

NEW SCHEME

FINAL COURSE – GROUP I

PAPER 6B: Financial Services and Capital Markets

Syllabus 100%

*Attempt any **two** out of **three** case study based questions.*

Each Case Study carries 50 Marks

Maximum Time : 4 hours

Maximum Marks : 100

QUESTION 1

Recently SEBI has come out with a circular relating to categorization and rationalization of Mutual Fund Schemes. (The Extract of some of the relevant portion is as per Exhibit – 1).

Description of some of the existing schemes is given as per Exhibits 2 to 6.

Questions:

- A. As per the circular, the existing ‘type of scheme’ would be replaced with type of scheme as applicable to each category of scheme. You are required to suggest the group in which each of the five existing schemes shall be re-categorized with brief reasons in the following format.

| Source | Name of the Scheme as per the exhibit | Proposed Re-categorization | | Reasons for such Re-categorization |
|-------------|---------------------------------------|----------------------------|--------------------|------------------------------------|
| Exhibit No. | | Scheme | Category of Scheme | |

(4 marks for each of the five schemes)

- B. A mutual fund raised `150 lakhs on April 1, by issue of 15 lakh units at `10 per unit. The fund invested in several capital market instruments to build a portfolio of `140 lakhs. Initial expense amounted to `8 lakhs. During the month of April, the fund sold certain securities costing `45.75 lakhs for `48 lakhs and purchased certain other securities for `42.4 lakhs. The fund management expenses for the month amounted to `6 lakhs of which

₹50,000 was in arrears. The dividend earned was ₹2 lakhs. 80% of the realized earnings were distributed. The market value of the portfolio on 30th April was ₹148.75 lakhs. Suppose you as an investor subscribed to 1000 unit on April 1 and disposed it off at closing NAV on 30th April then what will be your annual rate of earning.

(10 Marks)

C. Multiple Choice Questions:

- (i) In an open ended scheme, redemption period is
 - (a) Definite
 - (b) Indefinite
 - (c) 5 years
 - (d) 10 years
- (ii) Gilt Funds mainly invested in
 - (a) Government Securities
 - (b) Only in Debt Securities
 - (c) Only in shares
 - (d) Mix of debt and equity
- (iii) seeks to generate long term capital appreciation by investing in equity and equity related instruments including equity derivatives as well as debt instruments.
 - (a) Focused Fund
 - (b) Arbitrage Fund
 - (c) Index Funds
 - (d) Dynamic Equity Funds
- (iv) _____ is an offer document containing all the relevant details except that of price or number of shares being offered.
 - (a) Letter of Offer
 - (b) Draft Offer Document
 - (c) Abridged Prospectus
 - (d) Red Herring Prospectus
- (v) Index value on a particular date is calculated as
 - (a) $\text{Index on previous day} \times \frac{\text{Total market capitalization for current day}}{\text{Total market capitalization of the previous day}}$
 - (b) $\text{Index on current day} \times \frac{\text{Total market capitalization for current day}}{\text{Total market capitalization of the previous day}}$

- (c) $\text{Index on previous day} \times \text{Total market capitalization for previous day} / \text{Total market capitalization of the current day}$
- (d) $\text{Index on current day} \times \text{Total market capitalization for previous day} / \text{Total market capitalization of the current day}$
- (vi) While Sharpe ratio measures, the Treynor Ratio measures only the
 - (a) Total Risk; Systematic Risk
 - (b) Unsystematic Risk; Systematic Risk
 - (c) Systematic Risk; Unsystematic Risk
 - (d) Systematic Risk; Total Risk
- (vii) A bank rediscounted a commercial bill with a face of `100 @12% for 3 months. The sale value is `96.8. The yield to the investor will be
 - (a) 15.39%
 - (b) 14.08%
 - (c) 13.22%
 - (d) 12.80
- (viii) Market Makers comprises of
 - (a) Commercial Banks
 - (b) Mutual Funds
 - (c) Insurance Companies
 - (d) All of the above
- (ix) The risk which arises due to possible change in spreads is called
 - (a) Optionality Risk
 - (b) Repricing Risk
 - (c) Yield Curve Risk
 - (d) Basis Risk
- (x) The role of _____ is responsible for the delivery and settlement and consequent accounting entries for all those transactions.
 - (a) Front Office
 - (b) Back Office
 - (c) Mid-Office
 - (d) Top Office

(10 x 2 = 20 Marks)

EXTRACTS FROM SEBI CIRCULAR

All Mutual Funds/Asset Management Companies (AMCs)/ Trustee Companies/Boards of Trustees of Mutual Funds/ AMFI

Sir/ Madam,

Subject: Categorization and Rationalization of Mutual Fund Schemes

1. It is desirable that different schemes launched by a Mutual Fund are clearly distinct in terms of asset allocation, investment strategy etc. Further, there is a need to bring in uniformity in the characteristics of similar type of schemes launched by different Mutual Funds. This would ensure that an investor of Mutual Funds is able to evaluate the different options available, before taking an informed decision to invest in a scheme.
2. In order to bring the desired uniformity in the practice, across Mutual Funds and to standardize the scheme categories and characteristics of each category, the issue was discussed in Mutual Fund Advisory Committee (MFAC). Accordingly, it has been decided to categorize the MF schemes as given below:
 - I. Categories of Schemes, Scheme Characteristics and Type of Scheme (Uniform Description of Schemes):
3. The Schemes would be broadly classified in the following groups:
 - (a) Equity Schemes
 - (b) Debt Schemes
 - (c) Hybrid Schemes
 - (d) Solution Oriented Schemes
 - (e) Other Schemes

The details of the scheme categories under each of the aforesaid groups along with their characteristics and uniform description are given in the Annexure.

4. As per the annexure, the existing 'type of scheme' (presently mentioned below the scheme name in the offer documents/ advertisements/ marketing material/etc.) would be replaced with the type of scheme (given in the third column of the tables in the Annexure) as applicable to each category of scheme. This will enhance the existing disclosure. Hence, for the purpose of alignment of the existing schemes with the provisions of this circular,

change in “type of scheme” alone, would not be considered as a change in fundamental attribute.

