

**12.1 Stock Exchange : Meaning****12.2 Functions of Stock Exchange****12.3 Major Stock Exchanges in India****12.4 Important terms related with Stock Exchange.****12.5 SEBI**

## 12.5.1 Functions of SEBI

**12.6 Distinction****INTRODUCTION :**

A Stock Market is an important constituent of Capital market. It is a part of the financial market where corporate securities are bought and sold. It is an organised Capital market where second hand securities are bought and sold for investment and speculation purposes. Only listed Securities can be traded on a stock exchange.

*Listed Securities : Securities those are included in the trading list of the stock exchange. To get its securities listed, a company has to apply to the stock exchange and comply with its rules and regulations.*

A Stock Exchange is also called as a Secondary Market or Stock Market or Share Market or Share Bazar.

**12.1 STOCK EXCHANGE : MEANING**

Stock exchange is a specific place where various types of securities are purchased and sold. The term securities include equity shares, preference shares, debentures, government securities and bonds, etc. including units of Mutual Funds. Stock markets act as intermediary between investors and borrowers. To provide safety and stability to the investors, Stock exchanges in India are regulated by SEBI.

London Stock Exchange which was founded in 1571 is the oldest Stock Exchange in the world while Bombay Stock Exchange which was founded in 1875 is the oldest stock exchange in India.

**Definitions of Stock Exchange :**

According to the Securities Contracts (Regulation) Act 1956, the term stock exchange is defined as, “An association, organization or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling of business in buying, selling and dealing in securities.”

Husband and Dockerary have defined stock exchange as :

“Stock exchanges are privately organized market which are used to facilitate trading in securities.”

**The important features of a stock exchange are as follows -**

- 1. Market for Securities :** Stock exchange is a place where all types of corporate securities as well as securities of government and semi-government bodies are traded.

2. **Second Hand Securities** : Securities traded in Stock exchange are those securities which are already issued by the companies. In other words, second hand securities are bought and sold among investors in a stock exchange.
3. **Listed Securities** : Only securities that are listed with the stock exchange can be traded on a stock exchange. Listing of securities helps in protecting the interest of investors as companies have to strictly comply with the rules laid down by the stock exchange.
4. **Organised and Regulated Market** : All Listed Companies have to comply with the guidelines of SEBI. Companies will also have to function as per the rules and regulations laid down by the Stock exchange.
5. **Specific Location** : Stock exchange is a specific physical place where securities are traded. It is a market place where brokers and intermediaries meet to conduct dealings in securities. Today, all trading is done electronically on a stock exchange.
6. **Trading only through Members** : Securities in a Stock exchange can be traded only by the members of the exchange on their own behalf or through authorised brokers.

- **Management of Stock Exchange :**

Executive committee of stock exchange looks after the overall activities and management of stock exchange. The composition, powers and the name of the executive committee differs from exchange to exchange. There are other supporting committees to assist the executive committee like advisory committee, listing committee, etc.

- **Organization Structure of Stock Exchanges in India :**

In India, the stock exchange may be organized in one of the following three forms.

- i) Voluntary non-profit making organization.
- ii) Companies with liability limited by shares
- iii) Companies with liability limited by guarantee.

The Securities Contract (Regulations) Act 1956, provides rules for their functioning, licensing, recognition and for controlling speculations.

- **Membership of Stock Exchange :**

The eligibility criteria for membership may differ from stock exchange to stock exchange (For additional information refer website of respective stock exchange.)

## 12.2 FUNCTIONS OF STOCK EXCHANGE

1. **Mobilisation of Savings** : Stock markets are organised and regulated market which protects the interests of the investors. This encourages small and big investors to invest in securities through the stock exchange. It thus provides a ready market for buying and selling securities.
2. **Capital formation** : Investors in securities are attracted due to good returns on investments and capital appreciation. This attracts more investors to invest through the stock exchange. Corporates too can easily raise funds by offering various types of securities to meet the needs of different types of investors. Thus Stock exchange serves as a tool for capital formation.

