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**St Aloysius College (Autonomous)  
Mangaluru**

**Semester III- P.G. Examination – M.Com (Finance and Analytics)  
November/December – 2023**

**EQUITY RESEARCH AND SECURITY MARKET OPERATIONS**

Time: 3 hrs.

Max Marks: 70

**SECTION – A ST. ALOYSIUS COLLEGE**

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(5x4=20)

Answer any **FIVE** questions.

1. What is the primary market, and what are the key methods of raising capital in it?
2. Write a note on demand side shocks and its relevance in equity research.
3. Describe the process of share trading in the secondary market.
4. Examine any four options for investment.
5. Discuss the two types of equity research. What is the main purpose of equity research?
6. Explain the key characteristics used in industry analysis.
7. Describe the Candlestick Anatomy.

**SECTION – B**

Answer any **FOUR** questions.

(4x10=40)

8. Discuss the impact of globalization on stock markets and their operations. How have international factors influenced the recent changes in stock markets?
9. Differentiate between value and growth investment strategy with examples.
10. Describe the components of fundamental analysis in detail.
11. Calculate a five-day exponential moving average:

Days	Closing Prices
1	121
2	109
3	112
4	107
5	117
6	113
7	102
8	115
9	111
10	108
11	110
12	104
13	114
14	118
15	105

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12. Provide an overview of Dow Theory and its relevance in modern technical analysis.
13. Consider the data for a sample of 4 shares for two years, the base year and year t.

Share	Price in base year (₹)	Price in year t (₹)	No of outstanding shares(in million)
P	40	30	3
Q	60	75	12
R	20	40	6
S	75	90	5

What is the price weighted index, equal weighted index, and value weighted index for year t?

**SECTION – C (Compulsory)**

**(1×10=10)**

14. How do you perform company analysis?

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**Semester III – P.G. Examination – M.Com (Finance and Analytics)**

**November/December – 2023**

**MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING**

Time: 3 hrs.

Max Marks: 70

**SECTION – A**

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(5x4=20)

Answer any **FIVE** questions.

1. Define amalgamation and also elaborate on the various types of mergers?
2. X Ltd wants to acquire A Ltd by exchanging its 1.6 shares for every shares of A Ltd. It anticipates to maintain the existing P/E ratio subsequent to merger also. The relevant financial data are furnished below.

	X Ltd	A Ltd
Earnings after taxes (₹)	7,50,000	2,25,000
Number of equity shares outstanding	1,50,000	37,500
Market price per share (₹)	18	20

1. What is the exchange ratio based on market price?
2. What is the pre-merger earnings per share and P/E ratio for each company?
3. What is the acquiring P/E ratio used in acquiring A Ltd?
3. Compare and contrast Joint Ventures and Strategic Alliances as methods of corporate restructuring. Highlight their key differences and the circumstances in which each is more suitable.
4. Explain the concept of horizontal, vertical, and conglomerate takeovers. Provide real-world examples of each type and their implications.
5. Briefly explain the concept of "bargain purchase" in the context of business combinations.
6. Describe the legal and compliance due diligence process in M&A. What legal provisions and regulatory requirements should organizations investigate during due diligence?
7. J Ltd wants to acquire O Ltd by exchanging 0.5 of its shares for each share of O Ltd. The relevant financial data are as follows:

	J Ltd	O Ltd
Earning after taxes (₹)	22,50,000	4,50,000
Equity shares outstanding	7,50,000	2,25,000
Earning Per Share (₹)	4	3
P/E Ratio (times)	13	9
Market price per share (₹)	38	18

1. Calculate the number of equity shares required to be issued by J Ltd for acquisition of O Ltd.
2. Calculate the EPS of J Ltd after the acquisition.
3. Determine the equivalent earnings per share of O Ltd.

**SECTION – B****Answer any FOUR questions.****(4×10=40)**

8. Elaborate the agency relationship and discuss the various complications and concerns that may arise in the context of Mergers & Acquisitions.
9. Describe the stages involved in the Five-stage model of merger and their role in the merger process.
10. C Ltd would like to acquire the business of D Ltd. The Balance Sheet of D Ltd as on 31/3/2023 is as follows

LIABILITIES	Rs Amt in lakhs	ASSETS	Rs Amt in lakhs
Equity share capital (24,00,000 shares of ₹ 100 each)	2400	Plant & Machinery	3900
Retained Earnings	600	Inventory	810
10.5% Debentures	1200	Debtors	210
Current Liabilities	960	Bills Receivables	150
		Bank	90
	1720		1720

- a) Additional Information  
Shareholders of D Ltd will get 3 shares for every 4 shares
- b) Shares of C Ltd will be issued at ₹ 180 per share. The debenture holders will get 11% debentures of the same amount from the acquiring company
- c) External liabilities are settled at ₹ 1200 lakhs
- d) Unrecorded liability of ₹ 120 lakhs
- e) Liquidation expenses ₹ 180 lakhs, out of which 50% is to be met by the acquiring company.
- f) Estimated FCFF for acquisition company for 6 years.

Year	1	2	3	4	5	6
Rs in lakhs	900	1200	1560	1800	1320	720

- g) The FCFF of D Ltd is expected to grow at 3%.p.a. after 6 years.
- h) The WACC is 13%, cost of equity is 16%, corporate tax is 35%, bankruptcy cost is ₹ 180 lakhs.

