

The figures in the margin on the right side indicate full marks.

Please answer all bits of a question at one place.

SECTION I

(CAPITAL MARKET ANALYSIS)

Answer *Question No. 1* which is compulsory and any two from the rest in this section.

1. (a) In each of the cases given below one out of four is correct. Indicate the correct answer (= 1 mark) and give your working/reasons briefly (= 1 mark): 2x5
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|---|-----|
| <p>(i) ASHEEKA LTD. has an excess cash of Rs. 8,00,000 which it wants to invest in short-term marketable securities. Expenses relating to investment will be Rs. 20,000. If the securities invested will have an annual yield of 9%, what would be the period of investment so as to earn a pre-tax income of 5%? (Ignore time value).</p> <p>A. 6.5 months
B. 9.75 months
C. 10 months
D. None of (A), (B), (C)</p> | (0) |
| <p>(ii) The stock of SUVALAXMI LTD. (FV Rs. 10) quotes Rs. 520 on NSE and the 3 months futures price quotes at Rs. 532. The borrowing rate is given as 15% p.a. What would be the theoretical price of 3 month Suvalaxmi Futures if the expected annual <u>dividend</u> yield is 25% p.a. payable before expiry?</p> <p>A. Rs. 540.00
B. Rs. 539.00
C. Rs. 537.00
D. Insufficient data</p> | (0) |
| <p>(iii) MR. KUMAR is a <u>fund</u> manager of an equity fund which is expected to provide <u>risk premium</u> of 10% and standard deviation of returns of 16%. MISS AKRITA, a client of Mr. Kumar choose to invest Rs. 70,000 in equity fund and Rs. 30,000 in T-Bills. If T-Bills are trading at 7% p.a., the expected return and standard deviation of return on the portfolio of Miss Akrita will be</p> <p>A. 12% and 10%
B. 14% and 11.20%
C. 14.5% and 11.26%
D. None of (A), (B) and (C).</p> | (0) |
| <p>(iv) The NAV of each unit of a closed-end fund at the beginning of the year was Rs. 15. By the year end, its NAV equals Rs. 15.40. At the beginning of the year, each unit was selling at a 3% Premium to NAV. By the end of the year, each unit is selling at a 5% discount to NAV. The fund paid year end distribution of Income and Capital gains of Rs. 2.40 on each unit. The rate to return to the investor in the fund during the year is</p> | (0) |

- A. 9.861%
- B. 10.226%
- C. 11.512%
- D. 11.916%

- (v) SOFTEX LTD. has both European call and put options traded on NSE. Both options have an expiration date 6 months and exercise price of Rs. 30. The call and put are currently selling for Rs. 10 and Rs. 4 respectively. If the risk free rate of interest is 6% p.a., what would be the stock price of Softex Ltd.? [Given PVIF (6%, 0.5 yrs) = 0.9709] (0)
- A. Rs. 35.13
 - B. Rs.40.87
 - C. Rs. 45.50
 - D. Incomplete Information

- (b) Choose the most appropriate one from the stated options and write it down. (Only indicate A, B, C, D as you think correct): 1x5

- (i) A process of investment by a sponsor or a syndicate of investors/sponsors directly in a company is referred as (0)
- A. Bought out deal
 - B. Buy Back of shares
 - C. Irredeemable preference shares
 - D. Deferred shares

- (ii) A broker has bought 10000 ABC shares at Rs. 200 and sold 8000 shares at Rs. 190 on the same day. The margin he has to pay is (0)
- A. Gross exposure margin
 - B. Special margin
 - C. Mark to market margin
 - D. Concentration ratio margin

- (iii) According to [SEBI](#) guidelines (0)
- A. All the new issues should be in the depository mode
 - B. All the "A" group shares should be traded through NSDL
 - C. All the "B" group shares should be traded through NSDL
 - D. All the above are true

- (iv) The members of SEBI are appointed by (0)
- A. Chairman of SEBI
 - B. The chairman of the Stock exchanges
 - C. Central Government
 - D. Reserve Bank of India

- (v) An investor owning a stock wants to retain the upside potential of the stock. At the same time he wants to limit his loss if the stock price falls. What should he do? (0)
- A. Buy a put option
 - B. Buy a call option

- C. Buy a call option and buy a put option
- D. Sell a call option and buy a put option.