3. **Pricing of Securities** : The stock market helps to value the securities on the basis of demand and supply factors. The securities of profitable and growth oriented companies are valued higher as there is more demand for such securities. The valuation of securities is useful for investors, government and creditors. The investors can know the market value of their investment. The creditors can estimate the credit worthiness of a company.
4. **Economic Barometer** : A stock exchange is a reliable barometer to measure the economic condition of a country. Every major change in country and economy is reflected in the prices of shares. The rise or fall in the share prices indicates the boom or recession cycle of the economy. Stock exchange is also known as a pulse of economy or economic mirror as it reflects the economic conditions of a country.
5. **Protecting Interest of Investors** : Stock exchange protects the interest of investors. In stock market only the listed securities are traded. Stock exchange allows listing only after verifying the soundness of company. The companies which are listed have to operate within the strict rules and regulations laid down by the stock exchange. This ensures safety of dealing through stock exchange.
6. **Liquidity** : The main function of stock market is to provide ready market for sale and purchase of securities. The presence of stock market gives assurance to investors that their investment can be converted into cash whenever they want. The investors can invest in long term investment projects without any hesitation, as because of stock exchange they can convert long term investment into short term and medium term or even liquidate their investments whenever they want.
7. **Better Allocation of Capital** : The shares of profit making companies are quoted at higher prices and are actively traded so such companies can easily raise fresh capital from stock market. The prices of securities traded in the exchange indicates the opportunities for investments. So stock exchange facilitates allocation of investors fund to productive and profitable channels.
8. **Contributes to Economic Growth** : In stock exchange, securities of various companies are bought and sold. Investors invest in companies which give good return on investments. Hence companies, too, try to invest in most productive investment projects. This leads to capital formation as well as economic growth.
9. **Providing Scope for Speculation** : To ensure liquidity and demand or supply of securities the stock exchange permits healthy speculation of securities.
10. **Promotes the Habit of Savings and Investment** : The stock market offers attractive opportunities of investment in various securities. These attractive opportunities encourage people to save more and invest in securities of corporate sector rather than investing in unproductive assets such as gold, silver, etc.

### 12.3 MAJOR STOCK EXCHANGES IN INDIA

Following are the two most important Stock Exchanges in India.

1. **Bombay Stock Exchange (BSE)** : BSE - Bombay Stock Exchange, was set up in 1875. At that time it was called as The Native Share and Stock Brokers' Association. It is located in Dalal Street in Mumbai.

It is Asia's first Stock exchange. It is the first listed stock exchange in India. It is the 11th largest stock exchange in the world in terms of market capitalisation. It has the largest number of companies listed with it. (Approximately over 5000 companies are listed in the BSE.) It is now a demutualised and corporatized entity registered under the Companies Act, 1956.

The BSE switched to an electronic trading system in 1995. This automated, screen-based trading platform is called BSE On-Line Trading (BOLT). The BSE has also introduced a centralized exchange based internet trading system, **bsewebx.co.in** to enable investors anywhere in the world to trade on the BSE Platform.

- 2. National Stock Exchange (NSE) :** NSE was set up by a group of leading Indian Financial Institutions in 1992 as a company and was recognized as a Stock Exchange in 1993 under the Securities Contracts (Regulation) Act, 1956. It started trading activities in 1994. It is the largest and most modern stock exchange in India.

The NSE is located in Mumbai. It was the first demutualized electronic exchange in India. NSE was the first exchange in the country to provide a modern, fully automated screen-based electronic trading system which offered easy trading facility to the investors. The main index of NSE is the NIFTY which was launched in 1996.

## 12.4 IMPORTANT TERMS RELATED TO STOCK EXCHANGE

- 1. Broker :** He is a member of a stock exchange who is licensed by stock exchange to buy or sell shares on his client's behalf. He is an agent between the investors and Jobber. His income is in the form of commission or brokerage.
- 2. Jobber :** A Jobber is a dealer in stock exchange who carries on trading of securities in his own name. He buys securities as an owner and sells them at a higher price. The profit he makes is his income.  
He is a professional speculator in the stock exchange. He is not permitted to deal with investors directly.
- 3. Bull (Tejiwala) :** A Bull is a speculator who expects the price of a share to rise in the future and buys with the hope of selling them at the higher prices to earn profit. His views are optimistic. Bulls actions leads to higher prices for securities as there is excess of purchase over sales.
- 4. Bear (Mandiwala) :** A bear is a speculator who expects fall in the price of a security. Hence he sells his securities at the prevailing prices to avoid loss as he expects further fall in prices. Bears action leads to lowering the prices of securities as there is excess of sales over purchase.
- 5. Stag :** A stag is a member who buys new issues of securities from Primary market and sells them later at higher prices, when the securities are listed, on the stock exchange.
- 6. Lame Duck :** A lame duck is a bear broker whose expectations have gone wrong and makes a loss in his dealings. In other words, he had expected the prices of securities to fall (so he sold his securities) but instead, the prices have gone up.
- 7. Wolves :** A Wolf is a broker who is a smart speculator. He is quick to judge the trends in the market and trades quickly thereby making profit.

8. **Settlement** : It refers to the scrip wise, i.e. security wise netting of trades by a broker after the trading period is over. (e.g. for equity spot markets it is T + 2 days T.i.e. Trading day.)
9. **Contract Note** : It is a note given by a broker to his client. It will be in a specific form. It validates the transaction. Both the broker and the client will have one copy each immediately after the transaction within 24 hours.
10. **Trading Ring** : The trading or auction of shares takes place on the floor of the stock exchange which is also known as Trading Ring. These days there is no trading room as all transactions are done electronically.
11. **Insider Trading** : Insider trading is the trading of a public listed company's securities by individual with access to non-public information about the company. Trading based on insider information is illegal. This is because it is seen as unfair to other investors who do not have access to the information.
12. **Day Trading** : The practice of buying and selling of securities within the same trading day before the close of the markets on that day is called 'Day Trading'.
13. **Sensex** : It is the Index of the BSE which represents the increase or decrease in prices of stocks of selected group of companies. Sensitive Index called as Sensex is made up of 30 largest and actively traded stocks of listed companies. It was created in 1986.

