

2020

TWO YEAR M. COM. SEMESTER 3 EXAMINATION

(New Syllabus under CBCS)

Instructions for Examinees

The students are required to strictly adhere to the following instructions:

1. Use A4 size paper for giving the examination.
2. Write the following on the top of the first page of answer sheet:
 - i) Roll Number: (as per the Admit Card)
 - ii) Registration Number: (as per the Admit Card)
 - iii) Paper Code and Name of the Paper
 - iv) Date of the examination
 - v) Duration of examination (12 noon to 2pm)
3. Put page number on the top right of each page (including the first page).
4. Only one side of the paper should be used for examination.
5. Put your signature with date, at the bottom right of every page used.
6. Before sending your answer scripts, arrange the pages sequentially. Scan them in the order of page number and convert them into a single pdf. file.
7. Pdf. file name should be your **Full Roll Number <underscore> paper code**. While submitting the answer scripts, the subject of the mail will be exactly the same with the file name. [e.g., if the roll no of a student is C95/MCM/123456, for third paper (Paper Code CC303) the file name will be: C95/MCM/123456_CC303
8. Submit your answer scripts in pdf. format within the stipulated time through designated email id given to you.
9. Preserve your answer scripts in soft as well as hard-copy form of all the papers of your examination.

2020

COMMERCE

Paper – CC 303

Subject: Financial Markets and Financial Engineering (FMFE)

Full Marks -40

The figures in the margin indicate full marks

Candidates are required to give their answers in their own words as far as practicable

Time: 2 Hours

Duration of Examination: 12noon to 2pm

Module - I

Answer *any two* questions

1. (a) 'Financial markets, financial services and financial instruments are integral parts of the financial system' ----Critically Examine.
(b) Distinguish between direct securities and indirect securities.

5 +5
2. (a) Give a brief idea on qualified institutional buyers (QIBs) and ASBA
(b) Distinguish between the public issues and rights issues.

5 +5
3. (a) Discuss in brief 'Red Herring Prospectus' and 'Prospectus' in the context of book building method of public issues as per the provision of the SEBI (ICDR) Regulations, 2018.
(b) Price based auction of an existing 364 days T-Bill 8.24% T-Bill 2019
 - Maturity Date: September 2, 2019
 - Coupon: 8.24%
 - Auction date: September 4, 2018
 - Auction settlement date: September 5, 2018 [*settlement is done on September 5, 2018 under T+1 cycle*]
 - Notified Amount: Rs.5000 crore

Bidder	Price of Bid	Amount of Bid (Rs. in Crores)
A	100.75	1500
B	100.73	1000

C	100.71	1250
D	100.70	750
E	100.69	500
F	100.69	500
G	100.65	750
H	100.62	500

You are suggested to find out the

- (i) cut-off price under Uniform Price Based or Dutch auction method and
- (ii) cut-off price under Multiple Price Based or French Auction method.

4 +6

4. (a) Discuss briefly the allotment process of book-building issues as per the provision of the SEBI (ICDR) Regulations, 2018 with suitable example.
- (b) X Company Ltd., a listed company, offers an FPO of equity shares under 'pure auction method' where face value of the equity shares is Rs. 10 and floor price is Rs. 800 decided by the BRLM. In this situation, explain as to whether there is any scope to decide the price band and the cap of the price band with reference to SEBI (ICDR) Regulations, 2018 in the context of cut-off price decision of FPO.

8 +4

Module - II

Answer *any two* questions

5. (a) Mention the important factors contributing to the growth of financial engineering?
 - (b) Discuss briefly the different types of derivative securities.
- (4+6)
6. (a) What are the essential features of a forward contract?
 - (b) Mention the important limitations of a forward contract.
 - (c) A six-month forward contract on a non-dividend paying stock is available at Rs. 340 and the risk free interest rate (with continuous compounding) is 12% p.a. Calculate the forward price. [Given $e^{0.06} = 1.0618$]

4+2+4

7. (a) Make a comparison between futures contract and option contract.

(b) An investor has bought a futures contract on the stock of M Ltd. at Rs.410. Each contract consists of 400 shares. The initial margin is set by the Exchange at 5%, while the maintenance margin is 90% of the initial margin. Clearing prices of the stock for next 10 days are given below:

Day	1	2	3	4	5	6	7	8	9	10
Price (Rs.)	410	420	400	390	440	441	450	460	455	465

Assume that on the 10th day, the investor squares off his position at Rs.465. Find out the gain and losses of long and short positions of the investor. You are requested to show all necessary calculations.

4+6

8. (a) Shares XYZ Ltd. are presently quoted at Rs.100. The 3 Month Call Option carries a premium of Rs.15 for an Exercise Price of Rs.120 and a 3 Month Put Option carries a premium of Rs.20 for a strike price Rs.120. If the spot price on the expiry date is in the range of Rs.90 to Rs.160 with an interval of Rs.5, calculate Net Pay-Off for both call option and put option from the option buyer's perspective and option writer's perspective.

(b) Write note on Butterfly Spread Option Strategy.

8+2