



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION – COMMERCE

FIRST SEMESTER – NOVEMBER 2022

**PCO1MC05 – CAPITAL AND DERIVATIVES MARKET**

Date: 30-11-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

## SECTION A

Answer ALL the questions

<b>1</b>	<b>Fill in the blanks</b>	<b>(5 x 1 = 5)</b>	
a)	In the equity market BSDA stands for -----.	K1	CO1
b)	Holder of an option means -----.	K1	CO1
c)	SENSEX consists of ----- (no.) companies' stock price.	K1	CO1
d)	Any stock broker can charge upto a maximum of -----% of the buy/sell value of stocks.	K1	CO1
e)	Gap Up opening in indices means -----.	K1	CO1
<b>2</b>	<b>True or False</b>	<b>(5 x 1 = 5)</b>	
a)	Floor price in the 'Book Building' process refers to the minimum price stated in the price band of an IPO.	K2	CO1
b)	Last traded price (LTP) and closing price of a stock are one and the same.	K2	CO1
c)	All equity trades are settled in T+2 settlement cycle.	K2	CO1
d)	'In The Money' option refers to a profit opportunity due to the relationship between the strike price and the prevailing market price of the underlying asset.	K2	CO1
e)	Tick size refers to the minimum price movement of a trading instrument in a market.	K2	CO1
<b>SECTION B</b>			
	<b>Answer any THREE of the following in 500 words</b>	<b>(3 x 10 = 30)</b>	
<b>3</b>	Illustrate the Securities Transaction Tax, Exchange Levy, Stamp Duty, GST, involved in buying an equity stock.	K3	CO2
<b>4</b>	Interpret the margin trading facilities in the capital market.	K3	CO2
<b>5</b>	Demonstrate the practices involved in pay-in and payout of funds & securities in the Indian capital market.	K3	CO2
<b>6</b>	Sketch the role of investment bankers in the capital market.	K3	CO2
<b>7</b>	Interpret the following with examples: a) ADR b) GDR c) IDR d) FCCB	K3	CO2
<b>SECTION C</b>			
	<b>Answer any TWO of the following in 500 words</b>	<b>(2 x 12.5 = 25)</b>	
<b>8</b>	Explain the role and history of stock exchanges.	K4	CO3
<b>9</b>	Explain the functions of Depositories and Depository Participants.	K4	CO3
<b>10</b>	Differentiate primary market from secondary market and explain its functions.	K4	CO3
<b>11</b>	Classify the various levels of circuit breakers applied by stock exchanges in India for stock indices and individual stocks.	K4	CO3

## SECTION D

**Answer any ONE of the following in 1000 words**

**(1 x 15 = 15)**

12	Compare the 'investment in equity market' and 'trading in derivatives market' and summarize its merits and demerits with examples.	K5	CO4
13	Evaluate the instruments traded in Indian money market and recommend a suitable instrument for various categories of investor.	K5	CO4

## SECTION E

**Answer any ONE of the following**

**(1 x 20 = 20)**

14	<p>An investor wanted to hedge his portfolio. The trades done by him are as follows. Calculate his notional profit or loss out of his trades in the equity and derivatives market from 1.10.2022 to 27.10.2022.</p> <p><b>Shares held in the Equity market.</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 30%;">Stocks in Demat account</th> <th style="width: 35%;">Equity price per share on the date of entering into hedging - 1.10.2022 (in Rs.)</th> <th style="width: 35%;">Equity closing price per share on the date of derivatives closing - 27.10.2022 (in Rs.)</th> </tr> </thead> <tbody> <tr> <td>Infosys (1000 shares)</td> <td style="text-align: center;">1,500</td> <td style="text-align: center;">1,600</td> </tr> <tr> <td>TCS (5000 shares)</td> <td style="text-align: center;">3,000</td> <td style="text-align: center;">3,200</td> </tr> <tr> <td>SBI (2000 shares)</td> <td style="text-align: center;">570</td> <td style="text-align: center;">530</td> </tr> <tr> <td>ITC (20,000 Shares)</td> <td style="text-align: center;">350</td> <td style="text-align: center;">320</td> </tr> <tr> <td>RIL (10,000 shares)</td> <td style="text-align: center;">2,500</td> <td style="text-align: center;">2,400</td> </tr> </tbody> </table> <p><b>The investor expected a fall in the market and did the following hedging.</b></p> <ol style="list-style-type: none"> <li>1. Bought 4 lots of Infosys October, 2022 put option on 1.10.2022 (lot size:250, Strike Price: Rs.1,500) @ Rs. 10 per share.</li> <li>2. Bought 50 lots of TCS October, 2022 put option on 1.10.2022 (lot size:100, Strike Price: Rs.3,000) @ Rs. 5 per share.</li> <li>3. Bought 20 lots of SBI October, 2022 put option on 1.10.2022 (lot size:100, Strike Price: Rs.570) @ Rs. 2 per share.</li> <li>4. Bought 40 lots of ITC October, 2022 put option on 1.10.2022 (lot size:500, Strike Price: Rs.350) @ Rs. 10 per share.</li> <li>5. Bought 50 lots of RIL October, 2022 put option on 1.10.2022 (lot size:200, Strike Price: Rs.2,500) @ Rs. 10 per share.</li> </ol>	Stocks in Demat account	Equity price per share on the date of entering into hedging - 1.10.2022 (in Rs.)	Equity closing price per share on the date of derivatives closing - 27.10.2022 (in Rs.)	Infosys (1000 shares)	1,500	1,600	TCS (5000 shares)	3,000	3,200	SBI (2000 shares)	570	530	ITC (20,000 Shares)	350	320	RIL (10,000 shares)	2,500	2,400	K6	CO5
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15	Compile an IPO book building process with suitable examples.	K6	CO5																		

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