*Index is a measurement of changes in the security prices. It is the benchmark index of the stock market.*

14. **Nifty** : It is the index of the NSE. It is made up of 50 listed companies. It includes all the 30 Sensex stocks. It was created in 1996.
15. **Rally** : If the Sensex or Nifty moves in upward direction over a period of 14 to 20 trading sessions, it is called as a Rally. Bulls are active during the market rally.
16. **Crash** : If the Sensex or Nifty moves in downward direction, it is called as a crash. Bears are active during this period.
17. **Market capitalisation** : It is the total value of a company's outstanding (issued) shares multiplied by its current market price. It indicates the worth of the company.
18. **Stop-loss** : It is an instruction or order given by an investor to the broker to buy or sell a security when it reaches a certain price. This instruction is given by the investor when he wants to avoid losses when the prices fall below the stop price.

## 12.5 Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) is the regulator of the capital markets in India. The SEBI was established in 1992 under the Securities and Exchange Board of India Act, 1992. It has its headquarters in Mumbai and has many regional and local offices all over India.

### 12.5.1 Functions of SEBI :

SEBI was set up with the objective of promoting the securities market, protecting the interest of the investors in securities market and to regulate the securities market. SEBI issues rules and regulations to be followed by the issuers of securities, the market intermediaries and the investors. It is a regulator of all the Stock exchanges in India.

The various functions of SEBI are -

1. To protect the interest of investors in securities market.
2. To promote the development of securities markets.
3. To regulate the business in stock exchanges and any other securities market.
4. To register and regulate the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustee of trust deeds, registrars to an issue, merchants bankers, underwriters, and such other intermediaries who may be associated with securities market.
5. To register and regulate the working of the Depositories, Depository Participants, Custodians of securities, foreign institutional investors, credit rating agencies.
6. To register and regulate the working of venture capital funds and collective investment schemes including mutual funds.
7. To promote and regulate self-regulatory organizations.
8. To prohibit fraudulent and unfair trade practice relating to securities markets.
9. To promote investors' education and training of intermediaries of securities market.
10. To prohibit insider trading in securities.

**Activity :** Find the meaning of Beta, Blue chip Stocks, Penny Stock and Mid Caps Stock.

## 12.6 DISTINCTION

### Jobber and Broker

Points	Jobber	Broker
(1) Meaning	Jobber is one who buys and sells securities in his own name.	Broker is an agent who deals in buying and selling of securities on behalf of his client.
(2) Nature of Trading	A jobber carries out trading activities only with the broker.	A broker carries out trading activities with the jobber on behalf of his investors.
(3) Restrictions on Dealings	A jobber is prohibited to directly buy or sell securities in the stock exchange. Also he cannot directly deal with the investors.	A broker acts as a link between the jobber and the investors. He trades i.e. buys and sells securities on behalf of its investors.
(4) Agent	A jobber is a special mercantile agent.	A broker is a general mercantile agent.
(5) Form of Consideration	A jobber gets consideration in the form of profit.	A broker gets consideration in the form of commission or brokerage.

### Activity :

1. Visit to Broker's Office.
2. Visit to Stock Exchange.



**B) Match the pairs.**

Group 'A'		Group 'B'	
a)	SEBI	1)	Expects the price of shares rise in future.
b)	Day Trading	2)	Expects the price of shares fall in future.
c)	Bull	3)	Buying and selling of securities within the same trading day.
d)	Bear	4)	To protect the interest of investors in securities market.
e)	BSE	5)	Buying and selling of securities to particular investors.
		6)	One of the oldest stock exchange in India.
		7)	To protect the interest of companies in securities market.
		8)	Buying and selling of securities within a week.
		9)	Newest Stock Exchange in India.
		10)	One who invests in new issues of securities.

**C) Write a word or a term or a phrase which can substitute each of the following statements.**

1. A specific place where trading of securities is arranged in an organized method.
2. The first stock exchange to be recognized by the Indian Government under the Securities Contracts Regulation Act.
3. A dealer in stock exchange who carries on trading of securities in his own name.
4. A speculator who expects the price of shares rise in the future.

**D) State whether the following statements are true or false.**

1. A stock exchange is a reliable barometer to measure the economic condition of a country.
2. Bombay Stock Exchange is the oldest stock exchange in India.
3. A broker is a dealer in stock exchange who carries on trading of securities in his own name.
4. Bear is a speculator who expects the prices of shares to rise in the future.

**E) Complete the sentences.**

1. The oldest Stock Exchange in India is the \_\_\_\_\_
2. The largest and most modern stock exchange in India is the \_\_\_\_\_
3. A person who buys or sells shares on behalf of his clients is called as \_\_\_\_\_
4. A speculator who expects fall in prices of shares is called as \_\_\_\_\_

**F) Select the correct option from the bracket.**

Group 'A'		Group 'B'	
a)	Regulator of capital market	1)	_____
b)	_____	2)	Nifty
c)	Jobber	3)	_____
d)	_____	4)	Oldest Stock Exchange in the world.

