteristics of call money, Treasury bills, commercial bills, commercial papers, and certificate of deposits.

b. Discuss the risk-return trade-offs associated with each money market instrument.
c. Explain how these money market instruments contribute to the overall functioning of the money market.

Unit:5

19. Public Issue:

a. Explain the concept of a public issue in the primary market, highlighting its significance for companies looking to raise funds.
b. Discuss the different types of public issues, such as initial public offerings (IPOs) and follow-on public offerings (FPOs).
c. Analyze the advantages and challenges associated with conducting a public issue.

20. Rights Issue:

a. Define a rights issue and explain its purpose in the primary market.
b. Discuss the process and requirements for a company to conduct a rights issue.
c. Evaluate the benefits and limitations of a rights issue for both the company and its existing shareholders.

21. Private Placement:

a. Explain the concept of private placement in the primary market and its role in raising funds.
b. Discuss the characteristics and features of private placement, including the target investors and the regulatory framework.
c. Analyze the advantages and challenges of private placement for companies and investors.

22. Preferential Issue:

a. Define a preferential issue and its significance in the primary market.
b. Discuss the conditions and regulations governing preferential issues.
c. Evaluate the advantages and potential concerns related to preferential issues.

Secondary Market - NSE and BSE: Role of Stock Exchanges

1. Explain the role of the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in the secondary market.
2. Discuss the functions and responsibilities of stock exchanges in India, including facilitating trading, providing liquidity, and ensuring fair practices.
3. Analyze the impact of stock exchanges on the overall capital market and the economy.

4. Compare and contrast the NSE and BSE in terms of their operations, trading systems, and investor base.

Depositories and Custodians: Role in the Capital Market

1. Define depositories in the context of the capital market and their role in securities trading and settlement.
2. Explain the functions and responsibilities of depositories in India, including dematerialization of securities, electronic record-keeping, and transfer of ownership.
3. Discuss the importance of custodians in the capital market and their role in safeguarding and managing securities on behalf of investors.
4. Analyze the benefits and challenges associated with the use of depositories and custodians in the capital market.

Depository Participant:

1. Define a depository participant and its role in the capital market.
2. Explain the responsibilities and services provided by depository participants to investors and issuers.
3. Discuss the process and requirements for becoming a depository participant.
4. Analyze the benefits of utilizing depository participants in the capital market ecosystem.

Unit :6

23. Explain the meaning of capital market instruments and their role in the financial system. Discuss how these instruments facilitate the flow of capital between investors and issuers.
24. Differentiate between primary and secondary securities in the capital market. Discuss the purpose and characteristics of each. Provide examples of primary securities and secondary securities commonly traded in capital markets.
25. Explore the concept of equity shares as a capital market instrument. Discuss the rights and privileges associated with equity shares, the risks involved, and how they represent ownership in a company. Analyze the factors that influence the value of equity shares in the market.
26. Debentures are a popular form of debt instrument in the capital market. Explain what debentures are, their key features, and how they differ from equity shares. Discuss the advantages and disadvantages of issuing debentures for both issuers and investors.

27. Preference shares are another type of capital market instrument. Describe the characteristics of preference shares, including their fixed dividend rates, preferential treatment during liquidation, and absence of voting rights. Discuss the reasons why companies may issue preference shares and the potential benefits for investors.
28. Derivatives are financial instruments derived from underlying assets. Explain the concept of derivatives in the capital market, including futures, options, and swaps. Discuss their role in risk management, hedging strategies, and speculation. Provide examples of how derivatives are used in different industries.
29. GDRs (Global Depositary Receipts), ADRs (American Depositary Receipts), and IDRs (Indian Depositary Receipts) are instruments that facilitate investment in foreign companies. Explain the purpose and mechanism of these instruments, including the benefits they offer to investors and issuers. Discuss the regulatory frameworks governing their issuance and trading.
30. Quasi equity instruments such as subordinated loans, convertible bonds, senior debt, and mezzanine financing play a significant role in capital markets. Explain each of these instruments, their features, and their position in the capital structure of companies. Discuss the risks and benefits associated with these quasi equity instruments for both issuers and investors

Unit :7

31. Introduction to the Debt Market:

a) Define the debt market and explain its role in the overall financial system.

b) Discuss the key participants and their roles in the debt market ecosystem.

c) Analyze the advantages and disadvantages of investing in debt instruments compared to other investment options.

32. Private Corporate Debt Market:

a) Explain the concept of the private corporate debt market and its significance for companies.

b) Discuss the types of debt instruments commonly issued in the private corporate debt market, such as corporate bonds and commercial papers.

c) Analyze the factors that influence the interest rates and pricing of private corporate debt instruments.

d) Assess the risks associated with investing in the private corporate debt market and strategies to mitigate those risks.

33. PSU Bonds Market:

a) Define PSU bonds and their role in the debt market.

b) Discuss the characteristics and features of PSU bonds, including the credit ratings, repayment terms, and interest rates.

c) Explore the reasons why investors choose to invest in PSU bonds and the potential benefits and risks associated with these instruments.

d) Analyze the regulatory framework governing the issuance and trading of PSU bonds in the debt market.

