

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER –III-EXAMINATION – SUMMER-2022

Subject Code: 4539292

Date: 14-07-2022

Subject Name: Financial Markets and Services

Time: 02:30 PM TO 05:30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q. No.	Marks
Q.1 Explain the following terms in short. (a) Financial Inclusion (b) Credit Rating (c) IPO (d) Treasury Bills (e) Microfinance (f) SIP (g) Crypto Currency	(14)
Q.2 (a) Discuss in brief the Components of Formal Financial System.	(07)
Q.2 (b) Describe an international factoring transaction with the help of a flowchart.	(07)
OR	
Q.2 (b) “Factoring is often referred as a method of short-term financing as well as a financial service that takes care of administration of receivables of a firm.” In the light of this statement explain how factoring operates?	(07)
Q.3 (a) Differentiate between Leasing and Hire Purchase.	(07)
Q.3 (b) “Microfinance is the provision of financial services to people of low-income groups” Explain the statement by discussing meaning of microfinance along with its positive as well as negative aspect.	(07)
OR	
Q.3 (a) Explain types and overview of regulations for NBFCs in India.	(07)
Q.3 (b) Suppose ABC company appointed XYZ financial service company as a merchant banker for an upcoming IPO of Rs. 500 crore. Discuss Pre Issue Obligations that needs to be fulfilled by merchant banker on behalf of its client for this IPO.	(07)
Q.4 (a) Explain different types of Mutual Funds available in India.	(07)
Q.4 (b) Do you agree that “Reverse mortgage loan is a facility introduced to extend financial assistance to senior citizens.” Justify your view point.	(07)

OR

Q.4 (a) Describe the concept of Crowdfunding and comment on the types of Crowdfunding. (07)

Q.4 (b) Explain Systematic Withdrawal Plan (SWP) in the concept of Mutual Fund. (07)

Q.5 CASE STUDY:

THE 1992 SECURITY SCAM AND ITS EXPOSURE

Harshad Mehta's illicit methods of manipulating the stock market were exposed on April 23, 1992, when veteran columnist Sucheta Dalal wrote an article in India's national daily The Times of India. Dalal's column read: "The crucial mechanism through which the scam was affected was the ready forward (RF) deal. The RF is in essence a secured short-term (typically 15-day) loan from one bank to another. Crudely put, the bank lends against government securities just as a pawnbroker lends against jewelers. The borrowing bank actually sells the securities to the lending bank and buys them back at the end of the period of the loan, typically at a slightly higher price." In a ready-forward deal, a broker usually brings together two banks for which he is paid a commission. Although the broker does not handle the cash or the securities, this was not the case in the prelude to the Mehta scam. Mehta and his associates used this RF deal with great success to channel money through banks.

Mehta, along with his associates, was accused of manipulating the rise in the Bombay Stock Exchange (BSE) in 1992. They took advantage of the many loopholes in the banking system and drained off funds from inter-bank transactions. Subsequently, they bought huge amounts of shares at a premium across many industry verticals causing the Sensex to rise dramatically. However, this was not to continue. The exposure of Mehta's modus operandi led banks to start demanding their money back, causing the Sensex to plunge almost dramatically as it had risen. Mehta was later charged with 72 criminal offences while over 600 civil action suits were filed against him. Significantly, the Harshad Mehta security scandal also became the flavor of Bollywood with Sameer Hanchate's film Gafla.

(a) Identify the malpractices adopted by Harshad Mehta in this scam. (07)

(b) Suggest some of the measure to avoid/control this kind of scam as per your understanding. (07)

OR

(a) Discuss the role of ready-forward deal in this scam. (07)

(b) Do you think that this scam was an example of weak financial and regulatory set up in India. Yes or No? Give reasons to justify your view. (07)