(London Stock Exchange, Index of NSE, SEBI, Trades in securities in his own name)

**G) Answer in one sentence.**

1. What is Stock Exchange ?
2. Who is Broker ?
3. Who is Jobber ?
4. Who is Bull ?

- |                           |                       |
|---------------------------|-----------------------|
| 5. Who is Bear ?          | 6. Who is Lame Duck ? |
| 7. What is Trading Ring ? | 8. What is Sensex ?   |
| 9. What is Rally ?        | 10. What is Crash ?   |

**H) Correct the underlined word/s and rewrite the following sentences.**

- One of the functions of SEBI is to protect the interest of issuers of securities in the securities market.
- A Broker cannot directly deal with investors.
- A Bear expects the prices of shares to rise in future.
- A Bull buys new issues of securities from primary market.
- A stock market is an important constituents of money market.

**Q.2 Explain the following terms/concepts.**

- |                   |                  |
|-------------------|------------------|
| 1. Stock exchange | 2. Broker        |
| 3. Jobber         | 4. Bull          |
| 5. Bear           | 6. Contract Note |

**Q.3 Study the following case/situation and express your opinion.**

- Mr. Y is a practising Company Secretary offering advisory services to companies, institutions, etc. on corporate laws including Companies Act. He has received few queries from his clients, please assist Mr. Y in answering them.
  - BDI bank wants to offer DP services. Whom should they approach for registering as DP ?
  - KM Financial wants to offer Debenture Trustee services. Where should they apply for getting registered ?
  - TT Ltd. Co. wants to issue an IPO. Should it get itself registered with SEBI ?
- Mr. P has a recently got his B.Sc. degree. He has enrolled for a course in securities market. As a new student of this subject, he has few queries as follows :
  - Does a Company need to be listed on a stock exchange to sell its securities through the stock exchange ?
  - What is the term used for referring to a stock exchange's ability to reflect the economic conditions of a country ?
  - What is the term which refers to the functions of stock exchange as a provider of ready market for sale and purchase of security ?

**Q.4 Distinguish between the following.**

- Jobber and Broker.

**Q.5 Answer in brief.**

- State the functions of SEBI.
- State any four features of Stock Exchange.

**Q.6 Justify the following statements.**

- The Securities and Exchange Board of India (SEBI) is the regulator for the securities market in India.
- Stock exchanges work for the growth of the Indian economy.

**Q.7 Answer the following questions.**

- Explain the functions of Stock Exchange.



**CHAPTER 1 : INTRODUCTION TO CORPORATE FINANCE**

- Q.1 A)** 1) Finance, 2) monetary, 3) capital, 4) taxes, 5) Fixed capital, 6) Working capital, 7) huge, 8) expand, 9) current assets, 10) Capital structure.
- B)** a. 6) Investment decision, b. 5) Fixed assets, c. 1) Sum of current assets, d. 9) Mix up of various sources of funds, e. 2) Deals with acquisition and use of capital
- C)** 1) Finance, 2) Financing decision, 3) Investment decision, 4) Fixed capital, 5) Working capital, 6) Working capital, 7) Production cycle, 8) Business cycle, 9) Capital structure, 10) Retained earnings.
- D)** 1) True, 2) True, 3) True, 4) False, 5) False, 6) False, 7) True, 8) True, 9) True, 10) True
- E)** 1) Cash, 2) Debenture Capital 3) Capital Structure.
- F)** 1) Finance manager, 2) Increase, 3) Production cycle, 4) Decrease,
- G)** a) Financing decision                      1) To have right amount of capital  
 b) Fixed capital                                2) Longer period of time.  
 c) Investment decision                      3) Deploy funds in systematic manner.  
 d) Working capital                            4) Circulating capital  
 e) Combination of various sources of funds                      5) Capital structure
- I)** 1) Interest, 2) boom, 3) Debenture, 4) Preference shares

**CHAPTER 2 : SOURCES OF CORPORATE FINANCE**

- Q.1A)** 1) Share, 2) International, 3) Equity shareholders, 4) Equity shareholders, 5) Bonus, 6) fixed, 7) cumulative, 8) convertible, 9) creditors, 10) Interest, 11) Interest, 12) equity shares, 13) internal, 14) creditor, 15) six, 16) 36, 17) U.S.A.
- B)** a. 4) Venture Capital, b. 9) Trust Deed, c. 10) Cautious Investor, d. 8) Instrument of debt., e. 2) Capitalisation of Profit
- C)** 1) Equity shareholders, 2) Share Certificate, 3) Participating Preference shares, 4) Debenture Trustees, 5) Equity shareholders, 6) Face value, 7) Market value, 8) Retained earning, 9) Deposit Receipt, 10) American Depository Receipt (A.D.R.), 11) Global Depository Receipt (G.D.R.), 12) Public Deposits, 13) Trade Credit, 14) Overdraft.
- D)** 1) True, 2) False, 3) True, 4) False, 5) False, 6) True, 7) True, 8) True, 9) False
- E)** 1) Retained earnings, 2) Redemption value, 3) ADR, 4) Trade Credit
- F)** 1) Capital, 2) Equity shares, 3) Directors, 4) Equity shareholders, 5) Creditors, 6) Global Depository Receipt, 7) 1948, 8) Trade Credit