(c) Fill up the blanks with appropriate answers:

- (i) The Cyber law of India is contained in _____ Act _____. 1/2+1/2 (0)
- (ii) In the case of new ULIP, IRDA has permitted partial withdrawal by a client only after _____ years. 1 (0)
- (iii) Every recognised stock Exchange is required to furnish to _____ with a copy of the Annual report with prescribed particulars as per the requirements of the Securities Contracts (Regulation) Act, 1956. 1 (0)
- (iv) The Information Technology Act, 2000 has legalized the _____ and gives it the status of being valid form of carrying out _____ in India. 1/2+1/2 (0)
- (v) SBTS stands for _____. 1 (0)

2. (a) Who is a Depository Participant (DP)? Name some benefits enjoyed by an investor when he buys/sells in the depository mode. 2+5 (0)

(b) The stock research division of VCK INVESTMENT SERVICES LTD. (VCKISL) has developed ex-ante probability distribution for the likely economic scenarios over the next one-year and estimates the corresponding one period rates of return on Stock A, Stock B and Market index as follows: 3+6+4 (0)

Economic Scenario	Probabilities	One period rate of return (%)		
		Stock A	Stock B	Market
Recession	0.15	-15	-3	-10
Low growth	0.25	10	7	13
Medium growth	0.45	25	15	18
High growth	0.15	40	25	32

The expected risk-free real rate of return and the premium for inflation are 3% per annum respectively.

You, as an ANALYST of VCK investment Services Ltd. as required to:

- (a) Calculate the following for Stock A and Stock B;
 - (i) Expected return
 - (ii) Covariance of returns with [the market](#) returns
 - (iii) Beta (β)
- (b) Recommend for fresh investment in any of these two stocks. _____ Show all the necessary calculations.

3. (a) When does a market-wise circuit breaker system apply? 6 (0)

(b) The following quotes are available for 3 months options in respect of a share currently traded at Rs. 31. 4+3 (0)

Strike price	Rs. 30.00
Call option	Rs. 3.00

Put option Rs. 2.00

An investor devises a strategy of buying a call and selling the share and put option.

- (i) What is his profit/loss profile if it is given that the rate of interest is 10% per annum?
- (ii) What would the position if the strategy adopted is selling a call option and buying the share and a put option?

[Given PVIF (10% 0.25 years) = 0.9756]

(c) Consider the data given below:

BSE Index	5000
Value of portfolio	Rs. 5,05,000
Risk free interest rate	9% per annum
Dividend yield on Index	6% per annum
Beta of Portfolio	1.5

We assume that a future contract on the BSE index with four months maturity is used to hedge the value of portfolio over next three months. One future contract is for delivery of 50 times the index.

Based on the above information calculate:

- (i) Price of future contract
- (ii) the gain on short futures position if the index turns out to be 4500 in three months.

4. (a) Explain the term 'Beta as a measure of the systematic risk of a security.

(b) MRS. ANUPAMA on 1.7.2006, during the initial offer of SUN MUTUAL FUND invested in 10000 units having face value of Rs. 10 for each unit. On 31.3.2007 the dividend operated by the Sun Mutual Fund was 10% and Mrs. Anupama found that her annualized yield was 153.33%. On 31.12.2008, 20% dividend was given. On 31.3.2009 Mrs Anupama redeemed all her balance of 11296.11 units when her annualized yield was 73.52%. (Assume that dividends are reinvested).

Required:

What are the NAVs as on 31.3.2007, 31.12.2008 and 31.3.2009?

(c) MR. SMITH inherited the following securities on his uncle's death:

Type of security	Nos.	Annual coupon%	Maturity years	Yield
Bond A (Rs. 1,000)	10	9	3	12
Bond B (Rs. 1,000)	10	10	5	12
Pref. shares C (Rs. 100)	100	11	–	13*
Pref. shares D (Rs. 100)	100	12	–	13*

On 31st March, 2008 all three investors redeemed all the balance units.

You are required to calculate the annual rate return for Mr. Hari, Mr. Saxena and Mrs. Rawat after taking into consideration the following information:

3+4 (0)

7 (0)

3+2+2 (0)

2+2+1+1 (0)

- (i) Long-term capital gain is exempt from Income-tax.
- (ii) Short-term capital gain is subject to 10% Income-tax.
- (iii) Security Transaction Tax @ 0.2% only on sale/redemption of units.

* Likelihood of being called at a premium over year.

Required:

Compute the current value of Portfolios of Smith's uncle.

