

**NATIONAL LAW UNIVERSITY, JODHPUR**

End Term Examination April-May, 2023

Semester: U.G - X Sem - Business Law Hons.

Subject: Financial Market and Regulatory Systems

**Time: Three Hours****Marks: 100****Instructions:**

1. Attempt any Five out of six questions.
2. All questions carry equal marks.
3. Use of any reference material such as Bare Acts is not permitted.
4. Use of Simple Calculator is permitted.

Q1. The entire idea of trading in future and options market have been changed since the government has come up with policy change. Explain the concept F&O trading, and also explain how does this change will impact the market and the traders. **(20 Marks)**

Q2 (a). Explain the relationship of Bond Prices and Interest Rates. Also, Explain how this relationship changes in Primary Market and Secondary Market.

Q2 (b). "X" a bond being traded at 7500 Rs and the rate of interest is 5.5% and the maturity time period is 4 years. "Y" a new bond has been introduced in the market having similar maturity time period and similar risk associated with it and it promises a rate of interest is 7.25%. At what rate bond "X" should be traded in the market so as to match the interest rate promised by bond "Y". **(10+ 10= 20 Marks)**

Q3. It is not always the foreign currency that need to be raised while raising money from foreign investors. Money can also be raised in the form of local currency from foreign investors. In the light of above-mentioned statement explain the concept of "Masala Bonds". Also, explain how these bonds helps in strengthening the economy of India. **(20 Marks)**

Q4. Mr. Raj Narain retired on 31<sup>st</sup> December 2022 wants to invest his hard-earned money i.e., Rs 15 Lakh Rs which he has received at the time of retirement. Since he is of traditional thought process and he does not want to invest money in market due to the presence of risk. Therefore, he decided that he should invest his money in Fixed Deposit in a public sector

bank. On 1<sup>st</sup> January 2023 he invested 15 lakhs rupees in Fixed deposit and the rate of interest of the F.D. is 7.25% P.A and the time period of fixed deposit is 3 years. Since Mr. Sharma is very confused about Real interest and Nominal Interest he has approached for your advice.

- A. Explain how the concept of Nominal interest differs from Real Interest.  
B. In the abovementioned scenario calculate the Nominal and Real Interest

The increase in rate of Inflation are as follows:

- a. For the Calendar year 2023 is 0.75%,  
b. For the year 2024 is 0.5% and  
c. For the year 2025 is 1.5%.

**(10+ 10= 20 Marks)**

Q5. It is not always the share prices of the company which reflects its true picture sometimes the share price of the company describes a picture which is far away from reality, therefore before trading in stocks of any company a person needs to be aware whether the company is not under the surveillance mechanism of SEBI. In the light of abovementioned statement above explain the concept of GSM & ASM. Also, explain how this surveillance mechanism helps in preserving the dynamics of the market. **(20 Marks)**

Q6. Write short notes on any 4 of the following

- a. Merchant Banker  
b. Underwriters.  
c. Portfolio Managers  
d. Debenture Trustees  
e. Venture Capitalists

**(5M\*4=20Marks)**