- G)** a) Equity shares                      1) Fluctuating rate of Dividend  
 b) Preference shares                  2) Dividend at fixed rate  
 c) Debentures                            3) Interest at fixed rate  
 d) Retained earnings                  4) Accumulated corporate profit  
 e) Public Deposit                        5) Short term loan.
- I)** 1) Permanent                      2) Fluctuating                      3) Fixed                      4) Internal  
 5) Creditor                      6) Long                      7) ADR/American Depository Receipt.

### CHAPTER 3 : ISSUE OF SHARES

- Q.1 A)** 1) Share capital, 2) Authorised, 3) Public Issue, 4) Book Building, 5) Initial Public Offer, 6) Rights Issue, 7) Existing Equity Shareholders., 8) ESOS, 9) Private placement, 10) Board of Directors, 11) Allotment, 12) Share Certificate, 13) One month, 14) Forfeit, 15) Transfer, 16) Transmission.
- B) (I)** a. 5) Transmission of shares, b 4) Surrender of shares, c. 9) Fixed price issue method, d. 3) offered to existing employees, e. 6) Non - allotment of shares.
- (II)** a. 4) Capital offered to public to subscribe, b. 2) Any issue after IPO, c. 7) Free shares issued to existing equity shareholders, d. 5) Share certificate, e. 1) Non-payment of calls.
- C)** 1) Share capital, 2) Subscribed capital, 3) Reserve capital, 4) Cap price/ceiling price, 5) Initial public offer/IPO, 6) Further Public Offer/Follow on Public Offer FPO, 7) Rights Issue/shares, 8) Bonus shares, 9) Allotment of shares, 10) Allotment committee, 11) Minimum subscription, 12) Share certificate, 13) Forfeiture of shares, 14) Transferee, 15) Transmission of shares.
- D)** 1) False, 2) True, 3) True, 4) False, 5) True, 6) False, 7) False, 8) True, 9) False, 10) True
- E)** 1) Equity share capital, 2) Rights shares, 3) Face value, 4) ESOS, 5) Allotment of shares
- F)** 1) Preference shares, 2) Uncalled capital, 3) Transmission of shares, 4) Transferee, 5) Surrender of shares, 6) Partly paid up shares, 7) Duplicate share certificate, 8) 1 month of date of receipt of instrument of transfer, 9) Letter of allotment, 10) Over subscription, 11) Cut-off price, 12) Bonus shares,
- G)** a) Public offer of shares                      1) Shares offered to public  
 b) First time offer of shares                      2) Initial Public Offer  
 c) Rights Issue                                      3) Shares offered to existing Equity shareholders  
 d) share offered to existing employees      4) ESOS  
 e) Operation of law                                      5) Transmission of shares.
- I)** 1) Authorised capital 2) Book building method 3) IPO 4) partly paid 5) equity shareholders 6) underwriters 7) Letter of Regret 8) three 9) 25 %

- J)** 1. c) Allotment of shares    b) Calls on shares    a) Forfeiture of shares  
 2. c) Application form    b) Allotment letter    a) Share certificate  
 3. b) Application form    c) Minimum subscription    a) Return of allotment

#### CHAPTER 4 : ISSUE OF DEBENTURES

- Q.1 A)** 1) Debentures, 2) Partly or fully, 3) Debenture redemption reserve, 4) Debenture trustees, 5) 10 years, 6) secured, 7) 6 months, 8) Register of debenture, 9) Debenture trustees, 10) Debenture trust deed, 11) 60 days
- B)** a. 7) protects interest of debenture holders,    b. 5) No voting rights,  
 c. 3) Secured debentures,    d. 1) power to issue debentures,  
 e. 10) issued within 6 months of allotment of debentures
- C)** 1) Special resolution, 2) Debenture redemption reserve, 3) Debenture Trustees, 4) 10 years, 5) Secured debentures, 6) Debenture trust deed, 7) 60 days, 8) 6 months from allotment of debentures, 9) Debenture trustees, 10) Board of directors
- D)** 1) True, 2) False, 3) True, 4) True, 5) False, 6) False, 7) True, 8) False, 9) True, 10) False.
- E)** 1) Dividend, 2) Court, 3) Irredeemable debentures, 4) Shareholders
- F)** 1) Debenture trust deed, 2) Debenture trustee, 3) 60 days, 4) Board of directors, 5) 10 years from date of its issue, 6) NCLT, 7) Debenture Trustee, 8) Interest, 9) 75 % of the issue, 10) Credit rating.
- G)** a. Debenture trustees    1) Trust deed,  
 b. Secured Debentures    2) charge on assets,  
 c. Register of debentures    3) names of debenture holders,  
 d. Issued within 6 months of allotment    4) debenture certificate,  
 e. No voting rights    5) debenture holders
- I)** 1) Register of Debenture holders 2) 10 years 3) secured 4) Interest  
 5) debenture holders 6) 6 months 7) 60 days 8) credit rating agency.
- J)** 1) a. Obtain Credit Rating  
     c. Receive application with money,  
     b. Entry in register of Debenture
- 2) b. Issue prospectus, c. Open Bank Account, a. Issue Debenture Certificate
- 3) c. Receive application with money, a. Hold Board Meeting for allotment  
     b. Issue debenture certificate.