5. In case of Solution oriented schemes, there will be specified period of lock in as stated in the Annexure.

However, the said lock- in period would not be applicable to any existing investment by an investor, registered SIPs and incoming STPs in the existing solution oriented schemes as on the date on which such scheme is getting realigned with the provisions of this circular.

6. The investment objective, investment strategy and benchmark of each scheme shall be suitably modified (wherever applicable) to bring it in line with the categories of schemes listed above.

II. Definition of Large Cap, Mid Cap and Small Cap:

7. In order to ensure uniformity in respect of the investment universe for equity schemes, it has been decided to define large cap, mid cap and small cap as follows:

- (a) Large Cap: 1st -100th company in terms of full market capitalization
- (b) Mid Cap: 101st -250th company in terms of full market capitalization
- (c) Small Cap: 251st company onwards in terms of full market capitalization

8. Mutual Funds would be required to adopt the list of stocks prepared by AMFI in this regard and AMFI would adhere to the following points while preparing the list:

If a stock is listed on more than one recognized stock exchange, an average of full market capitalization of the stock on all such stock exchanges, will be computed;

In case a stock is listed on only one of the recognized stock exchanges, the full market capitalization of that stock on such an exchange will be considered.

This list would be uploaded on the AMFI website and the same would be updated every six months based on the data as on the end of June and December of each year. The data shall be available on the AMFI website within 5 calendar days from the end of the 6 months period.

9. Subsequent to any updation in the list, Mutual Funds would have to rebalance their portfolios (if required) in line with updated list, within a period of one month.

Annexures to the SEBI Circular

(A) Equity Schemes:

| Category of Schemes | Scheme Characteristics | Type of scheme (uniform description of scheme) |
|----------------------|--|--|
| Large & Mid Cap Fund | Minimum investment in equity & equity related instruments of large cap companies- 35% of total assets. Minimum investment in equity & equity related instruments of mid cap stocks- 35% of total assets. | Large & Mid Cap Fund- An open ended equity scheme investing in both large cap and mid cap stocks |
| Small cap Fund | Minimum investment in equity & equity related instruments of small cap companies- 65% of total assets | Small Cap Fund- An open ended equity scheme predominantly investing in small cap stocks |
| Dividend Yield Fund | Scheme should predominantly invest in dividend yielding stocks. Minimum investment in equity- 65% of total assets | An open ended equity scheme predominantly investing in dividend yielding stocks |
| Focused Fund | A scheme focused on the number of stocks (maximum 30) Minimum investment in equity & equity related instruments - 65% of total assets | An open ended equity scheme investing in maximum 30 stocks (mention where the scheme intends to focus, viz., multi cap, large cap, mid cap, small cap) |

(B) Debt Schemes

| Category of Schemes | Scheme Characteristics | Type of scheme (uniform description of scheme) |
|---------------------------|---|---|
| Ultra Short Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 months - 6 months | An open ended ultra-short term debt scheme investing in instruments with Macaulay duration between 3 months and 6 months. |
| Low Duration Fund | Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 6 months- 12 months | An open ended low duration debt scheme investing in instruments with Macaulay duration between 6 months and 12 months. |
| Money Market Fund | Investment in Money Market instruments having maturity up to 1 year | An open ended debt scheme investing in money market instruments |

(C) Hybrid Schemes

| Category of Schemes | Scheme Characteristics | Type of scheme (uniform description of scheme) |
|--|---|---|
| Dynamic Asset Allocation or Balanced Advantage | Investment in equity/ debt that is managed dynamically | An open ended dynamic asset allocation fund |
| Arbitrage Fund | Scheme following arbitrage strategy. Minimum investment in equity & equity related instruments- 65% of total assets | An open ended scheme investing in arbitrage opportunities |

(D) Solution Oriented Schemes:

| Category of Schemes | Scheme Characteristics | Type of scheme (uniform description of scheme) |
|---------------------|---|---|
| Retirement Fund | Scheme having a lock-in for at least 5 years or till retirement age whichever is earlier | An open ended retirement solution oriented scheme having a lock-in of 5 years or till retirement age (whichever is earlier) |
| Children's Fund | Scheme having a lock-in for at least 5 years or till the child attains age of majority whichever is earlier | An open ended fund for investment for children having a lock-in for at least 5 years or till the child attains age of majority (whichever is earlier) |

(E) Other Schemes:

| Category of Schemes | Scheme Characteristics | Type of scheme (uniform description of scheme) |
|---------------------------|--|--|
| Index Funds/ ETFs | Minimum investment in securities of a particular index (which is being replicated/ tracked)- 95% of total assets | An open-ended scheme replicating/ tracking index |
| FoFs (Overseas/ Domestic) | Minimum investment in the underlying fund- 95% of total assets | An open ended fund of fund scheme investing in fund. |

Exhibit 2

A newbie entrant, Dream Venue Focused 25 Fund Regular Plan has nevertheless managed an impressive show for the last three years. Strong outperformance of the benchmark and category has allowed it to debut in the rating scale with a four-star rating in 2016 and climb to five stars recently.

Following the 'buy right, sit tight' philosophy of this fund house, this fund aims to own compact portfolios of quality stocks with secular long-term growth prospects, with low portfolio churn. The fund prefers to restrict its holdings to

not more than 30 companies. It presently has 19 stocks in its portfolio. Furthermore, the fund has minimum investment in equity and equity related instruments up to 65%

While it seldom takes cash calls, it has a slightly higher preference for mid-cap stocks than peers in this category. In the last one year, its large-cap allocation has hovered at 80-90 per cent, while mid caps have accounted for 10- 20 per cent.

The fund's track record is as yet too limited to draw conclusions about performance. For one year, the returns are a good 5 percentage points more than the benchmark returns and 3 percentage points more than the category returns. On a three-year basis, the margins are 8 and 5 percentage points, respectively. However, the fund is yet to encounter hostile markets like 2008 or even 2011 and hence its ability to manage choppy or falling markets is as yet untested.

