

Question Paper Set of

S.Y.B.F.M. – Sem-IV

Regular Exam

University of Mumbai

April, 2019

SYBFM Sem-IV

APRIL 2019 Q. P. Code: 33026

Time: 2:30 Hours

Marks: 75

Note: All Questions are Compulsory

Q.1)

- (a) Fill in the blanks (Any 8) (8)
1. Full form of DIN is _____
 2. The _____ of company must be lifted if the company assumes as enemy character.
 3. Sharing of profit is important in partnership although sharing of _____ is not requisite.
 4. A minor is given _____ months to decide whether or not he wants to become a partner.
 5. Publication in the _____ is necessary for dissolution of firms irrespective of whether the firm is registered or not.
 6. Copy right is granted for _____ years.
 7. Patent is granted for _____ years.
 8. _____ is a person who agrees to subscribe the prescribed amount of shares if the shares issued not fully subscribed.
 9. The penalty for failure to furnish any documents, return or report to the Board is _____ in SEBI.
 10. The _____ is an invitation to an offer to public.

(b) True or False : (Any 7)

(7)

1. In case of conflict between Memorandum of Association and Article of Association, Memorandum of Association prevails.
2. Doctrine for the benefit of Company is called as Doctrine of Indoor Management.
3. Adaption of Novel amounts to Violation of Copyright.
4. Trademark is transferable.
5. LLP cannot be wound up.
6. Contribution under LLP shall be entered for determining the profit sharing.
7. Notice to an active partner is notice only to that Partner and not to the Firm.
8. Sharing of Profit is Prima facie evidence of Partnership.
9. An appeal against the order of SAT under SEBI Act may file in Supreme Court.
10. Listing of Securities means grant of approval for dealing in certain securities at a stock exchange.

Q.2)

- (a) Explain Characteristics of Company. (8)
- (b) Explain Doctrine of Ultra Vires and Doctrine of Indoor Management (7)
- OR
- (c) Explain Prospectus and What are the different types of Prospectus ? (8)
- (d) What is Private Placement. Explain rules of Private Placement. (7)

Q.3)

- (a) What is Copyright and what do you mean by original work in Copyright ? (8)
- (b) What is Patent and What is Patentable and non Patentable. (7)

OR

- (c) What is Trademark. Explain the types of trademark along with trade marks which cannot be registered. (8)
- (d) Explain infringement of Copyright. (7)

Q.4)

- (a) Distinction between LLP and Company (15)

OR

- (c) Explain Holding Out and Contribution according to LLP (8)
- (d) What is LLP. Explain Salient Features of LLP. (7)

Q.5)

- (a) Explain Enforcement of Security Interest under SARFAESI Act. (8)
- (b) What is SEBI? Explain its Objects. (7)

OR

- Q.5) Write Short Note (Any 3) (15)

1. Doctrine of Constructive Notice
2. Whistle Blowing under LLP
3. Types of Partners
4. Derivatives
5. Powers of SEBI

SUBFM SEM-IV APRIL 2019

Q. P. Code: 34002

DURATION-2HRS.30MIN

MARKS-75

Note

- All questions are compulsory subject to internal choice.
- Use of commercial calculators is allowed

25/04/19

Q.1 A) State whether the following statements are TRUE or FALSE. (Any 8) (8)

1. The US dollar is the most common currency used for pegging.
2. Electronic matching services allow traders to enter their bids and offer into the market.
3. SWIFT is solely a carrier of messages.
4. Forex rates can be quoted as spot or forward contracts.
5. A direct quote is a home currency price of a unit of a foreign currency.
6. Inflation and interest rates are not correlated.
7. Exchange rate is an important instrument of fiscal policy.
8. Fixed and variable are the two extreme exchange rate regimes.
9. The annualized percentage difference between spot rate and forward rate is called Bid.
10. Triangular arbitrage is also known as spatial arbitrage.

