FINANCIAL MARKET

1. Name the kind of issue in which shares are offered to existing shareholder.

Ans. Right Issue.

2. Give example of any two financial intermediaries.

Ans. a) Banks. b) Financial markets.

3. give examples of any two money market instruments.

Ans. a) Commercial Paper. B) Call Money.

4. what was the traditional system of trading on a stock exchange?

Ans. Outcry or auction system

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5. What are the two basis on which transactions on a stock exchange may be carried out?

Ans. Cash basis or Carry over basis.

6. Give names of any two places where regional offices of SEBI is located.

Ans. a) Chennai b) Delhi

7. What is the settlement cycle in NSE.

   a) T+2

8. the director of a newly established company having paid up equity share capital of 25 crores desire to get its shares traded at all India Level Stock exchange. As finance Manager of the company, Suggest the name of stock exchange for the purpose. Give any 3 reasons in support of your answer.

Ans The company should get its share listed at OTCEI. The main features of OTCEL are the following-

1) Nation-wide listing, Listing on one exchange one can have transactions with all the counters in the whole country.
2) Exclusive list of companies, on the OTCEL only those companies are listed whose issued capital is 30 Lakh or more.
3) Investor's registration- All the investor doing transactions on the OTCEL have got to register themselves compulsorily.
4) Transparency in transactions- All the transactions are done in the presence of the investor. The rates of buying and selling can be seen on the computer screen.

9. "Securities and exchange Board of India (SEBI) is the watchdog of the securities market." Do you agree ? Give four reasons in support of your answer.

Ans: Hints:- 1) regulatory functions of SEBI.

Que11:- The director of a company want to modernize its plants and machinery by making a public issue of Shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advice the directors whether to approach stock exchange ro a consultant for new public issue of shares and why? Also advise about the different methods which the company may adopt for the new public issue of shares.

Ans: the directors should approach the consultant for the new public issue of shares as the company wish to make new public issue of shares to modernize its plants and machinery.

Following are the methods which the company may adopt for the new public issue of shares:

i) Right Issue: Since it appears from the question that the company is an existing company as it wants to modernize its plant and machinery, the company by statute is required to offer these shares first to the existing shareholders in proportion to their holdings. If the existing shareholders do not take these shares then company can resort to other methods as given below.

ii) Public Offer through Prospectus: Under this method, the company can directly offer its shares to the public at large after issuing prospectus.

iii) Offer for sale: In this case, an intermediary buys all the shares from the company at agreed price and offers it to the investors at a higher rate.

iv) Private Placement: In this case also an intermediary buys the shares from the company but offers it to only a selected few for sale.

Que12: the directors of a newly established company having a paid up equity share capital of Rs 25 crores, desire to get its shares traded at an all India level stock exchange. As finance manager of the company, suggest the name of the stock exchange for the purpose. Give any 3 reasons in support of your answer.

Ans: In the given situation, I would recommend the shares of the company to be listed at the outlet the counter exchange of India(OTCEI). The reasons are:

i) In the OTCEI, there is an existence of compulsory market makers(banks/financial institutions) that buys/sells securities of the selected companies which improves the liquidity of the securities.

ii) The Company has a paid-up share capital of less than Rs3crores.

iii) Less stringent conditions are applicable for listing of the securities as compared to those applicable for listing in National Stock exchange of India.