A fund worth watching in the large-cap space.

Exhibit 3

Dream Venue Ultra Short Term Bond Fund - Regular Plan

The Open Ended ultra-short Scheme seeks to generate optimal returns consistent with moderate levels of risk and liquidity by investing in debt securities and money market securities such that the Macaulay Duration of the portfolio is between 6 – 12 months. The Scheme seeks to generate optimal returns consistent with moderate levels of risk and liquidity by investing in debt securities and money market securities

Exhibit 4

Dream Venue Dynamic Equity Fund - Regular Plan

The scheme seeks to generate long term capital appreciation by investing in equity and equity related instruments including equity derivatives as well as debt instruments. The basic purpose of the scheme is to invest in equity/debt that is managed dynamically. In other words, it is an open ended dynamic asset allocation fund.

The investment objective is to generate long term capital appreciation by investing in equity and equity related instruments including equity derivatives, debt, money market instruments and units issued by REITs and InvITs. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved

Exhibit 5

CFDH RSF

Let's take a look at the newest retirement fund, CFDH RSF. This fund's equity plan, which comes with a five-year lock-in period, is similar to an ELSS fund. "Since ELSS, with a lower lock-in period of three years, is available, why go for a scheme with a higher lock-in period and also a 1% exit load, if redeemed before the age of 60," asks Jeewan Kumar, CEO, South Asia Capital. Such products are also costlier because of their small size—small schemes charge a higher expense ratio. Except for ITU RBP, other schemes have much smaller assets under management (AUM). FIPF's AUM, for instance, is just Rs 339 crore. The expense ratio of these products will be higher than the national pension scheme (NPS) but cheaper than insurance products.

The main advantage of mutual funds' retirement products is that you don't have to buy an annuity, as is the case with the NPS or pension plans from insurance companies. Instead, you can opt for a systematic withdrawal plan to meet your regular cash flow needs. Since a part of the withdrawal is your principal, it will be more tax-efficient as well.

Also, while the NPS restricts your equity exposure to 50%, with mutual fund products such as the CFDH RSF, you can take a 100% equity exposure. However, these products do not come with the additional Rs 50,000 in deduction,

available to NPS. Mutual funds have asked for the extra tax benefit to be extended to their products, but whether or not this happens, will be known only when the Budget is presented on 29 February.

Mutual funds' pension products also offer greater liquidity, compared with the NPS or products from insurance companies. You can withdraw your accumulated corpus after the lock-in period— 3-5 years—is over. You may have to, however, pay a small exit load, if you want to withdraw your corpus but have not reached the retirement age—58 or 60, depending on the product. Calculating the lock-in period also varies across funds. For instance, in the case of HDFC RSF, the lock-in for each instalment is calculated from the date of investment. So, the money you invest at the age of 59 can be withdrawn only at the age of 64.

Exhibit 6

ITU Nifty Index Funds

The principal investment objective of this scheme is to invest in stocks of companies comprising S&P CNX Nifty Index and endeavor to achieve return equivalent to Nifty by passive investment. The scheme is managed by replicating the index in the same weightage as in the S&P CNX Nifty-Index with the intention of minimizing the performance differences between the scheme and the S&P CNX-Nifty Index in capital terms, subject to market liquidity, costs of trading, management expenses and other factors which may cause tracking error. The scheme alters the scrips/weights as and when the same are altered in the S&P CNX-Nifty Index.

Question 2

You are practicing in the area of advisory services giving opinions on technical issues relating to the capital markets and financial instruments. The following questions have been raised by different clients for whom you need to explain your answers or give your opinion. Your clients range from well informed CFOs of companies to ordinary individuals.

(A) Answer the following:

- (i) What is meant by a recognized stock exchange? Is there any stock exchange which is functional that is not recognized?

3 Marks

- (ii) Does SEBI (ICDR) Regulations 2009 (amended in 2017) apply to preference shares? If so, under which regulation? Explain in detail.

4 Marks

- (iii) Point out the flaws or the irregularities of the following proposal and state how rectification may be done, quoting relevant rules or sections or procedures and the authority:

IJK Ltd. wants to publicly issue for the first time, 10,00,000 equity shares of a face value of ₹ 10 by book building process. It wants to keep the bid open from the 14th of May 2018 up to 5th June 2018. The price band offered is to be fixed between ₹ 30 to ₹ 40 per share. The promoter intends to contribute to 15% of the shares proposed to be offered at ₹ 30 per share and hold the investment up to two years. To what extent can anchor investors provide the support necessary?

8 Marks

- (iv) In case the promoter is an individual, can his holding be counted for the limit applicable for a retail individual investor? State the regulation in support of your answer.

3 Marks

- (v) A soap manufacturing company has requested SEBI's prior approval to use a popular actor to advertise for the proposed equity issue to public. The same actor has been employed by the company to promote the sales of its soaps. Is it alright to grant approval?

2 Marks

- (vi) X is an individual having a surplus of ₹ 5 lakhs. He is interested in investing the amount in shares of a company in an initial public offer. He has a preference for A Ltd. which is to open for subscription on 30th May 2018. The market predictions indicate an oversubscription of that issue. If he does not get any allotment or if he is allotted shares for any lesser value, he would like to invest in Company B Ltd. whose offer is to open on July 1st. He fears that his money will be blocked in the first issue and may not be refunded to him in time for him to apply for B Co. Ltd.'s issue. If he does not want to borrow any money for that purpose, how will he overcome the problem? Discuss.

3 Marks

- (vii) What do you mean by large cap, mid cap and small cap stocks?

4 Marks

- (viii) S & P BSE Sensex was 32840.5 on a certain day. On the same day, Nifty 50 was 10,287.70. Explain the vast difference between the numbers and the underlying concept.

3 Mark

- (ix) Will the equity share prices of a company be the same in both BSE and NSE at the same point in time? If so, explain the concept. If not, explain why they could differ? If they differ, will an investor not be able to profit by buying at a lower price and simultaneously selling it at a higher price?