Q.1 B) Fill in the blanks with the most appropriate answers. (Any 7) (7)

1. The process of arbitrage will _____ the Prices.
a) Normalize b) Increase c) Decrease d) Collapses
2. Normally the BOP covers a period of _____.
a) One year b) Two years c) Three years d) Five years
3. India used to peg Indian INR to British pound till _____.
a) 1985 b) 1975 c) 1959 d) 1949
4. Real exchange rate is the ratio of domestic price indices between _____ countries.
a) three b) two c) four d) five
5. _____ rates are determined by the demand and supply of a specific currency as compared to Other currency
a) Inflation b) Forward c) Spot d) Exchange
6. The price at which a market maker is prepared to sell (a currency) is termed as _____.
a) Spot rate b) Bid rate c) Forward rate d) ask price
7. Standardized forward contracts are called _____.
a) Future contracts b) Swap contracts c) Option contracts d) None of the above
8. Quotation where the price of one unit of foreign currency is given in terms of local currency units Is called as _____.
a) Direct quotation b) Indirect quotation c) Open ended d) Close ended
9. FEMA was introduced in _____.
a) 1999 b) 1990 c) 1989 d) 1991
10. Price of national currency in terms of foreign currency is _____.
a) Direct terms b) Indirect terms c) Law of once price d) Purchase price

Q.2 A) Define Foreign Exchange Market. Write characteristics of Foreign Exchange Market. (8)**B) Explain functions of Foreign Exchange Markets. (7)****OR****Q.2 C) Write about major participant in Foreign Exchange Market. (8)****D) Advantages and disadvantages of Gold Standard System. (7)**

Q. P. Code: 3400

- Q.3 A) Write a note on Central Bank as a participant of Forex Market.
B) Difference between FERA and FEMA.

OR

- Q.3 C) Identify the locations and convert the following in to indirect quotes.

- i) USDINR 60.5060/61.5150
ii) GBPAUD 1.2050/1.2150

- D) From the following find out spread, % spread and mid-rate
USDINR 65.2350/66.2560

- Q.4 A) Discuss Managed Floating.
B) Explain spot Contract.

OR

- Q.4 C) Find out any arbitrage gain from the following. Assume capital Rs.1 million.

- USDINR 65.3250/65.5550 Bank A
USDINR 66.5850/66.6580 Bank B

- D) Find out the Forward Rate for the following for 1 month & 2 months
Spot USDINR – 63.5000/63.8000
1 month margin 50/60
2 month margin 756/556

- Q.5 A) Explain the types of Foreign Exchange Risk.
B) Discuss Technique of Forex Risk management.

OR

- Q.5) Short notes on (Any 3)

- a) Vehicle currency
b) Speculation
c) Direct quote
d) Arbitrage
e) Capital Account Convertibility

Note: 1) All questions are compulsory.

2) Working Notes should form part of your answer.

3) Figures to the right indicate full marks.

Q-1) (A) State whether following statements are true or false: (Any eight) (08)

1. Shareholders are interested in maximising their wealth.
2. Risk and return always goes hand in hand.
3. Rate of interest for debentures is fixed
4. Cash Inflow = NPAT + Depreciation
5. Contribution = Profit + Fixed Cost
6. Preference Shares are given flexible rate of dividend.
7. Profitability Index is traditional method of assessing capital expenditure decisions.
8. An overcapitalized company is one which incurs exceptionally high profits as compared to industry.
9. Capital Budgeting refers to mix of a company debt and equity.
10. P/E Ratio stands for Preference Equity

Q-1) (B) Match the columns: (Any seven) (07)

Column A	Column B
1. Assets	a. Issue of new securities
2. Replacement of Equipment	b. Earnings Per Share
3. Credit Sales	c. Equity Per Share
4. Credit Purchases	d. Excess of sales over BEP
5. EPS	e. International Trade
6. Working Capital	f. CA- CL
7. MOS	g. Debtors
8. Bonus Shares	h. Creditors
9. Floatation Costs	i. Free Shares
	j. Capital Budgeting Decisions
	k. Liabilities + Equity

Q-2) Flame Ltd has the following data for the coming year:

(15)

Sales (10,000 units) Rs. 1,00,000

Variable Costs Rs. 40,000

Fixed Costs Rs. 50,000

Find out PVR, BEP and MOS.