[Given PVIFA (12%, 3 yrs.) = 2.402, PVIFA (12%, 5 yrs) = 3.605]

[Given PVIF (12%, 3 yrs.) = 0.712, PVIF (12%, 5 yrs.) = 0.567]

SECTION II

(CORPORATE LAWS)

Answer *Question No. 5* which is compulsory and any two from the rest in this section.

5. (a) Choose the most appropriate one from the stated options and write it down (only indicate A, B, C, D 1x5 as you thing correct):

- (i) A public information officer shall as expeditiously as possible provide information from the date of receipt of request but in any case within (0)
 - A. 15 days
 - B. 30 days
 - C. 45 days
 - D. 60 days
- (ii) Under Context of corporate governance, Narayana Committee was formed in the year (0)
 - A. Rs. 5 lakh
 - B. Rs. 10 lakh
 - C. Rs. 25 lakh
 - D. Rs. 50 lakh
- (iii) In the Context of corporate governance, Narayana Committee was formed in the year (0)
 - A. 2002
 - A. 2003
 - C. 2004
 - D. 19999
- (iv) An ordinary resolution is one which is passed in a general meeting by (0)
 - A. a simple majority of votes including the casting vote of the chairman
 - B. 3/4th majority of votes
 - C. 2/3rd majority of votes
 - D. None of the above.
- (v) In the context of classification of risk, tax risks will fall under _____. (Fill in the gap from the below). (0)

- A. Credit Risks
- B. Liquidity Risk
- C. Disaster Risks
- D. Legal Risks

- (b) State whether each of the following statements is True (T) or False (F): 1x5
- (i) An entity is to obtain certificate from a company secretary as to compliance of conditions of corporate Governance as provided in clause 49 of the listing agreement. (0)
 - (ii) Related party transactions means a transfer resource or obligations between related parties regardless of whether or not a price is charged. (0)
 - (iii) SEBI had in the revised clause 49 of the listing agreement mandated that at least 30% of the Board of a listed company comprise of independent Directors. (0)
 - (iv) An index of members must be maintained by a company when its membership exceeds 100. (0)
 - (v) Without the sanction of the Tribunal, the liquidator of a company can appoint an agent to do any business which he is unable to do himself. (0)
6. (a) State the importance of a remuneration committee in the context of corporate Governance. What are the responsibilities normally assigned to such Committee? 3+3 (0)
- (b) What are the additional requirements stipulated in section 292A of the Companies Act., 1956 which are silent in clause 49 of the Listing Agreement? 3 (0)
- (c) It is said that after the risk identification takes place, the actions involved in pinpointing suitable responses to the risk are broadly of five types. Elaborate on these five types of actions. 1+5 (0)
7. (a) The Board of directors of Vivitha Pharma Ltd., decide to terminate the services of Mr. Upadhyay, employed as General manager. Mr. Upadhyay is occupying a flat owned by the company at Kolkata. The company fears that he may not vacate the flat. The Board desires to know the action to be taken under the Companies Act, 1956 to reassume possession of the flat. Advise appropriately. Will your answer be different if the flat is not owned by the company, but has been taken on lease? 4 (0)
- (b) Vasudha Footwear Ltd. is of the view that XYZ Co. Ltd., is abusing the dominant position in the footwear industry. It wishes to lodge a complaint against XYZ Co. Ltd., before the Competition Commission. Briefly elucidate the factors which the commission will consider to ascertain whether XYZ Co. Ltd., is enjoying a dominant position in the footwear industry. 6 (0)
- (c) Mr. Janak who had been appointed as director in Madhav Marbles Ltd., was to retire by rotation on 21st August, 2008. Due to reasons beyond the company's control, annual general meeting could not held on scheduled date. Further, in the adjourned meeting also, the vacancy could not be filled up. You are required to ascertain whether under the provisions of the Companies Act, 1956, Mr. Janak shall be deemed to have vacated office on 21st August, 2008 when the annual general meeting was scheduled to be held or whether it will be deemed that he has been reappointed. 5 (0)
8. (a) Vasudha Group of Companies has under its fold, two public limited companies and a private limited company (which is a subsidiary of one of the public limited companies). The Group to appoint Mr. NABIN as the managing director for all the three companies in its Group. Briefly advise the Group, with reference to the provisions of the Companies Act, 1956, whether and how the same is permissible. 5 (0)

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| (b) "A promoter stands in a fiduciary relation towards the company, he promotes" —Explain. | 3 (0) |
| (c) What are the important elements of Good Project Governance? | 7 (0) |