

MBGN 4001/
MBFM 4001/IN 4001/
MBLG 4004

M.B.A. DEGREE EXAMINATION,
DECEMBER 2016/JANUARY 2017.

Fourth Semester

General / Finance / Insurance Management /
General (Lateral)

INVESTMENT AND PORTFOLIO MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of the following.

1. Explain the basics of Investment.
2. What is meant by CAPM?
3. Discuss the Dividend Policy.
4. Explain Markowitz theory of portfolio construction.
5. What is meant by Portfolio diversification?

6. Write a note on Portfolio Analysis.
7. Explain Sharpe's Single Index Model.
8. Examine Arbitrage Pricing Model.

PART B — ($5 \times 10 = 50$ marks)

Answer any FIVE questions out of the following.

9. Describe the Investment Categories.
10. Analyse the changes in the Financing Patterns of Indian Companies.
11. Explain the Dow Theory.
12. Bring out the significance of Fundamental Security Analysis.
13. Discuss the Efficient Market Theory.
14. Explain the Industry Growth Cycle.
15. Explain the Construction of the Optimal Portfolio.
16. Examine Portfolio Performance Model.

PART C — ($1 \times 20 = 20$ marks)

(Compulsory)

17. Case study :

Choosing the Best Portfolio

You are given the following information and asked to choose the best portfolio for your client

Portfolio	Beta	Correlation of the return with index return
A	1.3	1
B	-0.7	-0.8
C	1.1	0.7

- (a) Advise him on which portfolio has unsystematic risk.
- (b) Suggest the highest yielding return portfolio in normal market condition based on CAPM and explain your choice.

MBFM 4002

M.B.A. DEGREE EXAMINATION,
DECEMBER 2016/JANUARY 2017.

Fourth Semester

Finance

GLOBAL FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Describe the important areas of study under international finance.
2. Explain the Bretton Woods System of exchange rates.
3. What is Balance of Payments?
4. Discuss the significance of the BOP statement.
5. Describe the factors that favour internationalization of financial transactions.
6. What are GDRs and ADRs?
7. What is operating exposure?
8. What is Foreign Direct Investment (FDI)?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Briefly describe the different exchange rate systems which were experimented at different times in the world.
10. "A variety of funding facilities are made available by the IMF to suit the different needs of member countries". Elaborate.
11. What is capital account? Explain the structure of capital account.
12. Describe the important international money market instruments.
13. What are the segments of the international financial market?
14. Describe briefly the contractual hedges used for hedging transaction exposure.
15. Explain the Product cycle theory and eclectic theory of FDI.
16. "The decision to make foreign direct investments is the result of a strategic response to an internal or an external stimulus." Explain.

PART C — (20 marks)

Compulsory.

17. The following is the condensed version of the Balance Sheet of a Multinational Company. Translate the Balance Sheet into the Reporting Currency using Temporal Method.

Its Functional Currency is USD and Reporting Currency is DM

The Closing Rate is 0.3350 DM/USD and

The Historical Rate is 0.3490 DM/USD.

Assets	Amount in USD	Liabilities and Net Worth	Amount in USD
Cash	50,000	Owners' equity	1,00,000
Inventory	25,000	Retained earnings	20,000
Fixed assets	25,000	Other current	
Plant and equipment	30,000	liabilities	10,000
Accounts receivable	15,000	Long Term Debts	5,000
		Accounts payable	10,000
Total	<u>1,45,000</u>	Total	<u>1,45,000</u>

MBFM 4003/MBLF 4003

M.B.A. DEGREE EXAMINATION,
DECEMBER 2016/JANUARY 2017.

Fourth Semester

Finance

INTERNATIONAL TRADE AND FINANCE

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. What are the benefits and barriers to international trade?
2. What is meant by Letter of Credit? State its various types.
3. What are factors influencing foreign exchange rate? State the tools available for hedging against exchange rate variations.
4. Explain the different types of bill of exchange.
5. What is meant by Export promotion? Explain its objectives.
6. Explain the features of Purchasing Power Parity Theory.

7. Explain the different types of Pre-shipment and post shipment of finance.

8. Explain the objectives and benefits of SEZ.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Examine the causes for disequilibrium of the balance of payments. Make a comment on ways to correction of the disequilibrium.

10. Discuss the role of EXIM bank and ECGC in export financing.

11. Explain the objectives and features of FEMA.

12. Define Export Documentation. Explain various types of documents used in export of goods.

13. Discuss the features of EPCG and DEPB Schemes.

14. What is Bill of Lading? Explain its importance and types.

15. Explain Interest Parity Theory with its implications.

16. What is Forfeiting? Explain its mechanisms, advantages and disadvantages.

PART C — (1 × 20 = 20 marks)

Compulsory.

17. A manufacturer of Handloom products is planning to enter international markets. He has a well established domestic business and wants to go overseas.

Discuss:

(a) The ways in which he can go International.

(b) What environmental analysis he has to undertake to understand the overseas markets?

(c) The organizations he can approach which can guide him and facilitate his export efforts.

MBFM 4004/MBLF 4004

M.B.A. DEGREE EXAMINATION,
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Fourth Semester

Finance

Paper XIX — SECURITY MARKET OPERATIONS

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Describe the provisions of the Securities Contracts (Regulation) Act, 1956 regarding the powers of the Central Government to supersede the Governing Body of a recognized Stock Exchange and the consequences of such supersession.
2. Explain the various services of merchant bankers.
3. What is meant by listing of securities? Explain the pre-requisites for listing securities in the stock exchanges in India.
4. Explain the functions of NSDL.
5. What is meant by Treasury Bills? Explain its qualities and advantages.