Evaluate the effect of following on PVR, BEP and MOS

(a) 10% increase in variable cost

(b) 5% decrease in selling price

OR

Q-2) The ZED Ltd needs Rs. 5,00,000 for commissioning of a new plant. The following three financial plans are feasible:

(15)

- The company may issue 50,000 equity shares of Rs. 10 per share.
- The company may issue 25,000 equity shares of Rs. 10 per share and 2,500 debentures of Rs. 100 denomination bearing 8% rate of interest.
- The company may issue 25,000 equity shares of Rs. 10 per share and 2,500 preference shares at Rs. 100 per share bearing 8% rate of dividend.

If the company's earnings before interest and taxes is Rs. 60,000 and Rs. 1,00,000, what is the EPS under each of the three financial plans for both EBITs? Which alternative would you recommend? Assume corporate tax rate to be 50%.

Q-3) Camel Ltd has the following capital structure as on 31st March, 2018.

(15)

Particulars	Rs.
Ordinary Shares (4,00,000 shares)	80,00,000
10% Preference Shares	20,00,000
14% Debentures	60,00,000

The shares of the company are presently selling at Rs. 20 per share. It is expected that the company will pay next year dividend of Rs. 2 per share which will grow @ 7% forever. Assume tax rate of 40%. You are required to

- Compute the weighted average cost of capital based on existing capital structure.
- If the company raises an additional Rs. 40 lakhs debt by issuing 15% debentures, the expected dividend at year end will be Rs. 3, the market price per share will fall to Rs. 15 per share, the growth rate remaining unchanged. Calculate the new weighted average cost of capital.

OR

Q-3) (a) Explain advantages and disadvantages of bonus shares.

(08)

(b) Discuss merits and demerits of Ploughing Back of Profits.

(07)

Q-4) Aarohi Ltd is considering two mutually exclusive machines. Both require an initial outlay of Rs. 1,00,000 each and have a life of 5 years. The company's required rate of return is 10% and tax is 50%. The projects will be depreciated on a straight line basis. The profit before taxes are expected to be generated by the projects as follows: (15)

Year	Machine A	Machine B
1	40,000	60,000
2	40,000	30,000
3	40,000	20,000
4	40,000	50,000
5	40,000	50,000

Calculate and state which machine should be purchased based on:

- i) Profitability Index and
- ii) Payback Period

OR

Q-4) Company is considering two mutually exclusive projects. Both require initial investment of Rs. 2,00,000 each and have a life of five years. The Net Cash Inflows are given below: (15)

Year	Proposal A (Rs.)	Proposal B (Rs.)	PV factor at 10%	PV factor at 20%
1	50,000	55,000	0.91	0.83
2	52,000	53,000	0.83	0.69
3	58,000	58,000	0.75	0.58
4	55,000	55,000	0.68	0.48
5	50,000	55,000	0.62	0.41

The cost of capital is 10%. Which project should be accepted as per NPV Method. Also find IRR, taking 10% & 20% discounting factors.

Q-5) (a) Explain determinants of Capital Structure ? (08)

(b) Explain debentures as a source of finance. (07)

OR

Q-5) Write short notes on: **(Any three)** (15)

- 1) Features of Capital expenditure decisions
- 2) Break even Analysis
- 3) Importance of Corporate Finance
- 4) Qualities of Finance Manager
- 5) Over Capitalisation.

SUBFM Sem - IV

APRIL 2019

(2 ½ Hours)

[Total Marks: 75]

N.B : (1) All Questions are Compulsory.

(2) Figures to the right indicate full marks.

(3) Draw neat diagram wherever necessary.