#### CHAPTER 5 : DEPOSITS

- Q.1 A)** 1) Short term loan, 2) Public, 3) 100, 4) Government, 5) 36, 6) Circular, 7) 30, 8) Deposit Trustee, 9) Secured Deposit, 10) 21, 11) 1, 12) 30<sup>th</sup> June

- B)** a. 5) 100% of aggregate of paid-up share capital and free Reserve,  
b. 2) Signed at least 7 days before issuing Advertisement,  
c. 4) Charge on tangible assets,  
d. 8) Maximum 36 months, e. 10. File on or before 30<sup>th</sup> June every year.
- C)** 1) Private Company, 2) Government Company, 3) 6 months, 4) 36 months,  
5) Within 30 days of acceptance of deposits, 6) Circular, 7) Deposit Trust Deed,  
8) Deposit Repayment Reserve Account, 9) Within 21 days from date of receipt of  
deposit, 10) Register of Deposit.
- D)** 1) False, 2) True, 3) False, 4) False, 5) True, 6) False, 7) True, 8) True,  
9) False, 10) True
- E)** 1) Government Company, 2) Special Resolution, 3) Appointment of Registrar of  
Companies
- F)** 1) Short term loan, 2) Public, 3) ₹ 100 crores, 4) 35% of its paid-up share capital  
and free reserve, 5) 36 months, 6) Demand, 7) 3 months, 8) Advertisement,  
9) Credit Rating Agency, 10) Deposit Repayment Reserve Account
- G)** a. Government Company 1) deposits from public,  
b. Private Company 2) deposits from member,  
c. 36 months 3) Maximum tenure of deposits,  
d. Secured deposit 4) charge on tangible assets,  
e. Return of deposits 5) file on or before 30<sup>th</sup> June.
- I)** 1) public 2) circular 3) Deposit Trustees 4) 21 days 5) Return of deposit  
6) secured 7) 6
- J)** 1) b. Hold General Meeting, a. Appoint Deposit Trustee, c. Create charge on Assets  
2) c. Issue Advertisement, b. Issue Deposit Receipt a. File Return of deposit  
3) a. Obtain Credit Rating, c. Issue Deposit Receipt, b. Entries in Register of Deposits.

## CHAPTER 6 : CORRESPONDENCE WITH MEMBERS

- Q.1 A)** 1) representatives of the shareholders, 2) 30, 3) dividend, 4) bonus, 5) 2,  
6) prompt and precise, 7) Board of Directors, 8) Profit, 9) Dividend warrant.
- B)** a. 9) Instrument for Payment of Dividend,  
b. 6) Dividend,  
c. 4) Capitalisation of Reserve Fund,  
d. 3) Electronic Clearing Service,  
e. 5) National Electronic Fund Transfer.
- C)** 1) Bonus Shares, 2) Dividend Warrant, 3) Equity Shareholders,  
4) Board of Directors, 5) Company Secretary, 6) Dividend Warrant.
- D)** 1) True, 2) False, 3) True, 4) False, 5) False, 6) False, 7) False

- E)** 1) Secrecy 2) Board of Directors, 3) Demat, 4) Lucid language
- F)** 1) Board of Directors, 2) Bonus, 3) 30, 4) Shareholders, 5) Secretary.
- G)** a. Return on Shares 1) Dividend,  
 b. Capitalisation of Reserve Fund 2) Bonus Shares,  
 c. Correspondence 3) Written Communication,  
 d. ECS 4) Payment of Dividend Electronically
- D)** 1) Board of Directors, 2) Shareholder, 3) Existing Equity, 4) 30, 5) Two
- J)** 1. b) Application for shares, a) Allotment of shares, c) Share certificate  
 2. b) Applicant, a) Member, c) Bonus shares