6. Explain the provisions of Depositories Act, 1996.
7. Explain the features of Sweat equity shares, Easy Exit Bond and Debt for Equity Swap.
8. What is GDR? Explain the process of floating a GDR issue.

PART B — ($5 \times 10 = 50$ marks)

Answer any FIVE questions.

9. Explain the provisions of SEBI Act, 1992 relating to securities.
10. Explain the role of SEBI to regulate the secondary market.
11. Explain various functions of stock exchanges.
12. What is meant by 'Depository' and 'Depository participant'? Explain the role and advantages of Depository.
13. Explain about: Secured Premium Notes, Zero Coupon Convertible Notes, Capital indexed bonds and Foreign Currency Convertible Bond.
14. What is Insider trading? What are the penalties for insider trading? Explain the advantages of Internet trading.

Niskalp Investment and Trading Co. Ltd., and other associate companies. Niskalp and the associate companies were found to have deployed a substantial part of these funds in trading/speculative activities in certain specific scripts in the stock market. These activities have also led to sizable losses in Niskalp and the associate companies.

Questions:

- (a) What issues relate to insider trading in the case?
 - (b) How can regulators curb such insider trading activities even before receiving an indication from the company?
 - (c) What are the implications of the case proceedings for investor protection?
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15. Explain the Importance and Functions of underwriting. State Reasons for slow progress of underwriting in India.
16. Describe RBI rules and guidelines for FIIs.

PART C — (1 × 20 = 20 marks)

Compulsory.

17. SEBI's investigation when it received a complaint from data finance Limited (TFL) alleging various irregularities and violations committed by Dilip Pendse former managing Director of TFL, relating to disclosure of the letter of offer of March 2001 for its rights issue of convertible preference shares. Accordingly SEBI had ordered an investigation into the allegations of insider trading and violations of fraudulent and unfair trade practices. A preliminary inquiry by an independent chartered accountant (AF Ferguson) has reversal several operational lapses and irregularities committed by the earlier management team. SEBI also probed the alleged circular trading based on an inspection of the books of the finance company. The probe was initially instituted after the regular came across a Tata Finance.

SEBI had found Dilip Pendse, guilty of violating the SEBI (Insider Trading) Regulations, 1992, by using unpublished, price -sensitive information. Pendse communicated information to his wife Anuradha Pendse and an acquaintance, Anjali Beke, which was not in ordinary course of business. Anuradha Pendse, Beke and their companies- Nalini Properties Pvt Ltd and Anjudi Properties Pvt Ltd -are alleged to have sold 2,90,000 Tata Finance share based on this information. SEBI also found brokers, Jhunjhunwala (JSBPL) and Malini Sanghvi (MSSPL) guilty along with Anuradha Pendse, Anjali Beke and a few others. They were found to have violated the provisions of Regulation 6(d) of SEBI (prohibition of Fraudulent and Unfair Trade Practices to Securities Market (Regulation), 1995. Brokers Jhunjhunwala and Malini Sanghvi gave ante — date contracts in Form B to the sellers. The brokers, in turn, issued the contracts to the ultimate buyers, India Emerging and Securities. SEBI found the back-dating and falsification of the contract notes, bills and books of accounts was done with a view to create an illusion that the transactions had taken place only during September 2000 even though the transaction had actually taken place in March 2001. By doing so, Jhunjhunwala, Malini Sanghvi, Anuradha Pendse,

Nalini Properties, Anjudi Properties, Anjali Beke, India Emerging and Sarjan Securities have violated the provisions of a SEBI's Fraudulent and Unfair Trade Practices regulations.

Other than the SEBI, the Reserve Bank of India had also undertaken a routine inspection of TFL's accounts. The Departments of Company Affairs had also consulted the Reserve Bank of India and other regulators in connection with financial irregularities involving TFL and the Ferguson report. SEW has, in December 2003, prohibited Dilip Pendse from dealing in securities and associating with the market for six months on the establishment of insider trading charges. This insider trading investigation is not linked to the main dispute, viz. Tata's allegation that Pendse siphoned off over Rs.430 crores through fraudulent transactions when he was the managing director of TFL. The Tata group, investigating into the mismanagement of funds at TFL, suspected criminal breach of trust, falsification of accounts and cheating against those involved. Tata finance terminated the services of five senior executives of the company based on these allegations. They were involved in "unauthorised financial transactions" along with the former managing director, Dilip Pendse. These transactions include diversion of funds to Tata Finance's subsidiary,

MBFM 4005/
MBLF 4005

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Fourth Semester

Finance

FINANCIAL DERIVATIVES

Time : Three hours

Maximum : 100 marks

SECTION A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Explain the features of Financial Derivative.
2. Distinguish Forward Contract Vs Future contract.
3. States various determinants of Option Prices.
4. Explain different types of SWAPs.
5. Explain the functions of Future Market.
6. Discuss Future Market Trading Mechanism.
7. Explain the concept of Hedging.
8. Write a short note on Badla system in Indian stock market.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Discuss the market structure and trading systems derivation market.
10. Describe different categories of Derivatives Traded in India.
11. "Stock Index Futures as a Portfolio Management Tool" Comment on this statement.
12. Discuss the evolution of Future Market in India.
13. Discuss the basic principles of Option Trading.
14. Discuss Forward Trading Mechanism in India.
15. Write a short note on :
 - (a) Derivatives
 - (b) Currency SWAP.
16. Write a short note on :
 - (a) Operation of Margin
 - (b) Price Risk.

SECTION C — (1 × 20 = 20 marks)

(Compulsory)

17. "Financial Derivatives Market is a tool for the development of Indian Economy" – Elucidate this statement.
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