Q1. A) State whether the following statements are True OR False: (Any 8)

8

1. The concept of national income is a monetary measure.
2. Trade cycle is recurring in nature.
3. The precautionary demand for money is utilized for unforeseen contingencies.
4. Cost push inflation is also called as wage-spiral inflation.
5. Government intervention helps to reduce the impact of market failure.
6. Income tax is not a type of direct tax.
7. Ricardo's theory is based on absolute difference in cost.
8. Arbitrage does not help to equalize the exchange rate.
9. Quotas are less effective than tariffs.
10. Foreign Direct Investment (FDI) does not involve transfer of technology.

Q1. B) Match the following pairs- (Any 7)

7

Group 'A'	Group 'B'
1. Gross Domestic Product (GDP)	a. Accepted Universally
2. Investment Demand	b. Cash Reserve Ratio (CRR)
3. Inflation targeting	c. Offer curve
4. Direct control	d. Trade Account
5. Fiscal policy	e. Productive Expenditure
6. Expenditure on Education	f. C+I+G
7. Export of Goods	g. Spot rate
8. Gains of trade	h. Price forecasting
9. Current Exchange Rate	i. Marginal Efficiency of Capital (MEC)
10. Vehicle Currency	j. Taxation

- Q.2 A) Discuss the circular flow of income in a two sector economy.
B) Highlight the four main phases of a trade cycle.

OR

- C) Examine Keynes principle of effective demand.
D) Explain the working of multiplier with a suitable example and diagram.

- Q.3 A) Briefly explain the Keynesian approach to demand for money.
B) Explain in detail velocity of circulation of money.

OR

- C) Discuss the effects of inflation on production and consumption.
D) Outline the main objectives of monetary policy.

- Q.4 A) Highlight the principle of sound finance.
B) Analyze the various canons of taxation.

OR

- C) Describe the main features of FRBM Act 2003.
D) Define public debt. Explain its various types.

- Q.5 A) Discuss the arguments for fixed exchange rate.
B) Describe the structure of balance of payments.

OR

- Q.5) Write short notes on the following :(Any 3)

- Gross National Product (GNP)
- Cambridge cash balance approach.
- Spot exchange rate.
- Role of Multinational Corporations (MNCs).
- Net barter and Gross barter terms of trade.

02/05/19

SUBFM SEM-IV APRIL 2019

Duration : 2.5 hours

Marks : 75

N.B.: 1. All questions are compulsory.

2. Figures to the right indicate marks.

Q1. A. Match the following: (Any 8)

8 Marks

	Column A		Column B
1	NSCCL	A	Speculator
2	Law Governing Companies in India	B	Nifty
3.	Prospectus	C	Companies Act
4.	Macro Economic Factor	D	Based on financial performance and ratios
5.	Fundamental Analysis	E	T+2
6.	Dividend Payout	F	Executes Trades on clients behalf
7.	Settlement Cycle	G	Percentage of Dividend Paid
8.	NSE	H	Settles trade for NSE
9.	Risk Taker	I	Government Interference
10.	Broker	J	Offer Document

B. State whether True or False: (Any 7):

7 Marks

1. Contract note is also known as bought note or sold note.
2. RBI came into existence on 1st April 1935.
3. Stock market quotation consists of a bid price and an ask price.
4. There are 13 clearing banks of the NSE.
5. A bull market means market in upward trend.
6. Under multiple growth model, changing growth rates are applied to different time period.
7. The Random walk theory is not based on the efficient market hypothesis.
8. According to head and shoulders pattern, shares will go up when it is observed.
9. According to technical analysis "history repeats itself".
10. The perpetual jiggling of the particles is now called as Brownian motion.

Q2. (A) Explain the advantages of FDI

8 Marks

(B) State the role of SEBI in regulating Indian capital market.

7 Marks

OR

C. Explain Volatility Index VIX. What are the causes of Volatility?

8 Marks

D. Explain the types of issue of shares in Indian capital market.

7 Marks

Q3. A. What is Fundamental Analysis? What are its strengths and weaknesses?

8 Marks

B. Explain in detail industry analysis.

7 Marks

OR

C. Explain the IPO Process in detail

8 Marks

D. Explain the macro economic factors.

7 Marks

- Q4. A. Explain the Brownian Motion and its limitations.
B. Explain the three forms of the Efficient Market Hypothesis.