3 Marks

- (x) Identify suitable investments (indicate broad category rather than specific instruments) that may ideally fit into the investment objectives of the following individuals:

| Investment Objective | Instrument | Instrument |
|----------------------------------|------------|------------|
| Growth and Appreciation in value | | |
| Regular Income | | |
| Liquidity | | |
| Capital Preservation | | |

4 Marks

- (B) Choose the most appropriate answer from the following and give your reason:

2 Marks x 5 =10 Marks

(You are required to only state the Roman numeral and the alphabet of choice in capital letters rather than copy the entire question into the answer books):

- (i) The following is true:
- (a) An investment Bank needs no licence from RBI
 - (b) SEBI has to approve the draft prospectus within thirty days of submission to it. If no reply is received within 30 days of submission, it is deemed to have no objection and the company may proceed with public issue,
 - (c) A Merchant Banker shall not apply for the shares of its client company,
 - (d) An Asset Management Company is a Banking Company governed by the RBI to deal with a mutual fund's investments in different sections of the financial market.

- (ii) The following commodity is not traded in the Indian Commodity Exchange:
 - (a) Diamonds
 - (b) Tomatoes
 - (c) Crude Oil
 - (d) Pepper
- (iii) A company has receivables of ₹150 crores from four borrowers. It converts these into smaller portions of ₹500 each and sells these to smaller investors in the secondary market. This fragmentation of the loan is called
 - (a) Debt unit scheme
 - (b) Mutual fund scheme
 - (c) Debt securitization
 - (d) Asset Reconstruction
- (iv) Margin Trading is the following:
 - (a) Stock brokers trade on the client's behalf up to the variation margin maintenance.
 - (b) Stock brokers trade on the clients' behalf even consuming the initial margin.
 - (c) Investors buy more number of shares than they have money for by paying a lower proportion of the cost and getting the balance funded by their bankers.
 - (d) A stock broker keeps a margin in his account with the stock exchange for the netting position shortfall among his clients.
- (v) AM Inc., an American company wants to set up its marketing company in India. The following process does not violate Indian Regulations:
 - (a) AM has identified 205 entities / individuals in India who are willing to subscribe to the shares of the new company. AM would like to raise money from these persons and not invoke the provisions relating to public issue.
 - (b) AM will restrict the issue to about 150 persons and raise the capital without having to comply with SEBI regulations.
 - (c) AM will set up a Mutual Fund and offer its units to either the 150 or the 205 persons and use the proceeds to set up its new company and will comply with the SEBI (Mutual Fund) Regulations.
 - (d) AM will get a banking licence in India and set up the new company as the subsidiary of the banking company.

(C) Fill in the blanks: (The blank is not restricted to one word. There could be one to four words to fill the blanks. The question Roman numeral and the content filling the blank will be sufficient for presentation in the answer books)

- (i) _____ is an arrangement between parties A and B, where A has given a loan to C and is afraid that C may not pay it back and in that case, B will make good A's loss. In return for this, B will charge a periodic premium from A.

1 Mark

- (ii) When shares are traded in the _____, the company's share capital account is not affected.

1 Mark

- (iii) A group of engineers has designed an air conditioning machine which is a revolutionary product that efficiently admits fresh air circulation. This will replace the wide air conditioning market within the country. The new product has been successfully tested and is being patented. The group has had a start-up venture as a private limited company. A big company that enjoys over 50% of the air conditioning market, which is threatened by this product should attempt a _____ to retain its market leadership.

1 Mark

Question 3

ABC Ltd. is a global leader in technology services and consulting. It has enable clients in 45 countries to create and execute strategies for their digital transformation. From engineering to application development, knowledge management and business process management, it helps their clients find the right problems to solve, and to solve these effectively. Their team of 198,000+ innovators, across the globe, is differentiated by the imagination, knowledge and experience, across industries and technologies that they bring to every project they undertake.

Today, businesses operate in an unprecedentedly fluid environment. The technology landscape is turning highly complex as it evolves to meet the demands of a competitive marketplace and an experiential economy. At the same time, customers are increasingly demanding simple, new, and convenient experiences.

ABC Consulting helps global corporations - in over 20 countries - develop unique solutions to address their complex business challenges and create value through sustainable innovation. As pragmatic consultants with an eye on execution, they help you design and achieve market-leading performance roadmaps by combining creative thinking, technology expertise, and global reach.

(1) Details of Bonus Issue

The Company has allotted 1,14,84,72,332 fully paid-up equity shares of face value ` 5 each in June 2015 to the shareholders of the Company in proportion of 1:1 and consequently, the number of shares increased from 1,14,84,72,332 to 2,29,69,44,664.

The Company allotted 57,42,36,166 fully paid up equity shares of face value ` 5 each in December 2014 to the shareholders of the Company in proportion of 1:1 and consequently, the number of shares increased from 57,42,36,166 to 1,14,84,72,332.

It was on October 10, 2014, that the company had recommended a bonus issue of one equity share for every equity share held (1:1 bonus issue).

It fixed December 3, 2014, as the record date for the purpose of allotment of bonus shares / stock dividend.

The company has mentioned in the Board of Directors report that sufficient cash balance has been kept by the company to meet its strategic objectives. The company presently generates sufficient cash internally to finance all its operational, financing and investment requirements.

