



Questions under stock exchange market

- 1) How have stock exchanges evolved from their origins to the modern-day electronic trading platforms? Discuss the key milestones and technological advancements that have shaped the stock market.
- 2) Analyze the role of stock exchanges in promoting economic growth and development. How do they facilitate capital formation, innovation, and economic stability ?.
- 3) Examine the causes and consequences of major stock market crashes, such as the Great Depression of 1929, the dot-com bubble burst, and the 2008 financial crisis. What lessons can be learned from these events ?.
- 4) Explore how stock exchanges influence corporate governance practices. What mechanisms are in place to ensure transparency, accountability, and protection of minority shareholders ?.
- 5) Discuss the role of institutional investors, such as mutual funds, pension funds, and hedge funds, in stock markets. How do their investment strategies and decisions influence market behavior ?.
- 6) Examine the ethical implications of insider trading in stock markets. What measures can be implemented to detect and prevent insider trading, and what are the consequences for those involved ?.
- 7) Choose three major stock market indices (e.g., S&P 500, FTSE 100, Nikkei 225). Research and compare their composition, methodology, and significance in measuring market performance.
- 8) Identify and explain common behavioral biases that affect investors' decisions (e.g., overconfidence, herd behavior, loss aversion). Provide real-world examples of how these biases can impact stock market outcomes.
- 9) Outline the steps involved in taking a company public through an initial public offering (IPO). Discuss the advantages and disadvantages of going public.



- 10) Choose a recent news event (e.g., an earnings announcement, a merger, a regulatory change) and analyze its impact on the stock prices of affected companies. Use stock price charts to illustrate your analysis.



Examples partnership, consolidated financial statement, dividend policy

1) (Income sharing)

The partnership contract of the Jones, King and Lane Partnership provided for the division of net income or losses as follows:

- Bonus of 10% of income before bonus to Jones
- Interest at 15% on average capital account balances to each partner
- Residual income or loss equally to each partner

The net income of the Jones, King and Lane Partnership for Year 5 was \$1,800,000, and the average capital account balances for that year were Jones \$1,000,000, King \$2,000,000 and Lane \$3,000,000. Based on the information given, share the net income.

Solution

1. The partnership agreement states that there is a 10% bonus to Jones on the income before the bonus.

2. The income before the bonus is \$1,800,000.

3. The 10% bonus to Jones is therefore:

$$10\% \text{ of } \$1,800,000 = \$180,000$$

4. Next, there is 15% interest paid on the average capital account balances to each partner:

$$\text{Jones: } 15\% \text{ of } \$1,000,000 = \$150,000$$

$$\text{King: } 15\% \text{ of } \$2,000,000 = \$300,000$$

$$\text{Lane: } 15\% \text{ of } \$3,000,000 = \$450,000$$

5. After the bonus and interest payments, the residual income is to be split equally among the three partners.

$$\text{Residual income} = \$1,800,000 - \$180,000 - \$150,000 - \$300,000 - \$450,000 = \$720,000$$

This \$720,000 is split equally, so each partner gets \$240,000.



Therefore, the final income distribution is:

- Jones: \$180,000 bonus + \$240,000 residual = \$420,000
- King: \$300,000 interest + \$240,000 residual = \$540,000
- Lane: \$450,000 interest + \$240,000 residual = \$690,000

2) Ace, Bay & Cap Partnership agreed to (1) liquidate the partnership, (2) share gains and losses on the realization of noncash assets in the ratio 1:3:4, and (3) disburse the \$800,000 available cash on June 3 in a safe manner. The partnership had other assets, \$1,000,000 liabilities, \$500,000, Ace capital \$600,000, Bay capital \$400,000, and Cap capital \$300,000.

Required:

- a) Prepare working paper to show the disbursement of the \$800,000 cash in a safe manner.
- b) Prepare journal entries for the Ace, Bay & Cap partnership on 3rd June, to show disbursement of the \$800,000 cash

3) ABC Ltd., has a Capital of \$10,00,000 in equity shares of \$100 each the shares are currently quoted at par. The company proposes declaration of a dividend of \$10/- share at the end of current financial year. The capitalization rate for the risk class to which company belongs is 12%. What will be the market price of the share at the end of the year. If i) Dividend is not declared ii) If dividend is declared.

4) Consolidation of financial statement

The financial positions of Panda and Sano companies as at 31/12/2012

Details	Panda company \$(000)	Sano Company \$(000)
Cash	100000	20000
Other current assets	180000	50000
Plants and equipment	120000	40000
Land	-	20000
Total Assets	400000	130000
Liabilities	60000	50000
Common stock \$10000 par	200000	50000
Other contributed capital	40000	10000
Retained earnings	100000	20000
Total Equity	400000	130000



On the 1/01/2013, Panda company acquired 4000 shares (80%) of the outstanding common stock of Sano company for \$74,000,000 cash. Any differential arising from the acquisition should be assigned to undervalued land.

a) Determine the differential at the date of acquisition. This refers to the differential between the acquisition price paid by PANDA Company and the book value of SANO Company's assets and liabilities at the time of the acquisition on 1/1/2013.

b) prepare the consolidated statement of financial position worksheet as of the date of acquisition.

c) show the eliminating entries as of 31/12/2013 for preparing the consolidated financial statements.

5) Pink Co acquired 80% of Scarlett Co's ordinary share capital on 1 January 20X2.

As at 31 December 20X2, extracts from their individual statements of financial position showed:

	Pink C \$	Scarlett Co \$
Current assets:		
Receivables	50,000	30,000
Current liabilities:		
Payables	70,000	42,000

As a result of trading during the year, Pink Co's receivables balance included an amount due from Scarlett Co of \$4,600. Scarlett Co has a corresponding payables balance.

What should be shown as the consolidated figure for receivables and payables?

	Receivables \$	Payables \$
A	80,000	112,000
B	75,400	112,000
C	74,000	103,600
D	75,400	107,400



6) Rouna company belongs to a risk class of which the appropriate capitalization rate is 10%. It currently has 1,00,000 shares selling at \$100 each. The firm is contemplating the declaration of \$6/dividend of the end of current fiscal year, which has just begun.

Answer the following questions based on MM model assume that no taxes prevail.

- a) What will be the price of shares @ the end of a year if dividend declared and if dividend not declared.

Assuming that the firm pays dividend, has a Net income of \$10,00,000 and makes a new investment of \$ 20,00,000 during the period how many new shares have to be issued.