8 Marks
7 Marks

OR

- C. Explain the stochastic models in equity markets.
D. Explain the concept of Beta in the equity markets.

8 Marks
7 Marks

- Q5. A. Explain brokers and their duties.
B. Explain in detail about 'stock market quotations'.

8 Marks
7 Marks

OR

Q5. Write short notes on: (Any three) 15 Marks

- Retail investor
- NSCCL
- Disinvestment
- FII
- BSE BOLT

9. Merchant Bankers play an important role in the issuance of Bonds.
10. Sponsored Level 1 ADR programs are the most difficult method for a company to access the US Capital Market

- II A Explain the various services offered by Merchant bankers. 8mks
B What are the benefits of listing a company at the stock exchange? 7mks
OR
C Explain in detail the book building process. 8mks
D What are the SEBI guidelines relating to advertisements for an Issue? 7mks
- III A What are the advantages of ADR issue? 8mks
B Briefly explain the qualities required by Merchant bankers. 7mks
OR
C What are FCCB's? Explain its features. 8mks
D Discuss the different categories of investors in Primary market. 7mks
- IV A Explain the role and responsibility of Issuer, IPA and CRA 8mks
B State and explain the different types of Debentures. 7mks
OR
C Discuss in detail the procedure for issuance of Bonds. 8mks
D Discuss the role of the participants involved in the GDR issue. 7mks
- V A What are Rights issue? Explain the provision relating to Rights issue. 8mks
B Difference between ADR and GDR. 7mks
OR
C Write Short Notes (Any 3) 15mks
1. Features of Merchant Banking
2. Underwriter
3. Role of Registrar in IPO
4. Fungibility
5. Taxation of FCCB

SUB PM Sem-IV APRIL 2019

04/05/19
04/05/19

Time: 2.5 hours

Marks: 75

Note: All Questions are Compulsory / The abbreviation PFP stands for Personal Financial Planning.

Q.1. (A) Multiple Choice Questions (any 8)

(8)

- 1) Don't keep all the eggs in the same basket is related to _____
(a) Live healthy life (b) Diversified portfolio (c) earn profit (d) None of these
- 2) Parameter for deciding on investment options is _____
(a) Reputation of the company (b) Diversified portfolio (c) Post tax return (d) None of these
- 3) Fixed Deposits with SBI is _____ investment.
(a) Moderate Risk (b) Diversified (c) High Risk (d) Low Risk
- 4) Health Insurance and Mediclaim is related to _____.
(a) cash generation technique (b) investment option (c) investing in shares
(d) health & medical planning
- 5) Value investing means _____.
(a) cash generation (b) Stocks are selected that trade for less than intrinsic value (c) Stocks are selected that trade for more than intrinsic value (d) health & medical planning
- 6) If 1.5% per month interest is earned, then for 24 months what will be the Nominal Rate of return?
(a) 36% (b) 24% (c) 15% (d) 16%
- 7) Effective rate of return considers _____ interest.
(a) Compounding (b) Simple (c) Exponential (d) Inflationary
- 8) IRR is the rate of return at which present value of _____ is same.
(a) Outflow & Inflow (b) Debit & Credit (c) Income & Expenditure (d) Profit & Loss
- 9) If the amount invested in mutual fund is Rs.1,00,000 and after 4 years the sales proceeds are Rs.1,35,000, the CAGR will be _____.
(a) 7.791% (b) 35% (c) 18% (d) None of these.
- 10) If amount available to Equity shareholders is Rs.2,00,000 and number of Equity shares are 20,000, the EPS will be _____.
(a) 10 (b) 12 (c) 10% (d) None of these.