Announcement date of Bonus Issue – 24/4/2015

Ex-Bonus Date – 15/6/2015

(2) Questions:

- (i) Determine the total number of subscribed shares of ABC Ltd. in November 2014.
- (ii) Find out if there is any possibility of arbitrage opportunity both domestically and internationally.
- (iii) How market has reacted to the bonus announcement and what may be the reason for the same.
- (iv) Explain with reasons the effect of EPS on the Bonus Issue
- (v) Discuss by referring to relevant regulations of SEBI the following:

- (a) Board of Director's meeting regarding bonus issue was held on 1st April, 2015. Within what period the bonus issue shall be implemented. Also, discuss the necessary approvals required in this respect.
- (b) Basic earnings per share and diluted earnings per share are equal. Discuss the reason for this effect.
- (c) The company has decided to make a bonus issue. However, later it wants to withdraw it. Can it do so?
- (vi) Prices of ABC Ltd. on the Ex-Bonus date has been reduced drastically. What can be reasons for this effect?
- (vii) What does higher dividend payout on the part of ABC Ltd. indicates?
- (viii) Whether it is feasible for the company to go for a buy-back offer? Discuss with reference to the exhibits provided in the Case Study? What conditions will be required to be fulfilled by ABC Ltd., if the company decides to go for the buyback? Discuss with reference to SEBI Regulations.
- (ix) What is the market price just before and after the ex-bonus date on both the stock exchanges? Calculate P/E ratio considering closing prices just before and after the ex-bonus date on both the stock exchanges and other figures as given in the exhibit itself.
- (x) Why the company is debt free? How the present capital structure of the company is helping its cause?
- (xi) What is the reason for company's high cash reserves? What is the impact of high cash holding?
- (xii) Compute the financial ratios:
 - (a) Dividend Payout Ratio
 - (b) Net Foreign Earnings/ Earnings Ratio
 - (c) Research and Development Expenses/ Revenue Ratio
 - (d) Net Profit Ratio
- (3) Multi Choice Questions (MCQs)
 - (i) Ex-Bonus date is the date
 - (a) On which the share price is adjusted on stock exchanges.
 - (b) On which the share price is decreased on stock exchanges.
 - (c) On which the share price is increased on stock exchanges.
 - (d) Which is before the record date.
 - (ii) Record Date is the

- (a) date on which company record the details of both the dividend payout and bonus issue proceedings.
 - (b) cut-off date fixed by a company to determine who is eligible to get bonus shares.
 - (c) date on which company record the details of bonus issue proceedings.
 - (d) date fixed by a company to determine who has got the bonus shares of the company.
- (iii) Which among the following are the effects of Bonus Issue:
- (a) Share capital gets increased
 - (b) Liquidity in the stock increases
 - (c) Accumulated profits get reduced
 - (d) All of the above
- (iv) A listed company may issue bonus shares to its members if authorized by:
- (a) Memorandum of Association
 - (b) Articles of Association
 - (c) Both Memorandum and Articles of Association
 - (d) None of the above
- (v) The bonus shares shall be made out of
- (a) free reserves only
 - (b) either free reserves or revaluation reserves
 - (c) either free reserves or securities premium
 - (d) either free reserves or revaluation reserves or capital reserves
- (vi) In case if Rupee further depreciates vis-à-vis US \$ in the beginning of the year 2017 then the Net Profit of the company
- (a) is likely to increase for the fin year 2016-2017
 - (b) is likely to decrease for the fin year 2016-2017
 - (c) is likely to remain same for the fin year 2016-2017
 - (d) is likely to increase for the fin year 2015-2016

Exhibit – 1

Balance Sheet

EQUITY AND LIABILITIES

| Shareholders' Funds | 31 st March, 2016 (In ` Crores) | 31 st March, 2015 (In ` Crores) |
|---|---|--|
| Share capital | 1,148 | 574 |
| Reserve and Surplus | 56,009 | 47,494 |
| | 57,157 | 48,068 |
| Non - Current Liabilities | | |
| Deferred tax liabilities (net) | - | - |
| Other long term liabilities | 73 | 30 |
| | 73 | 30 |
| Current Liabilities | | |
| Trade Payables | | |
| Total outstanding dues of micro Enterprises and small enterprises | | |
| Total outstanding dues of creditors | | |
| other micro enterprises and small enterprises | 623 | 124 |
| Other current liabilities | 6105 | 5546 |
| Short term provisions | 8809 | 8045 |
| | 15,537 | 13,715 |
| | 72,767 | 61,813 |
| ASSETS | | |
| Non-Current Assets | | |
| Fixed Assets | | |
| Tangible assets | 8248 | 7347 |
| Capital work-in-progress | 934 | 769 |
| | 9182 | 8116 |
| Non-current investments | 11,111 | 6108 |

| | | |
|--|--------|--------|
| Deferred tax assets (net) | 405 | 433 |
| Long term loans and advances | 5970 | 4378 |
| Other non-current assets | 2 | 26 |
| Current Assets | | |
| | 2 | 749 |
| Current investments | | |
| Trade Receivables | 9,798 | 8,627 |
| Cash and Cash Equivalents | 29,176 | 27,722 |
| Short term loans and advances | 7,121 | 5,654 |
| | 46,097 | 42,752 |
| | 72,767 | 61,813 |
| Relevant Profit and Loss details | | |
| Income from software services And products (Turnover or Sales) | 53,983 | 47,300 |
| Profit for the year (Standalone) | 15,786 | 12,164 |
| Profit for the year (Consolidated) | 13,678 | 12,372 |
| Interim Dividend | 2,297 | 1,723 |
| Final Dividend | 3,273 | 3,388 |
| Total Dividend | 5,570 | 5,111 |
| Dividend Tax | 1,134 | 1,034 |

Exhibit – 2

Details of Earning Per Share (EPS)

| Earning per equity share | 31 st March, 2016 | 31 st March, 2015 | 31 st March, 2014 |
|---|------------------------------|------------------------------|------------------------------|
| Basic | `68.73 | ` 105.91 | ` 178.39 |
| Diluted | `68.73 | ` 105.91 | ` 178.39 |
| Number of shares used in computing earnings per share | | | |

| | | | |
|---------|----------------|----------------|--------------|
| Basic | 2,29,69,44,664 | 1,14,84,72,332 | 57,14,02,566 |
| Diluted | 2,29,69,44,664 | 1,14,84,72,332 | 57,14,02,566 |

Exhibit 3

Details of Long term Liabilities

Particulars As at March 31,

| | 2016 | 2015 |
|--|------|------|
| (i) Gratuity obligation – unamortized amount relating to plan amendment. | - | 3 |
| (ii) Payable for acquisition of business | 46 | - |
| (iii) Rental deposits received from subsidiary | 27 | 27 |
| | 73 | 30 |

