Reg No :

PH 351.3

St Aloysius College (Autonomous)

Mangaluru

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

November - 2024

EQUITY RESEARCH AND SECURITY MARKET OPERATIONS

Time : 3 Hours Max. Marks : 70

SECTION-A

(5x4=20)

Answer any FIVE of the following:

1. Describe the Industry Life Cycle.
2. What knowledge is required to become an equity research analyst?
3. Describe the process of share trading in the secondary market.
4. What is the primary market, and what are the key methods of raising capital in it?
5. Explain supply side shocks and its relevance in equity research.
6. How is the bottom up approach different from top down approach in fundamental analysis?
7. Describe the Candlestick Anatomy.

SECTION-B

(4x10=40)

Answer any FOUR of the following:

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. Explain the AIMS criteria to evaluate investment alternatives with an example.
11. Calculate a five-day simple moving average

Days	Closing Prices
1	34
2	30
3	32
4	28
5	29
6	27
7	25
8	35
9	24
10	37
11	38
12	31
13	33
14	23
15	26

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)
L	74	95	3
M	20	29	12
N	60	55	6
0	40	50	5

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

SECTION-C (Compulsory)

(1x10=10)

14. How do you perform company analysis?

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

November - 2024

MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

Time : 3 Hours Max. Marks : 70

SECTION-A

Answer any FIVE of the following: **(5x4=20)**

1. What are some of the primary drivers of failure in the context of mergers and acquisitions?

2. X Ltd wants to acquire A Ltd by exchanging it's 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

i) What is the excahnge ratio based on market price?
ii) What is the pre-merger earnings per share and P/E ratio for each company?
iii) What is the acquiring P/E ratio used in acquiring A Ltd?

3. Define corporate restructuring and explain its significance in today's business environment. Provide examples of companies that have successfully utilized restructuring strategies.

4. Explain the use of "Poison Pills" in takeover defense.

5. A Ltd wants to acquire T Ltd by exchanging 0.5 of it's shares for each share of T Ltd. The relevant financial data are as follows:

	A Ltd	T Ltd
Earning after taxes (₹)	18,00,000	3,60,000
Equity shares outstanding	6,00,000	1,80,000
Earning Per Share (₹)	3	2
P/E Ratio (times)	10	7
Market price per share (₹)	30	14

i) Calculate the number of equity shares required to be issued by A Ltd for acquisition of T Ltd.
ii) Calculate the EPS of A Ltd after the acquisition.
iii) Determine the equivalent earnings per share of T Ltd.

6. Explain the concept of a "fast-track merger" as introduced by the Companies Act of 2013. What are the eligibility criteria and procedural requirements for such mergers?

7. Elaborate on the challenges that frequently result in the failure of M&A deals.

SECTION-B

Answer any FOUR of the following: **(4x10=40)**

8. Describe the Efficiency Theory of Mergers & Acquisitions.

Contd...2

9. S Ltd wants to acquire Target Ltd. Balance Sheet of Traget Ltd as on 31/12/2022 has the following assets & liabilities.

LIABILITIES	₹ Amt (Lakhs)	ASSETS	₹ Amt (Lakhs)
Equity share capital (12,00,000 shares of ₹ 100 each)	1200	Cash	30
Retained Earnings	300	Debtors	195
10.5% Debentures	600	Inventories	405
Creditors & other liabilities	480	Plant & Equipment	1950
	2580		**2580**

Additional Information:

i) Shareholders of Target Ltd will get 1.5 shares in S Ltd for every 2 shares

ii) The shares of S Ltd would be issued at it's current market price of ₹ 180 per share

iii) Debenture holders will get 11% debntures of the same amount
External liabilities are expected to be settled at ₹ 450 lakhs
Dissolution expenses of ₹ 45,00,000 are meant to be paid by H Ltd

iv) The following are the projected incremental free cash flows expected for 6 years

Year	1	2	3	4	5	6
Rs in lakhs	450	600	780	900	660	360

v) Free cash flows of Target Ltd is expected to grow at 3% per annum after 6 years

vi) Given the risk complexion of Traget Ltd, cost of capital relevant to Target Ltd cash flows is decided at 13%

vii) There is an unrecorded liability of ₹ 20 lakhs

Advise the company regarding the financial feasibility of Acquisition.

10. 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?

11. Discuss the challenges and risks associated with cultural integration in M&A. How can organizations proactively address these issues?

