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BENGALURU

School of Management

Mid - Term Examinations – November 2024

Semester: III

Date: 06-11-2024

Course Code: MBA3006

Time: 02:00pm – 03:30pm

Course Name: Financial Markets and Services

Max Marks: 50

Program: MBA

Weightage: 25%

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 3 marks.

3Mx5Q=15M

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|---|---|---------|-----------|------|
| 1 | Ms. Priya, a financial analyst, is comparing the Indian financial system with the global financial system to advise her clients. Recall any three differences between the Indian financial system and the global financial system that Priya should highlight for her clients. | 3 Marks | Knowledge | C001 |
| 2 | Mr. Aman wants to invest in India but is unsure of how the Indian financial system is structured. Mention any three main components of the Indian financial system that Mr. Aman should be aware of as an investor. | 3 Marks | Knowledge | C001 |
| 3 | Mr. John foreign investor is exploring investment opportunities in India. They want to understand the unique characteristics of the Indian financial system. What are three important characteristics of the Indian financial system that the foreign investor should know about? | 3 Marks | Knowledge | C001 |
| 4 | Ms. start-up is looking for low-risk, short-term investment options to park its excess funds temporarily. Name three type of instruments in the money market would be suitable for the start-up's short-term investments? | 3 Marks | Knowledge | C002 |
| 5 | Mr. Sunil a finance student is confused about the difference between the money market and the capital market. Write the three differences between the money market and the capital market that the student should understand? | 3 Marks | Knowledge | C002 |
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Part B

Answer ALL the Questions. Each question carries 10 marks.

10Mx2Q=20M

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|---|---|----------|-------------|------|
| 6 | A government committee is reviewing the role of financial markets in economic development and is interested in how these markets facilitate growth and stability. Explain the main functions of financial markets | 10 Marks | Application | C001 |
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and their importance in promoting economic growth and stability. How do they allocate resources effectively in an economy?

Or

7 A research student is preparing a thesis on central banking and wants to focus on the Reserve Bank of India (RBI). Discuss the establishment, organizational structure, and management of the Reserve Bank of India (RBI). How does its structure support its functions as a central bank? 10 Marks Application C001

8 The ITC Ltd. is facing a short-term cash flow shortage due to delayed payments from clients. To meet its immediate working capital requirements, the company's finance manager is exploring the option of raising short-term funds through the money market. He needs to choose an appropriate instrument that ensures liquidity without adding long-term debt to the balance sheet. Explain the role of the money market in providing short-term funds to companies like ITC Ltd. What are the key money market instruments available, and how should the finance manager decide which instrument to use? Analyze the benefits and risks of each option. 10 Marks Application C002

Or

9 The Zensen Technologies, a mid-sized IT company, is planning to expand its operations by setting up a new development center. To fund this expansion, the company is considering two primary options in the capital market: issuing equity shares through an Initial Public Offering (IPO) or issuing corporate bonds to raise debt capital. The management is weighing the pros and cons of each option. Explain how the capital market can assist Zensen Technologies in raising long-term funds for its expansion. Compare the options of issuing equity shares and corporate bonds in terms of cost, risk, dilution of control, and long-term financial implications. Provide a recommendation based on the company's situation. 10 Marks Application C002

Part C

Answer the Question. Question carries 15 marks.

15Mx1Q=15M

10 A high-profile market manipulation case involving insider trading and price rigging has recently come to light in the Indian stock market. The Securities and Exchange Board of India (SEBI) has been tasked with investigating the situation and ensuring that the market remains fair and transparent for investors. As part of their investigation, SEBI must decide how to handle the perpetrators and what regulatory measures to implement to prevent similar incidents in the future. The board of SEBI is also considering making revisions to existing regulations governing the secondary market to strengthen market integrity. 15 Marks Analysis C001

- (i) Explain SEBI's role in regulating the secondary market and ensuring fair trade practices.
- (ii) Discuss the types of market manipulations that SEBI seeks to prevent and the actions it can take to maintain market integrity.
- (iii) Provide a detailed analysis of how SEBI can investigate and resolve such cases, and suggest regulatory reforms that could further enhance the functioning of the secondary market.