Q.1 (B) True / False (any 7)

(7)

- 1) People invest in stocks instead of creating portfolio is the positive investment style.
- 2) Determining current financial position of the client is not required while preparing financial plan.
- 3) Cash planning is a technique which comprises of planning for and controlling of cash.
- 4) Real rate of return is the amount of money generated by an investment before factoring for taxes.
- 5) Incremental rate of returns is a metric used in capital budgeting for measuring the profitability of potential investments.
- 6) Evaluation of investment alternatives is not required while preparing the financial plan.
- 7) Budgeting & forecasting means the same concept.

- 8) Information available in the cash flow statement is useful in assessing the ability of an enterprise to generate cash.
 9) Net worth is the difference between assets and liabilities of an individual.
 10) High P/E ratio is one of the most commonly used metric in value investing.

Q.2 (a) Explain "Establish Client-Planner relationship" as a step in PFP. (8)

(b) Explain the points to be considered while developing a financial plan. (7)

OR

Q.2 (p) Explain the reasons why an Individual should Save money. (8)

(q) Mention the Cash inflows and Cash outflows in financial plan. (7)

Q.3 Prepare an amortization schedule for Mr. Patil from the following information. (15)

assuming that the amount payable is an equated annual instalment.

Amount borrowed: Rs.4,40,000

Compound Annual Interest: 12%

Repayment period: 10 years

Note: PV annuity for 10 years should be considered as 5.65022302

OR

Q.3(p) Dr. Prasad purchased 400 shares of DMART @ Rs.61 each on 15th October, 2014.

He paid the total brokerage of Rs.600. The company paid the following dividends: (8)

Year	Total Dividend Rs.
June 2015	800
June 2016	1000
June 2017	1200

He sold all his holdings for Rs.34,500 on 15th October, 2017. Calculate Holding Period Return.

(q) Calculate EPS based on following information provided: (7)

Particulars	Rs.
Sales	18,00,000
Cost of Goods sold	7,20,000
Operating Expenses	3,60,000
Interest	1,80,000
Tax	30%
Preference Dividend	90,000
No. of equity shares	18,000

Q.4 Prepare Cash Budget of Motilal limited from the data given below for a period of six months (July to December) (15)

Month	Sales (Rs.)	Purchases (Rs.)
May	1,87,500	93,750
June	1,87,500	93,750
July	3,75,000	1,31,250
August	5,62,500	9,18,750
September	7,50,000	3,18,750
October	3,75,000	2,43,750
November	3,75,000	1,68,750
December	3,43,750	-

i) Collection estimates: 5% within the month of Sales, 80% during the month following the sales and 15% during the second month following the sales.

- ii) Payment for purchases is made in the next month.
- iii) Salary of Rs.28,125, Lease payment of Rs. 9,375, Miscellaneous expenses Rs. 2,875 are paid each month.
- iv) Monthly depreciation is Rs.37,500.
- v) Income tax Rs.65,625 each is paid in September and December.
- vi) Payment for research in October Rs.1,87,500.
- vii) Opening balance as on 1st July Rs.137,500.

OR

Q.4 From the following data supplied by Yog limited, evaluate the Car manufacturing projects based on NPV and advise the management as to which project should be continued and why? (15)

Particulars	Maruti	Fiat	Toyota
Initial Outflow	40,00,000	60,00,000	80,00,000
Inflows:			
Year 1	6,00,000	8,10,000	12,00,000
Year 2	12,00,000	16,20,000	24,00,000
Year 3	15,00,000	20,25,000	30,00,000
Year 4	21,00,000	28,35,000	42,00,000
Year 5	4,50,000	6,07,500	9,00,000
Year 6	7,50,000	10,12,500	15,00,000
Year 7	12,60,000	17,01,000	25,20,000

You need to apply the discounting factors mentioned below:

Year	1	2	3	4	5	6	7
Dcf@10%	0.909	0.826	0.751	0.683	0.621	0.564	0.513

- Q.5 (a) What do you mean by behavioural finance? (8)
- (b) Explain the role of emotions in financial decision making. (7)

OR

- Q.5 Short Notes (any 3) (15)
- 1) Effective rate of return
- 2) Motives of holding cash
- 3) Time value of money
- 4) CAGR
- 5) Education Planning