Exhibit 4

Research and development expenditure

In ` Crore

| | 2016 | 2015 |
|---------------------|------|------|
| Revenue expenditure | 384 | 590 |
| Capital expenditure | 31 | 15 |
| Total | 415 | 605 |

Activity in foreign currency

In ` Crore

| | 2016 | 2015 |
|-------------------------------------|--------|--------|
| Earnings | 52,866 | 46,158 |
| Expenditure | 26,529 | 22,045 |
| Net foreign exchange earnings (NFE) | 26,337 | 24,113 |

Shareholding Pattern

Exhibit 5

| Category of Shareholder | No. of shares at the beginning (Demat) | No. of shares at the beginning (Physical) | % of total shares at the beginning | No. of shares at the end (Demat) | No. of shares at the end (Physical) | % of total shares at the end | % change during the year at the end |
|--|--|---|------------------------------------|----------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| (A) Promoter and Promoter group | | | | | | | |
| Indian | 15,02,15,636 | | 13.11 | 29,28,06,199 | | 12.77 | (0.34) |
| Foreign | Nil | | | Nil | | | |
| (B) Public Shareholding Institutions | | | | | | | |
| a) Mutual Funds | 6,07,84,954 | | 5.30 | 15,23,60,913 | | 6.65 | 1.33 |
| b) Banks/FIs | 7,25,435 | | 0.06 | 10,88,363 | | 0.05 | (0.01) |
| c) Insurance Co. | 11,19,10,924 | | 9.77 | 24,74,20,991 | | 10.79 | 1.02 |
| d) FIIs | 43,59,60,562 | 19,200 | 38.04 | 52,01,79,413 | 12,800 | 22.69 | (15.35) |
| Non Institutions | | | | | | | |
| a) Bodies corporate | 92,55,388 | 25,600 | 0.81 | 1,76,76,850 | 51,200 | 0.77 | (0.04) |
| b) Individuals | | | | | | | |
| (i) individuals holding nominal share capital up to `1 lakh | 6,45,97,620 | 9,83,912 | 5.64 | 11,17,72,259 | 7,37,345 | 4.88 | (0.76) |
| ii) individuals holding nominal share capital in excess of `1 lakh | 4,19,53,512 | 14,53,800 | 3.66 | 10,62,34,240 | 40,22,896 | 4.63 | 1.03 |
| c) any other | | | | | | | |
| • Foreign bodies – DR | 4,85,371 | | 0.04 | 2,15,185 | | 0.01 | (0.03) |

| | | | | | | | |
|--|----------------|-------|-------|----------------|-------|-------|--------|
| • Foreign portfolio investor | 5,86,37,491 | | 5.12 | 40,40,52,549 | | 17.63 | 12.51 |
| • NRI/OCB | 1,75,52,821 | 3.205 | 1.53 | 3,49,74,684 | 6,410 | 1.53 | (0.00) |
| • Trusts | 78,32,920 | | 0.68 | 1,80,14,430 | | 0.79 | 0.11 |
| (C) Shares held by custodians for ADRs | 18,60,73,981 | | 16.24 | 38,53,17,937 | | 16.81 | (0.61) |
| Grand Total (A + B + C) | 1,14,59,86,615 | | 100 | 2,29,21,14,013 | | 100 | - |

Exhibit – 6

Information regarding Share Prices at two leading Stock Exchanges - ESB and ESN for the month of June, 2015

(i) ESB:

| Price Date | Open Price | High Price | Low Price | Close Price | Trade Value | Number Of Trades | Traded Quantity |
|------------|------------|------------|-----------|-------------|-------------|------------------|-----------------|
| 30-06-2015 | 993 | 993 | 983.1 | 985.35 | 129230976 | 4604 | 130902 |
| 29-06-2015 | 988 | 999 | 980 | 990.25 | 212449791 | 6250 | 214778 |
| 26-06-2015 | 995 | 1011.75 | 995 | 1006.1 | 178294230 | 4876 | 177156 |
| 25-06-2015 | 1000 | 1003 | 987.85 | 991.15 | 187042279 | 7375 | 187888 |
| 24-06-2015 | 1010 | 1013.4 | 991.6 | 995.1 | 152090723 | 6050 | 151837 |
| 23-06-2015 | 1025 | 1028 | 999.1 | 1001.15 | 220838190 | 7317 | 219714 |
| 22-06-2015 | 1009 | 1028.8 | 997.5 | 1024.4 | 191682161 | 6460 | 189597 |
| 19-06-2015 | 1005 | 1010.3 | 992.5 | 996.75 | 105756490 | 4277 | 105608 |
| 18-06-2015 | 1000.25 | 1005.95 | 996 | 1000.9 | 98427249 | 3690 | 98293 |
| 17-06-2015 | 1007 | 1020.4 | 993.3 | 995.8 | 201251242 | 7792 | 200684 |
| 16-06-2015 | 994 | 1002 | 985 | 999.45 | 123941839 | 4971 | 124572 |

| | | | | | | | |
|------------|------|---------|---------|---------|-----------|-------|--------|
| 15-06-2015 | 980 | 998.85 | 968.5 | 991.1 | 348704570 | 8291 | 352567 |
| 12-6-2015 | 2002 | 2024.5 | 1955.5 | 1976.65 | 730045102 | 11369 | 364406 |
| 11-6-2015 | 2035 | 2045 | 1997.05 | 2001.85 | 441009571 | 7132 | 219093 |
| 10-6-2015 | 2010 | 2039.7 | 1986 | 2026.2 | 213111531 | 5552 | 106086 |
| 9-6-2015 | 2013 | 2013 | 1985.1 | 1992.55 | 324305552 | 4726 | 162858 |
| 8-6-2015 | 2012 | 2020.25 | 1990 | 2000.25 | 112224311 | 5177 | 56073 |
| 5-6-2015 | 2039 | 2044 | 2009.15 | 2012.1 | 242291659 | 6928 | 119921 |
| 4-6-2015 | 2031 | 2056.6 | 2014.35 | 2028.05 | 176073740 | 6500 | 86442 |
| 3-6-2015 | 2020 | 2060 | 2008.25 | 2023.1 | 351489901 | 7107 | 174177 |
| 2-6-2015 | 2045 | 2054.8 | 2005.1 | 2008.8 | 279751806 | 6055 | 138784 |
| 1-6-2015 | 2030 | 2063 | 2023.3 | 2045.7 | 161866930 | 5558 | 79075 |