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. Discuss the role and responsibilities of the acquirer, target company, and regulatory authorities in ensuring compliance with the SEBI Takeover Code.

SECTION-C (Compulsory) (1x10=10)

14. Firm Aplha Ltd plans to acquire Beta Ltd. Following are the merger statistics of the two firms

	Alpha Ltd ₹ Amt	Beta Ltd ₹ Amt
Market price per share (₹)	50	20
Book value per share (₹)	34	16
Number of outstanding shares (₹)	4,50,000	2,25,000
Market value of the firm (₹)	22,50,000	45,00,000

Firm Alpha offers the shreholders of Beta Ltd one share in excahnge for every two shares held by them in Beta Ltd.
The merger is expected to bring gains which has a present value of Rs 50,00,000.
Analyse if Alpha Ltd should acquire Beta 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 - 2024

INVESTMENT BANKING AND FINANCIAL SERVICES

Time : 3 Hours **Max. Marks : 70**

SECTION-A

(5x4=20)

Answer any FIVE of the following:

1. Interpret the role of New Generation Bank in the growth of financial services in India.
2. Sketch the concept of Book Building Offer.
3. Explain the types of underwriting.
4. Discuss the advantages of leasing.
5. Describe the importance of credit rating.
6. Analyze the role of SEBI in regulating depository services in India.
7. Differentiate between domestic lease and international lease

SECTION-B

Answer any FOUR of the following: (4x10=40)

8. Differentiate between Commercial banks and Merchant banks.
9. Demonstrate the meaning and features of Private Equity
10. Summarize the regulatory framework governing underwriting.
11. Examine the functions performed by investment banker under issue management.
12. Critique the advantages and disadvantages of forfaiting as a method of trade finance
13. Examine the role and functions of NABARD.

SECTION-C (Compulsory) (1x10=10)

14. General Electronics Corporation of India Ltd has been analyzing the firm's policy regarding computers, which are now being leased on a yearly basis on rental amounting to ₹ 1,00,000 per year. The computers can be bought for ₹ 5,00,000. The purchase would be financed by 16 per cent loan repayable in 4 equal annual instalments. On account of rapid technological progress in the computer industry, it is suggested that a 4-year economic life should be used. It is estimated that the computers would be sold for ₹ 2,00,000 at the end of 4 years. The company uses the straight-line method of depreciation. Corporate tax rate is 50 per cent. Lease rentals and annual loan instalments are paid at the end of the year. Judge from the information available whether the company should lease or buy the computers.

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

November - 2024

INSURANCE AND RISK MANAGEMENT

Time : 3 Hours Max. Marks : 70

SECTION-A

Answer any FIVE of the following: (5x4=20)

1. Differentiate between pure risk and speculative risk.
2. Discuss the concept of insurance as a risk management tool in hedging. Provide examples of how insurance can be used for hedging against specific risks.
3. Define risk management.
4. How does the burden of risk affect society as a whole? Provide examples of how risk can impact economic and social aspects of society.
5. Discuss the principle of "insurable interest" in insurance. Why is it considered a fundamental element in insurance contracts?
6. Explain the second step in the risk management process.
7. Sum Assured is ₹ 1,00,000; 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

SECTION-B

Answer any FOUR of the following: (4x10=40)

8. Discuss the duties of an insurance agent.
9. Evaluate whether 'motor accident' is an insurable risk.
10. Compare and contrast personal risk management with corporate risk management. What are the similarities and differences between the two approaches?
11. Evaluate the impact of personal risk management on an individual's financial well-being and long-term financial goals. How can effective risk management lead to financial security?
12. A property insurer reported the following financial information for a specific line of insurance:
    Premiums written – ₹ 2,60,00,000
    Expenses incurred – ₹ 60,00,000
    Incurred losses and loss adjustment expenses – ₹ 1,50,00,000
    Earned premiums – ₹ 2,10,00,000

    a. What was the insurer's loss ratio for this line of coverage?
    b. Calculate the expense ratio for this line of coverage.
    c. What was the combined ratio for this line of coverage?

13. Examine the IRDA (Protection of Policyholders' Interests) Regulations, 2017, and discuss how they enhance policyholder protection and fairness in the insurance market.

SECTION-C (Compulsory) (1x10=10)

14. Explain the steps in the settlement of a claim.

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