## CHAPTER 7 : CORRESPONDENCE WITH DEBENTUREHOLDERS

- Q.1 A)** 1) borrowed, 2) Creditors, 3) Debentureholder, 4) Interest Warrant, 5) Debentureholder, 6) Interest coupons, 7) Interest, 8) Debentures, 9) Redeemable, 10) Fixed, 11) Debenture, 12) Debentureholders.
- B)** a. 9) Creditor, b. 5) Interest warrant, c. 10) Conversion into equity shares, d. 3) Evidence of Loan, e. 4) Safe and Secured investment, f. 11) Redeemed after fixed period, g. 1) Borrowed Capital.
- C)** 1) Interest, 2) Debenture Certificate, 3) Creditors, 4) Convertible Debentures, 5) Debentureholder, 6) Debenture, 7) Registered Debentures.
- D)** 1) False, 2) True, 3) True, 4) True, 5) False, 6) False, 7) False, 8) False, 9) False, 10) True
- E)** 1. Depository, 2. Demat, 3. Dematerialisation, 4. SEBI
- F)** 1. Creditor, 2. Debenture, 3. Interest, 4. warrant, 5. Secretary, 6. Debentureholder, 7. Profit, 8. Voting, 9. 6, 10. Debenture Trustees, 11. Board of Directors.
- G)** a. Return on Debentures 1) Interest  
 b. Debenture certificate 2) Issued within 6 months  
 c. Creditors 3) Debentureholder  
 d. Debt capital 4) Debentures  
 e. Board of Directors 5) Power to issue Debentures.
- I)** 1. Debentureholder, 2. Interest, 3. Debenture certificate, 4. Debentures, 5. Debenture Redemption Form, 6. 6
- J)** 1. c) Board meeting, a) Board Resolution, b) Allotment of Debentures.  
 2. c) Board meeting, b) Allotment of Debentures, a) Interest warrant

## CHAPTER 8 : CORRESPONDENCE WITH DEPOSITORS

- Q.1 A)** 1. Creditors, 2. Short term, 3. 36, 4. 6, 5. Short term, 6. Working, 7. Board of Directors, 8. Fixed, 9. Interest
- B)** a. 4. Creditors, b. 1. fixed, c. 5. Evidence of deposits

- C)** 1. Interest, 2. Interest Warrant, 3. Fixed Deposit Receipt, 4. Repayment of Deposit, 5. 36 months,
- D)** 1. True, 2. True, 3. False, 4. False, 5. True, 6. False
- E)** 1. Dividend, 2. Depository
- F)** 1. Creditors, 2. Secretary, 3. Short, 4. 6 (six), 5. Interest
- G)** a. Depositor 1) Creditor of the company  
 b. Return on Deposits 2) Interest  
 c. 36 months 3) maximum period of deposits  
 d. Minimum Period of Deposits 4) 6 months
- I)** 1. Creditors, 2. external, 3. Short, 4. Interest
- J)** 1. b. Acceptance of Deposits, c. Deposit Receipt, a. Renewal of Deposit  
 2. c. Acceptance of Deposits, b. Deposit Receipt, a. Payment of Interest.

## CHAPTER 9 : DEPOSITORY SYSTEM

- Q.1 A)** 1. Paper, 2. Physical, 3. Electronic, 4. Depository, 5. Stamp Duty, 6. 1996, 7. multi, 8. Issuer, 9. NSDL, 10. Beneficial Owner, 11. Fungible, 12. ISIN, 13. NSDL, 14. Company, 15. Investor, 16. NSE, 17. BSE
- B)** a - 6) Problem faced in physical mode, b - 12) 1996, c - 2) A 12 Digit code, d - 8) connects Depository and Investors, e - 4) Second Depository in India, f - 10) Custodian of securities in electronic form, g - 14) The investors.
- C)** 1. Physical mode, 2. Depository, 3. Depository, 4. Depository, 5. NSDL, 6. Germany, 7. BO, 8. DP, 9. Demat, 10. Remat, 11. Fungibility, 12. ISIN.
- D)** 1. True, 2. True, 3. True, 4. False, 5. False, 6. True, 7. True, 8. True, 9. True, 10. True, 11. True, 12. True,
- E)** 1. Elimination of storage of certificate, 2. NBFC, 3. RBI, 4. State Govt., 5. Central Govt., 6. PPF
- F)** 1. Depository, 2. Depository/Depository system, 3. 1947, 4. 1996, 5. DP, 6. DP, 7. Demat, 8. Remat, 9. Depository, 10. ISIN, 11. NSDL.
- G)** (i) a. Dematerialisation 1) physical to electronic  
 b. Agent of Depository 2) DP  
 c. First Depository of World 3) Germany  
 d. CDSL 4) 1999
- (ii) a. First Depository in India 1) NSDL  
 b. Electronic to physical 2) Rematerialisation  
 c. Fungibility 3) No distinctive number  
 d. 12 digit code 4) ISIN

- D)** 1) Physical, 2) Physical, 3) Depository, 4) Electronic/ Depository, 5) Multi, 6) SEBI Act, 7) DP, 8) Electronic, 9) Securities, 10) RBI
- J)** 1. b) Open Demat Account, c) Submit DRF, a) Gets Statement of Accounts  
2. a) Investor (BO) submits application for securities to issuer company, c) Issuer company gives details of allotment to Depository, b) Depository intimates the DP about crediting BO's Account.