(ii) ESN:

| Price Date | Open Price | High Price | Low Price | Close Price | Trade Value | Number Of Trades | Traded Quantity |
|------------|------------|------------|-----------|-------------|-------------|------------------|-----------------|
| 30-06-2015 | 990 | 993.45 | 980 | 984.35 | 3065047324 | 71225 | 3106265 |
| 29-06-2015 | 987 | 999.5 | 982.5 | 990.15 | 2816829754 | 76492 | 2845334 |
| 26-06-2015 | 999 | 1011.6 | 998.1 | 1005.25 | 2675854600 | 63866 | 2660142 |
| 25-06-2015 | 999.2 | 1003.5 | 987.65 | 990.45 | 3536892263 | 75358 | 3558733 |
| 24-06-2015 | 1015 | 1015 | 991.2 | 995.1 | 3543930987 | 74881 | 3536847 |
| 23-06-2015 | 1025 | 1027.4 | 998.15 | 1000.4 | 3490994517 | 119559 | 3476058 |
| 22-06-2015 | 1004.9 | 1028.75 | 997 | 1023.85 | 2888003447 | 133708 | 2855434 |
| 19-06-2015 | 1010.3 | 1010.4 | 993.1 | 995.35 | 3331553919 | 97129 | 3335229 |
| 18-06-2015 | 1005.6 | 1007.95 | 995.8 | 1001.95 | 1740163420 | 40621 | 1737213 |

| | | | | | | | |
|------------|---------|---------|---------|---------|------------|--------|---------|
| 17-06-2015 | 1011 | 1021 | 992.2 | 995.7 | 3212615218 | 73928 | 3206034 |
| 16-06-2015 | 994.35 | 1003 | 985 | 999.35 | 2599482811 | 75473 | 2611722 |
| 15-06-2015 | 976.95 | 998.8 | 968 | 990.45 | 2592486854 | 84843 | 2618213 |
| 12-06-2015 | 2005 | 2025.55 | 1955.5 | 1975.05 | 4905085618 | 104931 | 2463231 |
| 11-06-2015 | 2035.95 | 2044.75 | 1995.05 | 1997.65 | 4639906733 | 69953 | 2307366 |
| 10-06-2015 | 1990 | 2039.35 | 1985 | 2026.5 | 3212123214 | 76174 | 1596460 |
| 09-06-2015 | 2003.75 | 2007.65 | 1983 | 1992.1 | 3766911108 | 81812 | 1890435 |
| 08-06-2015 | 2020 | 2024.65 | 1987 | 2000.05 | 3070769017 | 59889 | 1535262 |
| 05-06-2015 | 2030 | 2044 | 2008.15 | 2011.65 | 3094883382 | 61438 | 1531447 |
| 04-06-2015 | 2030 | 2055 | 2012.6 | 2028.05 | 3813250263 | 98562 | 1872366 |
| 03-06-2015 | 2018.2 | 2039.45 | 2008 | 2020.9 | 2775067935 | 50402 | 1373949 |
| 02-06-2015 | 2048.1 | 2055.1 | 2005 | 2008.65 | 2358331816 | 67384 | 1168285 |
| 01-06-2015 | 2032.8 | 2064 | 2023.25 | 2047.8 | 2931284913 | 62717 | 1431223 |

Exhibit - 7

Graphs of Prices of shares during the month of June 2015 at two leading Stock Exchange of India

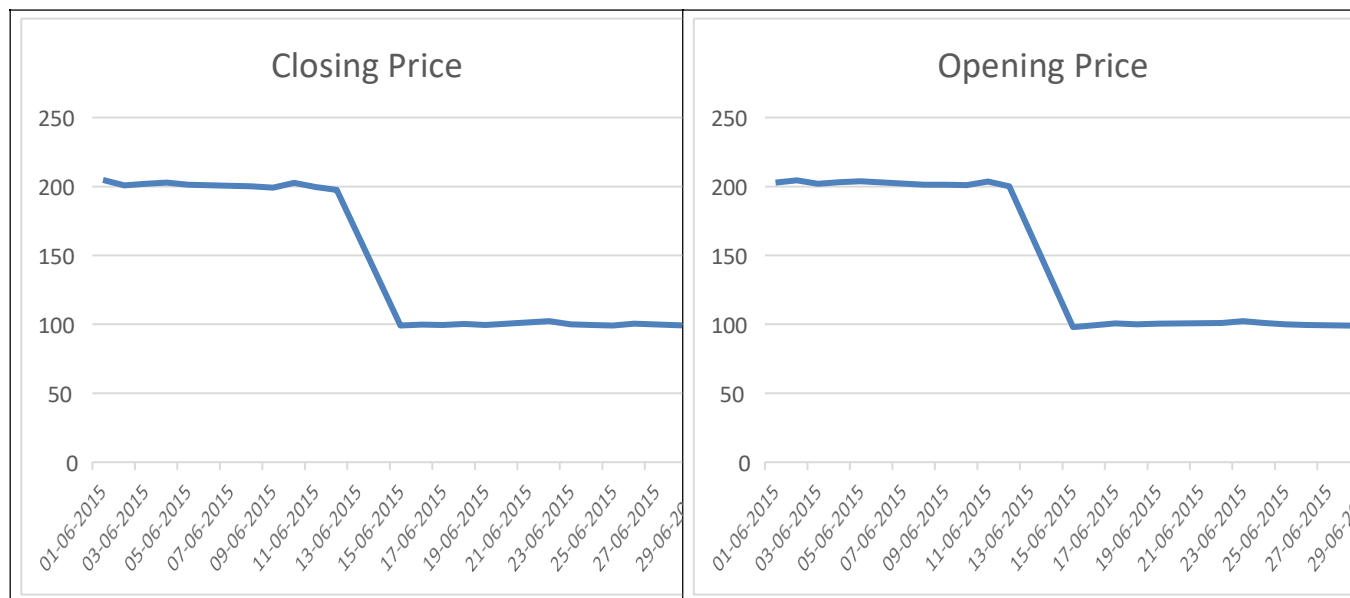


Exhibit - 8

International Perspective

Stock dividend of one ADS for every ADS held has been given. ABC Ltd. shares are also listed on the New York Stock Exchange (NYSE). The detail structure of the company's share prices in NYSE for the month of June, 2015 has been given as below:

