**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FOURTH TRIMESTER (Batch 2019-21)**

**END TERM EXAMINATION, OCT- NOV-2020**

|  |  |  |  |
| --- | --- | --- | --- |
| Course Name | **FINANCIAL MARKETS AND SERVICES** | Course Code | FIN 403 |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

Attempt one question from each section.

**Section-A**

**Questions.1 (8 Marks)**

1. The basic function of financial market is to exchange funds, from one party to another. In business world, the demand for funds arises for different purposes and periods. For example, funds for working capital may be required for short period ranging from one month to one year whereas, for fixed assets the funds maturing ten to twenty years may be needed. Hence, there are, in fact, dozens of financial markets; markets for corporate bonds and equity shares, Government and semi-Government securities, mutual funds, markets like; foreign securities, public sector bonds and equities, etc. In fact, the markets in which these funds or securities are traded reflect difference in purposes, maturities and risks. On such basis, discuss the different types of the financial markets.
2. The money market is the place or mechanism where short term funds are raised. These funds are obtained at the varying rates depending upon the sources of funds, the credit standing of the borrowers, maturity period, etc. There is also a secondary market where old outstanding short term claims or securities are traded at the rates determined by demand and supply position of these assets. Money market consists of specialised sub-markets which deal with specific type of short term funds and instruments. Important among these are call money market, treasury bills market, commercial bills market; short term loan market. Elaborate the various participants in the money market on the basis of these specialised sub-markets.
3. Financial Institutions mobilise the savings either directly or indirectly through financial markets, by using various financial instruments and in the process utilising the services of various financial services providers. In this context, explain the various components of Financial system.

**Section-B**

**Questions.2 (8 Marks)**

1. Corporate advisory services are needed to ensure that a corporate enterprise runs efficiently at its maximum potential through effective management of financial and other resources. It also rejuvenates old-line companies and ailing units and guides existing units in locating areas/activities of growth and diversification. Merchant Bankers provide these services. The corporate advisory services represent an important component of the portfolio of the activities of merchant bankers. Explain the various corporate advisory services, for a business enterprise.
2. Any takes place with a number of motivations, culminating in a positive synergy (2+2=5 relationship). This means that the performance of the combined company is more than the sum of the two independent companies. Similarly, examine the other motives behind takeovers.
3. Credit rating is considered predominantly in respect of debt instruments only. In addition to this, lenders like banks and non-banking finance companies use internally developed credit rating score models in assessing credit worthiness of their borrowers or depend on even rating agencies to get rating for the same. The companies which issue debt instruments cannot on their own rate instruments. The rating of debt instruments offers benefits to the interested parties such as investors, issuers and intermediary agencies like brokers etc. Discuss the benefits of credit rating.

**Section-C**

**Questions.3 (8 Marks)**

1. Factoring contract is like any other sale purchase agreement regulated under the law of contract. The and conditions on which factor agrees to purchase the debts from seller are mutually settled keeping in view the business connections and customs. Discuss the mechanism of factoring.
2. Home loans to individuals are mainly provided by banks and housing finance companies in India. These institutions have formulated their own schemes of financing and laid down their own terms and conditions, which differ from each other in respect of details. But the underlying features of all home loans are basically the same. Elaborate the special features of home loans and main terms and conditions as prescribed by the housing finance companies.
3. An individual becomes a policyholder after he/she buys a life insurance product. Protection of the individual’s interest starts once he/she gets interested in buying a life insurance product. The individual clearly has considerably less knowledge about the product than the insurer or his intermediary. People expect to be able to evaluate and buy a product in a truly competitive market with the confidence that there is a regulatory system that will provide an environment of trust. In this regard explain IRDA regulations for policyholders’ protection.

**Section-D**

**Questions.4 (8 Marks)**

1. Existing as well as new companies raise funds through various sources for implementing their projects. One of the sources of raising funds is mobilising capital by issuing securities. Discuss other methods of rising funds.
2. After the closure of the Issue, Lead Manager has to manage the Post-Issue activities pertaining to the Issue. He is to ensure the submission of the *post issue monitoring report* as desired by SEBI. Discuss the various post issue activities of the lead managers.
3. A lease is a contract whereby the owner of an asset (the lessor) grants to another person (the lessee) exclusive right to use the asset for an agreed period of time, in return for the payment of a rent (called lease rental). Discuss the various benefits derived by the lessee by acquiring the assets on lease basis, as compared to buying the same.

**Section-E**

**Questions.5 (8 Marks)**

1. Schemes of mutual funds refer to the products they offer to investors. Investors are to choose out of such schemes as per their objectives of earnings. Mutual funds adopt different strategies to achieve these objectives and accordingly offer different schemes of investments as per the need of investors. Advice the various types of mutual fund schemes to the investors.
2. The term “Derivative” indicates that it has no independent value, i.e., its value is entirely “derived” from the value of the underlying asset. The underlying asset can be Financial Markets

securities, commodities, bullion, currency, livestock or anything else. Elaborate the various types of derivative instruments.

1. An investment bank is a special type of financial institution that aims to help companies access capital markets to raise money and take care of other business needs. For example, if Coca-Cola Enterprises wanted to sell $10 billion worth of bonds to build new bottling plants in Asia, an investment bank would help it find buyers for the bonds and handle the paperwork, along with a team of lawyers and accountants. Investment banks can also be involved in initial public offerings (IPOs) when a private market goes public and lists one of the exchanges. Discuss the various types of investment banks and their functions.