34. Government Securities Market:

a) Explain the government securities market and its significance for governments and investors.

b) Discuss the different types of government securities, such as treasury bills, government bonds, and savings bonds.

c) Analyze the factors that influence the pricing and yields of government securities.

d) Discuss the role of government securities in monetary policy and their impact on the overall economy.

Unit :8

1. Low liquidity and shallowness in financial markets:

a) Define and explain the concept of low liquidity and shallowness in financial markets.

b) Discuss the potential causes of low liquidity and shallowness in financial markets.

c) Analyze the impact of low liquidity and shallowness on market efficiency, price discovery, and overall market stability.

d) Explore possible strategies and measures that can be adopted to address the challenges of low liquidity and shallowness in financial markets.

2. Ethical issues in Merchant Banking:

a) Define merchant banking and explain its role in the financial industry.

b) Identify and discuss the key ethical issues and challenges faced by merchant bankers in their operations.

c) Analyze the impact of unethical practices in merchant banking on market integrity, investor confidence, and the overall financial system.

d) Explore the measures and mechanisms that can be implemented to promote ethical behavior and ensure compliance in merchant banking activities.

3. Effectiveness of regulators like RBI and SEBI in controlling the money market and capital market:

a) Discuss the role and functions of regulators like RBI and SEBI in overseeing and regulating the money market and capital market in India.

b) Evaluate the effectiveness of RBI and SEBI in controlling the money market and capital market, considering factors such as regulatory framework, enforcement mechanisms, and investor protection measures.

c) Analyze the challenges and emerging issues faced by regulators in regulating dynamic and rapidly evolving financial markets.

d) Explore potential strategies and reforms that can be implemented to enhance the effectiveness of regulators in controlling the money market and capital market, ensuring market stability and investor confidence.

PART C

Long Question

1. In 2013-14 PTC Food division decided to enter the fast growing (20-30% annually) snacks segment, an altogether new to it. It had only one national competitor-Trepsico'sTrito. After a year its wafer snack brand-Ringo, fetched 20% market share across the country. Ringo's introduction was coincided with the cricket world cup. The wafer snacks market is estimated to be around Rs. 250 crores. The company could take the advantage of its existing distribution network and also source potatoes from farmers easily. Before the PTC could enter the market a cross-functional team made a customer survey through a marketing research group in 14 cities of the country to know about the snacks of eating habits of people. The result showed that the customers within the age-group of 15-24 years were the most promising for the product as they were quite enthusiastic about experimenting new snack taste. The company reported to its chefs and the chefs came out with 16 flavours with varying tastes suiting to the targeted age-group. The company decided to target the youngsters as primary target on the assumption that once they are lured in, it was easier to reach the whole family. Advertising in this category was extremely crowded. Every week two-three local products in new names were launched, sometimes with similar names. To break through this clutter the company decided to bank upon humour appeal. The Industry sources reveal that PTC spent about Rs. 50 crores on advertisement and used all possible media-print and electronic, both including the creation of its own website,Ringoringoyoungo.com with offers of online games, contests etc. Mobile phone tone downloading was also planned which proved very effective among teenagers. The site was advertised on all dotcom networks. Em TV, Shine TV, Bee TV and other important channels were also used for its advertisement along with FM radio channels in about 60 cities with large hoardings at strategic places. Analysts believes that Ringo's success story owes a lot to PTC's widespread distribution channels and aggressive advertisements. Humour appeal was a big success. The `Ringo' was made visible by painting the Railway bogies passing across the States. It has also been successful to induce Lovely Brothers' Future Group to replace Trito in their Big-Bazaar

and chain of food Bazaars. PTC is paying 4% higher margin than Trepsico to Future group and other retailers. Ringo to giving Trepsico a run for its money. Trito's share has already been reduced considerably. Retail tie-ups, regional flavours, regional humour appeals have helped PTC. But PTC still wants a bigger share in the market and in foreign markets also, if possible.

Answer the following questions:

1. Do SWOT analysis for the company.

2. Frame good strategies for the expansion and diversification of the company

3. What kind of marketing strategy was formulated and implemented for Ringo?

4. What else need to be done by Ringo so as to enlarge its market?

2. India’s economic growth for the financial year 2016 has been estimated at 7.6 per cent as compared with the revised estimate of 7.2 per cent in the previous year, aided largely by growth in the manufacturing sector. If the new projection materialises, India will be the fastest growing major economy in the world, overtaking China. The latest projection is a shade better than the finance ministry’s earlier estimate of seven to 7.5 per cent. However, the GDP growth for the third quarter of this financial year slowed to a four-quarter low at 7.3 per cent. In the second quarter, it had grown by 7.7 per cent. Growth in gross fixed capital formation, a proxy for investment, fell significantly in the third quarter, compared to the second, because of lacklustre private investments. According to data, growth figures were revised sharply upwards for the second quarter from 7.4 per cent; and from seven per cent to 7.6 per cent for the first quarter. 9 To meet the revised figure of 7.6 per cent growth in the entire current year, the GDP has to increase by 7.8 per cent in the last quarter. Economic Affairs Secretary Shaktikanta Das attributed the estimated higher growth to reforms initiated by the government. However, very few economists and market experts were ready to take the official data at face value, which they said was at odds with weak exports, railway freight, cement production, investment and flat order books that pointed to weakness in the economy. “All our qualitative and quantitative data checks suggest that GDP growth decisively decelerated in FY16 as compared to FY15, whilst the GDP data is suggesting that growth accelerated in FY16,” said RitikaMankar Mukherjee, economist, Ambit Capital. In nominal terms, however, GDP would grow just 8.6 per cent in the current financial year, which would make the fiscal consolidation exercise of the