| Price Date | Open Price | High Price | Low Price | Close Price |
|------------|------------|------------|-----------|-------------|
| 1-6-2015 | 31.97 | 32.38 | 31.93 | 32.21 |
| 2-6-2015 | 31.76 | 31.88 | 31.56 | 31.82 |
| 3-6-2015 | 31.88 | 32.44 | 31.76 | 32.1 |
| 4-6-2015 | 31.83 | 31.98 | 31.41 | 31.65 |
| 5-6-2015 | 31.53 | 31.91 | 31.52 | 31.81 |
| 8-6-2015 | 31.53 | 31.62 | 31.46 | 31.52 |
| 9-6-2015 | 31.32 | 31.41 | 31.03 | 31.11 |
| 10-6-2015 | 31.59 | 31.81 | 31.45 | 31.72 |
| 11-6-2015 | 31.13 | 31.47 | 31.01 | 31.25 |
| 12-6-2015 | 30.66 | 31.05 | 30.59 | 31.02 |
| 15-06-2015 | 30.79 | 31.32 | 30.72 | 31.25 |
| 16-06-2015 | 31.15 | 31.91 | 31.15 | 31.84 |
| 17-06-2015 | 31.45 | 31.93 | 31.45 | 31.92 |
| 18-06-2015 | 31.86 | 32.42 | 31.86 | 32.17 |
| 19-06-2015 | 32.05 | 32.16 | 31.86 | 31.9 |
| 22-06-2015 | 32.38 | 32.72 | 32.25 | 32.53 |
| 23-06-2015 | 32.32 | 32.5 | 32.19 | 32.22 |

| | | | | |
|------------|-------|-------|-------|-------|
| 24-06-2015 | 31.96 | 32.18 | 31.48 | 31.52 |
| 25-06-2015 | 15.9 | 16.28 | 15.89 | 16.13 |
| 26-06-2015 | 16.26 | 16.31 | 16.11 | 16.17 |
| 29-06-2015 | 15.91 | 15.98 | 15.81 | 15.86 |
| 30-06-2015 | 15.94 | 15.97 | 15.66 | 15.85 |

Exhibit - 9

RBI Reference Rate for US \$ during the month of June 2015

| | |
|-----------|---------|
| 1.6.2015 | 63.6083 |
| 2.6.2015 | 63.8330 |
| 3.6.2015 | 63.8515 |
| 4.6.2015 | 64.1775 |
| 5.6.2015 | 63.8955 |
| 8.6.2015 | 64.1100 |
| 9.6.2015 | 63.9360 |
| 10.6.2015 | 63.8849 |
| 11.6.2015 | 63.8910 |
| 12.6.2015 | 64.0301 |
| 15.6.2015 | 64.0868 |
| 16.6.2015 | 64.1505 |
| 17.6.2015 | 64.1135 |
| 18.6.2015 | 63.8495 |
| 19.6.2015 | 63.8195 |
| 22.6.2015 | 63.5098 |
| 23.6.2015 | 63.6406 |
| 24.6.2015 | 63.6600 |
| 25.6.2015 | 63.6121 |
| 26.6.2015 | 63.6042 |

| | |
|-----------|---------|
| 29.6.2015 | 63.9170 |
| 30.6.2015 | 63.7549 |

Exhibit – 10

Article published in leading Financial Daily on 24-04-2015

The board of directors of ABC Ltd sprang a surprise today by recommending a bonus issue of shares in the ratio of 1:1 (one equity share for every equity share held) and a stock dividend of one American Depositary Share (ADS) for every ADS held.

It is the second 1: 1 bonus issue announced by the company in the last six months as it had made a bonus issue only in December 2014.

It was on October 10, 2014, that the company had recommended a bonus issue of one equity share for every equity share held (1 : 1 bonus issue) and a bonus issue, viz., a stock dividend of one ADS for every ADS held. Subsequently, ABC Ltd fixed December 3, 2014, as the record date for the purpose of allotment of bonus shares / stock dividend.

ABC Ltd's board today has recommended a final dividend of ₹29.50 per share (equivalent to ₹14.75 per share after 1:1 bonus issue, if approved by shareholders) for the year ended March 31, 2015.

Acting swiftly to get the approval process completed, the company said its register of members & share transfer books will remain closed from June 17 to June 22 for the purpose of payment of final dividend & the AGM will be held on June 22.

The company's equity base is at ₹574 crore as at the end of March 31, 2015. This was after the bonus issue made in Dec last year. But despite the doubling of the equity base, the company's EPS at the end of last fiscal was at a healthy ₹102.33 as compared to ₹89.20 at the end of March 31, 2014. This gives it shares a P/E ratio of about 20 (at the current value of around ₹2010) which does not look to be very high compared to its peers such as DEF Ltd. (P/E of 23) and XYZ Ltd. (P/E of 25). The latter had implemented a 1:1 bonus issue and also a stock split of 2:1 (face value of shares reduced to ₹5 from ₹10).

Despite the bonus announcement, the ABC Ltd. shares are down by about ₹ 120 to ₹ 2001 levels now. A deeper analysis of ABC Ltd. results would throw further insight into its

performance in terms of profitability ratio etc. compared to its peers and explain the reasons for investor response.