## CHAPTER 10 : DIVIDEND AND INTEREST

- Q.1 A)** 1. Shareholder, 2. Dividend, 3. BOD, 4. BOD, 5. Shareholder, 6. Capital, 7. 05, 8. 30, 9. Equity share, 10. Preference, 11. Dividend 12. Central Govt., 13. Interim, 14. Interest, 15. Interest,
- B)** (I) a - 2) Appropriation of profit, b - 5) Obligatory to pay, c - 6) Decided and declared by the Board of Directors, d - 7) Decided by Board; declared by members. e - 1) Equity shareholders.  
(II) a - 3) Registered shareholders, b - 2) Creditors, c - 4) Balance of unpaid Dividend Transferred here, d - 7) Unpaid/Unclaimed Dividend, e - 1) Must inform stock exchange about Dividend declaration
- C)** 1. Dividend, 2. AGM, 3. Listed Company, 4. Preferences shareholder, 5. Equity shareholders, 6. Dividend Mandate, 7. 30 days, 8. Interim Dividend, 9. Interim Dividend, 10. Interest,
- D)** 1. True, 2. True, 3. False, 4. True, 5. True, 6. False, 7. False, 8. False, 9. True, 10. False
- E)** 1. Interest, 2. Out of Capital, 3. Dividend mandate, 4. Dividend Mandate
- F)** 1. Dividend, 2. Registered shareholders, 3. BOD, 4. Cash, 5. AGM, 6. Capital, 7. BOD, 8. Preference shareholders, 9. 30 days, 10. Articles of Association, 11. Interest
- G)** (I) a. Dividendum 1) Latin term  
b. Interest 2) Creditors  
c. At AGM 3) Final Dividend  
d. At Board Meeting 4) Interim Dividend  
e. Govt. Fund 5) IEPF
- (II) a. Preference Shares 1) Fixed rated Dividend  
b. Equity shares 2) Fluctuating rated Dividend  
c. Deposit holders 3) Interest  
d. Within 30 days 4) payment of Dividend  
e. Unpaid / Unclaimed Dividend 5) Dividend Declared but not paid / claimed



## CHAPTER 12 : STOCK EXCHANGE

- Q.1 A)** 1) Securities, 2) BSE, 3) Jobber, 4) bear, 5) day trading
- B)** a) - 4) To protect interest of investors in securities market.  
b) - 3) Buying and selling within the same trading day.  
c) - 1) Expects the price of shares rise in future.  
d) - 2) Expects the price of shares fall in future.  
e) - 6) One of the oldest stock exchange in india.
- C)** 1) Share Market/stock exchange/stock market 2) Bombay stock exchange, 3) Jobber, 4) Bull
- D)** 1. True, 2. True, 3. False, 4. False
- E)** 1. Bombay Stock Exchange, 2. National Stock Exchange, 3. Broker 4. Bear
- F)** a. Regulation of Capital Market                      1) SEBI  
b. Index of NSE    2) Nifty  
c. Jobber    3) Trades in securities in his own name  
d. London Stock Exchange                                      4) Oldest Stock Exchange in the world.
- H)** 1. Investors              2. Jobber                      3. Bull  
4. stag                      5. Capital



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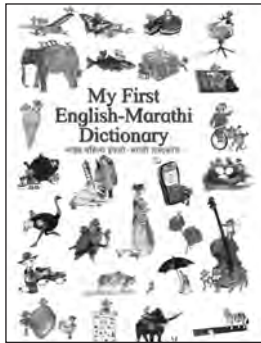
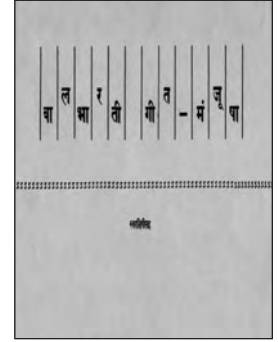
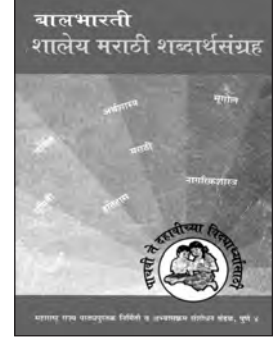
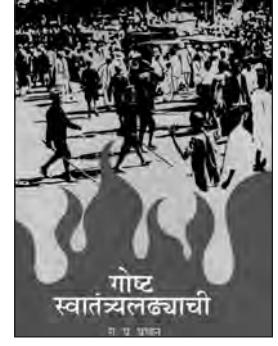
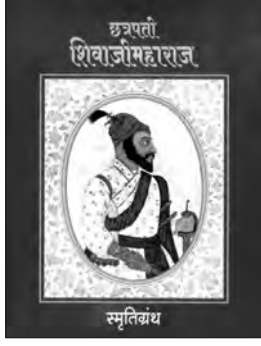
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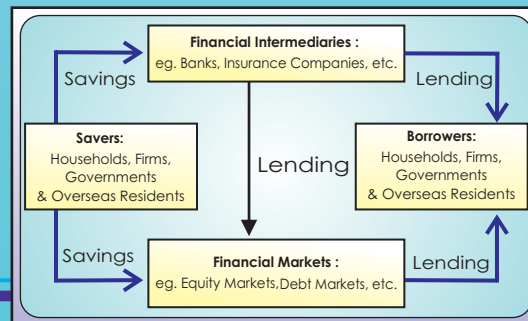
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