



### VALUE BASED QUESTIONS

Question 1. Harish is working as the chief accountant in ABC infrastructure Ltd. He came to It also provides advisory and merchant banking services in this field.know that the company is planning to announce an interim dividend. He purchased 2000 shares of the Co. at the market price of Rs. 215 with the expectation of an appreciation in the market price. When the price increased to ^ 537 he sold his holdings & made a handsome profit. Name the related concept which social values have been affected here?

Answer: Before deciding right or wrong conduct of a chief accountant let us understand what is interim dividend, role of a chief accountant, his conduct for his benefit and affected social values.

1. Interim dividends are dividend payments made before a company's Annual General Meeting (AGM) and final financial statements. This declared dividend usually accompanies the company's interim financial statements.
2. As a chief accountant of a company he should not disclose confidential information which might be acquired in course of his work during the meeting time and he should not even use such information for his personal gain or gain for others.
3. The above case study is concerned with unethical behaviour done by the chief accountant.
4. Affected social values are trust, honesty, duty, loyalty and truthfulness.

Question 2. By offering shares to its employers what values are promoted by a company.

Answer: Offering shares for sale to its employers means firstly new securities are offered to an intermediary at a fixed price then it is further resold to general public at a higher price.

Following values are promoted by a company:

1. Self existent.
2. Intermediaries can earn high amount of profits in future.
3. Readiness to cooperate.
4. Free from the tedious work of making public issue.
5. Encouraging them for saving.
6. Building a trust.
7. It helps easily and directly in capital formation of the company.
8. It is an easy method raising funds.
9. Helpfulness.
10. Faithfulness for utilization of their money.

Question 3. Mr. B the financial Manager of ABC Company purchases 100 shares of the Company just before the rights issue was announced. Is the behaviour of the manager ethical? What would you do as a legal advisor of the company?

Answer.

1. Yes, the behaviour of the manager is unethical because rights issue is a method of raising additional finance from existing shareholders by offering securities to them on prorata basis i.e. giving them a right to a certain number of shares in

- proportion to the shares they are holding.
2. As a legal advisor of the company, I advice that he should not be given that right of extra shares.
  3. As a manager his responsibility is to develop and analyse information

#### MORE QUESESTION SOLVED

##### I. VERY SHORT ANSWER TYPE QUESTIONS

Question 1. What do you mean by “Financial Intermediation”?

Answer: The role of transferring financial resources from the surplus units to the deficit units is referred to as “Financial Intermediation”.

Question 2. Who plays a very vital role in a financial intermediary.

Answer: Capital markets play a very vital role in a financial intermediary.

Question 3. Identify the logo given below.



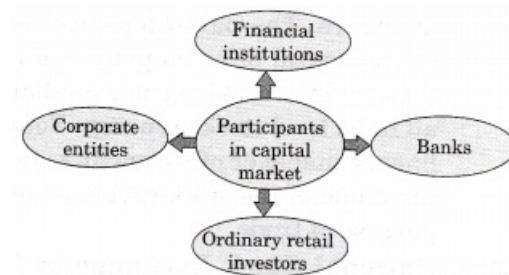
Answer: IDBI Bank.

Question 4. Name one of the financial institutions guaranteeing loans raised by Industrial concerns which are repayable within a period not exceeding 20 years.

Answer: State Financial Corporations (SFCs) guaranteeing loans raised by industrial concerns which are repayable within a period not exceeding 20 years.

Question 5. List any four participants in capital market.

Answer:



Question 6. Name one financial institution which was formed by transforming The Industrial Reconstruction Bank of India.

Answer: The Industrial Investment Bank of India Ltd. (IIBI) was formed by transforming The Industrial Reconstruction Bank of India (IRBI).

Question 7. Name one financial institution which was set up by IDBI at the instance of the Government of India in April 1971 for rehabilitation of sick industrial companies.

Answer: Industrial Investment Bank of India Ltd. (IIBI) was set up by IDBI at the instance of the Government of India in April 1971 for rehabilitation of sick industrial companies.

Question 8. Name one financial institution which can sanction amount to a single concern i.e. minimum amount Rs. 5 lakhs and it does not go beyond the maximum limit of Rupees one crore.

Answer: Industrial Credit and Investment Corporation of India (ICICI).

Question 9. Name one financial institution which extends seed capital/loan assistance under the National Equity Fund, Mahila

Udyan Nidhi and Mahila Vikas Nidhi.

Answer: Industrial Finance Corporation of India (IFCI).

Question 10. Name one of the financial institutions guaranteeing loans raised by industrial concerns which are repayable within a period not exceeding 25 years.

Answer: Industrial Finance Corporation of India (IFCI)

Question 11. Why stock exchange is called as the 'financial barometers' and development indicators of national economy?

Answer: Stock exchanges are the financial barometers and development indicators of national economy of the country. Industrial growth and stability is reflected in the index of stock exchange.

Question 12. By which act the organisation, management, membership and functioning of stock exchanges in India are governed?

Answer: The organisation, management, membership and functioning of stock exchanges in India are governed by the provisions of The Securities Contracts (Regulation) Act, 1956.

Question 13. Name the market which enhances the marketability of securities and thereby provides liquidity to investments.

Answer: The secondary market enhances the marketability of securities and thereby provides liquidity to investments.

Question 14. Who are in need of the help of capital markets?

Answer: The help of capital market is for:

1. Industry
2. Trade
3. Finance
4. Government.

Question 15. For what purpose the productive capital is raised?

Answer: Productive capital is raised and made available for industrial purposes.

Question 16. Mention two major instruments of capital market.

Answer:

1. Equity Shares
2. Debentures

Question 17. What is the other name of primary market?

Answer: New Issue Market (NIM).

Question 18. Name two methods of flotation of primary market.

Answer:

1. Private Placement
2. e-IPOs.

Question 19. Name the most popular method of raising funds by companies in the primary market.

Answer: Offering shares through prospects.

Question 20. Name two segments of capital market.

Answer:

1. Primary market
2. Secondary market.

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