government a tad challenging. At Rs 135.67 lakh crore GDP, fiscal deficit at 3.9 per cent means Rs 5.29 lakh crore. This is over 26,000 crore less than Rs 5.55 lakh crore estimated at the time of the Budget. The Budget had assumed the nominal GDP growth at 11.5 per cent. The Centre's fiscal deficit already stood at Rs 4.88 lakh crore till December of the current financial year. The government will have to restrict it within Rs 41,000 crore (Rs 5.29 lakh crore minus Rs 4.88 lakh crore) in the January-March period. For the next financial year, the government will have to just narrow the gap between the expenditure and the revenue, by over Rs 13,000 crore to retain the target of 3.5 per cent of GDP on the assumption that, in nominal terms, it would also grow the same 8.6 per cent in 2016-17. This should not have been a problem for the government, caught in a dilemma of sticking to the fiscal consolidation road map or deferring it by a year more. However, the government will have to bear the extra burden of Rs 1.1 lakh crore to implement One Rank One Pension for retired Army personnel and the Seventh Pay Commission recommendations. If the government sticks to the plan, the Reserve Bank of India will find it easier to cut the policy rate to spur economic growth. Chief Economic Adviser Arvind Subramanian said agriculture has to be a focus for policy action.

Answer the following questions

1. Elaborate your views on growth of India and its related factors.

2. Do a SWOT analysis of the present economic situation of India.

3. Suggest suitable solutions to achieve the prospective growth.

3.Shalini after acquiring a degree in Hotel Management and business Administration took over her family food processing company of manufacturing pickles, jams and squashes. The business had been established by her grandmother and was doing reasonably well but the fixed operating cost was very high and the cash flow position was weak. She wants to modernaise and diversify it. She approached a financial consultant, who told her that approximately Rs 50 Lakh would be required for modernaisation and expansion programme. He also informed her that the stock market was going through a bullish phase.

Answer the following questions

1) After considering the above discussion, Name the source of finance Shalini should not choose for financing the modernisation and expansion of her food processing business. Give one reason in support of your answer.

2) Explain two other factors she should keep in mind while taking this decision.

4. Mr.VaibhavGarg holds the designation of finance manager in “Jai shree Limited”. Last year performance of his department was as per expectation. Currently, he is preparing financial blue print of the next five years. To Begin with he tired to forecast the sales in the next five years. It is so because it is the sales on which depends the need for the fixed and working capital. Thus an estimate was made with regard to both these items. Similarly he collected data in respect of possible profits in the coming years. In this way one can know how much of capital will be available from within the business. The rest of the funds will be arranged from outside the business. He is also thinking about the sources of finance to be adopted outside the business.

Answer the following questions

1) Identify the concept referred to in the above paragraph. Write any two points of importance of the financial concept, so identified.

5. Arif and Mohammed were twin brothers. Both were MBA students in a renowned institute. They got selection in a multinational company in the last year. Both of them are interested in social activities also. They decided to set up a job in such a way to give employment opportunities to the villagers and they left the job in the MNC. Arif set up a factory in which he produced flour, oil and cotton and could give employment to 80 people. On the other hand, Mohammed opened a show room in nearby town. He engaged himself in trading the goods produced by Arif. The salient features of the business were that he used to sell 100 % pure products at minimum possible price. Efforts of both the brothers were resulted in full support to the development of their area.

Answer the following questions

1) Identify the two factors affecting the fixed capital have been concerning Arif business.

2) Identify any two values being provided to the society.

6. Charitha, after acquiring a degree in Hotel Management and Business Administration, took over her family food processing company of manufacturing pickles, jams and squashes. The business had been established by her great grandmother and was doing reasonably well. However, the fixed operating costs of the business were high and the cash flow position was weak. She wanted to undertake modernization of the existing business to introduce the latest manufacturing processes and diversify into the market of chocolates and candies. She was very enthusiastic and approached a finance consultant, who told her that approximately Rs 50 lakhs would be required for undertaking the modernization and expansion programme. He also informed her that the stock market was going through a bullish phase.

Keeping the above considerations in mind, name the source of finance charitha should not choose for financing the modernization and expansion of her food processing business. Give one reason in support of your answer.

7. Sarah Ltd is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organization and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments. It has taken loan of 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement. The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion identify and explain any four such factors.