Analyse under APV approach, if C Ltd can acquire the business of D Ltd.

11. Explain the role of due diligence in the restructuring process. What information should companies seek during due diligence, and how does it inform decision-making?
12. Explain the concept of a "Bear Hug" letter in takeover negotiations. How does it differ from other forms of communication between the acquiring and target companies?
13. Explain the concept of an "open offer" under the SEBI Takeover Code. When is an open offer mandatory, and what are the key provisions governing it?

**SECTION – C (Compulsory)****(1×10=10)**

14. X Ltd plans to acquire Z Ltd. Following are the merger statistics of the two firms

	X Ltd Rs Amt	Z Ltd Rs Amt
Market price per share (₹)	100	40
Book value per share (₹)	68	32
Number of outstanding shares (₹)	9,00,000	4,50,000
Market value of the firm (₹)	45,00,000	90,00,000

Firm X Ltd offers the shareholders of Z Ltd one share in exchange for every two shares held by them in Z Ltd.

The merger is expected to bring gains which has a present value of ₹ 1,00,00,000

Evaluate if X Ltd should acquire Z Ltd as per NPV of merger on Cost-Benefit Analysis.

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**Semester III- P.G. Examination – M.Com (Finance and Analytics)  
November/December – 2023**

**INVESTMENT BANKING AND FINANCIAL SERVICES**

Time: 3 hrs.

Max Marks: 70

**SECTION – A ST.ALOYSIUS COLLEGE**

Answer any **FIVE** questions.

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1. Distinguish between fee based and fund-based investment banking activities.
2. Describe the features of PIPE Transactions under private equity.
3. List the key documents typically involved in the underwriting process.
4. Distinguish between Factoring and Forfaiting 4.
5. Demonstrate the future prospects of Credit Rating in India.
6. Discuss the significance of New Generation Banks in the modern banking landscape.
7. Critically evaluate the factors affecting the pricing of IPO.

**SECTION – B**

Answer any **FOUR** questions.

(4x10=40)

8. Defend the role of an investment banker in the financial sector.
9. Evaluate the process of investment under Private Equity.
10. Defend the usage of Green Shoe option and its impact on IPO performance.
11. Weigh the valid reasons and wrong reasons for leasing.
12. Discuss the role of SEBI in regulating Depository Services.
13. Discuss the role of SIDBI in the development of small-scale industries in India.

**SECTION – C (Compulsory)**

(1x10=10)

14. XYZ is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new product line. The firm either can buy the required machinery or get it on lease. The machine can be purchased for ₹ 15,00,000. It is expected to have a useful life of 5 years with the salvage value of ₹ 1,00,000 after the expiry of 5 years. The purchase can be financed by 20% loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year end lease rentals of ₹ 4,50,000 for 5 years. Develop a decision as to which option the company should choose? Following information is provided.
  - i) The machine will constitute a separate block for depreciation purposes. The company follows written down value method of depreciation, the rate of depreciation being 25%.
  - ii) The tax rate is 35% and cost of capital is 18%.
  - iii) Lease rent should be paid at the end of the year.
  - iv) Maintenance expenses estimated at ₹ 30,000 per year are to be borne by the lessee.

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**Semester III- P.G. Examination – M.Com (Finance and Analytics)**

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**INSURANCE AND RISK MANAGEMENT**

**Time: 3 hrs.**

**Max Marks: 70**

**SECTION – A**

**Answer any FIVE questions.**

**(5x4=20)**

1. Differentiate between pure risk and speculative risk.
2. Discuss the concept of proximate cause in insurance claims. How does it help determine the validity of a claim in complex situations?
3. Discuss the pre-loss objectives of risk management.
4. Critically examine the reason for having unearned premium reserves.
5. Explain the characteristics of insurance.
6. Explain the second step in the risk management process.
7. Describe the basic underwriting principles.

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**SECTION – B**

**Answer any FOUR questions.**

**(4x10=40)**

8. A) Sum Assured is ₹ 500,000; Policy Type: Whole life; Mode of premium payment is quarterly; Adjustment factor for large SI is ₹ 1.5 per thousand; Tabular premium rate is ₹ 49 per thousand; DAB and EPDB 1%. Proposer age is 45 years; Period of cover is 25 years; Compute the life insurance premium.  
B) Sum Assured is ₹ 10,00,000; Policy Type: Endowment policy with profits; Mode of premium payment is half yearly; Adjustment factor for large SI and half yearly mode is ₹ 1.5 per thousand; Tabular premium rate is ₹ 36.70 per thousand; Accident Extra 1%; Health Extra 0.5%. Compute the life insurance premium.
9. Explain the concept of insurable interest and its importance in insurance contracts. How does it ensure fairness and validity in insurance agreements?
10. Compare and contrast personal risk management with corporate risk management. What are the similarities and differences between the two approaches?
11. Analyze the various steps in Personal Risk Management.
12. Discuss the duties of an insurance agent.
13. Analyze the powers and functions of IRDAI.

**SECTION – C (Compulsory)**

**(1x10=10)**

14. Discuss the methods available for managing risk and elaborate on their respective advantages and limitations.