

**Scheme Of Evaluation  
Internal Assessment Test 1- Sep 2019**

<b>Sub:</b>	<b>BANKING AND FINANCIAL SERVICES</b>			
Date	12-9-	90min	Max	<b>Sem:</b> III
:	2019	Duration: s	Marks: 50	

<b>Code:</b>	18MBAFM301
<b>Branch:</b>	MBA

**Note:** Part A - Answer Any Two Full Questions (20\*02=40 Marks)  
Part B - Compulsory (01\*10= 10marks)

Part	Question #	Description	Marks Distribution	Max Marks	
	1	a	<p>“Merchant Banker” means an entity registered under Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992;Any person who is engaged in the business of issue management by making arrangements for selling/buying/subscribing to securities or acting as manager/consultant/advisor or rendering of corporate advisory service.</p>	3	20 M
		b	<p>SEBI’s regulations prescribe certain eligibility requirements for a company planning a public issue. This includes:</p> <p>1. Minimum net worth requirement of Rs one Crore and distributable profits in the last three years, and The proposed issue along with all other issue of capital made during the year should not exceed five times the pre-issue net worth.</p> <p>or</p> <p>2. The issue to be made through a book building process in which 50% of the issue is reserved for qualified institutional buyers (QIB) and The minimum post-issue paid up capital shall be Rs 10 Crores. or</p> <p>3. The project should be appraised by commercial banks/FI’s who also contribute to the capital to the extent of 10%, and</p> <p>There will be compulsory market-making for at least two years from the date of listing of the shares.</p>	7	
		c	<p>The services provided by Merchant Bankers include:</p> <p>Project counseling.</p> <p>Market survey and forecasting.</p>	10	

		<p>Estimating the amount of funds required.</p> <p>Raising funds from capital market.</p> <p>Raising of funds through new instruments.</p> <p>Bought out deals.</p> <p>OTC market operations.</p> <p>Mergers and amalgamations.</p>		
2	a	<p>Commercial bank is a banking company established by a number of people for providing the basic banking functions i.e. accepting deposits and lending money to general public. Merchant bank refers to the financial institution, that specializes in international trade and provide an array of services to its clients.</p>	3	20 M
	b	<p>Prospectus</p> <p>The document which contains all the information relevant to an investor to make an investment in a public issue of shares made through a fixed price offer.</p> <p><b>Red Herring Prospectus</b></p> <p>The document of information made according to SEBI's guidelines for a public issue of shares made through a book building exercise.</p> <p>In this, the price at which the issue is being made and the number of shares being offered or the total number of shares on offer is not given.</p> <p><b>Methods of Making a Public Issue of Shares</b></p> <p>There are basically two ways in which a company can raise capital from a public issue of shares. These are</p> <ul style="list-style-type: none"> <li>- Fixed Price Issue</li> <li>- Book Built Issue</li> </ul>	7	
	c	<p><b><u>Steps Involved in Book-Building Process -</u></b></p> <p><b>STEP 1-</b> Nominate Book Runner</p> <p><b>STEP 2 –</b> To Form the Syndicate of Brokers, Arrangers, Underwriters, Financial Institutions, etc.</p> <p><b>STEP 3 -</b> Submit Draft Offer Document to SEBI without mentioning Coupon Rate or Price</p> <p><b>STEP 4 -</b> Circulate offer Document among the Syndicate Members</p>	10	

		<p><b>STEP 5</b> - Ask for Bids on Price and Quality of Securities</p> <p><b>STEP 6</b> - Aggregate and forward all offers to Book Runner</p> <p><b>STEP 7</b> - Run the Book to maintain a record of Subscribers and their Orders</p> <p><b>STEP 8</b> - Consult with Issuer and Determine the issue Price as Weighted Average of the Offers Received</p> <p><b>STEP 9</b> - Firm up Underwriting Commitments</p> <p><b>STEP 10</b> - Allot Securities Among Syndicate Members</p> <p><b>STEP 11</b> - Securities Issued and Listed</p> <p><b>STEP 12</b> - Trading Commences on Exchanges</p>		
3	a	Underwriting is the process through which an individual or institution takes on financial risk for a fee. ... The term underwriter originated from the practice of having each risk-taker write their name under the total amount of risk they were willing to accept for a specified premium	3	20 M
	b	There are three main types of commitment by the underwriter: firm commitment, best efforts, and all-or-none. In a firm commitment, the underwriter fully commits to the offering by buying the entire issue and taking financial responsibilities for any unsold shares.	7	
	c	<p>Irrespective of the level of subscription, the post-issue Lead Merchant Banker shall ensure the submission of the post-issue monitoring reports as per formats specified in Schedule XVI</p> <p>Post-issue monitoring reports shall be submitted within 3 working days from the due dates.</p> <p>The due date for this report shall be the 3rd day from the date of listing or 78 days from the date of closure of the subscription of the issue, whichever is earlier.</p> <p>post issue lead merchant banker shall file a due diligence certificate in the format given in Schedule XVI-A along with the final post-issue monitoring report.</p> <p>Post - Issue Lead Merchant Banker shall actively associate himself with post-issue activities namely, allotment, refund, dispatch and giving instructions to Self Certified Syndicate Banks</p> <p>Post - Issue Lead Merchant Banker shall shall regularly monitor redressal of investor grievances arising there from.</p>	10	

<b>B</b>	4	a)	<ul style="list-style-type: none"> <li>• Merchant banker shall satisfy himself about all the aspects of offering, veracity and adequacy of disclosure in the offer documents.</li> <li>• The lead merchant banker shall pay requisite fee in accordance with regulation 24A of Securities and Exchange Board of India Rules and Regulations, 1992 along with draft offer document filed with the Board.</li> <li>• <b>Documents to be submitted along with the Offer Document by the Lead Manager –</b> <ol style="list-style-type: none"> <li>1. Memorandum of Understanding (MOU) entered into between a lead merchant banker and the issuer company specifying their mutual rights, liabilities and obligations relating to the issue.</li> <li>2. Inter-se Allocation of Responsibilities In case a public or rights issue, In case of under subscription at an issue, the Lead Merchant Banker responsible for underwriting arrangements</li> <li>3. lead merchant banker, shall furnish to the Board a due diligence certificate as specified in <b>Schedule III</b> along with the draft</li> <li>4. Lead Merchant Banker shall also certify that the issuer company is complying with conditions</li> <li>5. certify that all amendments suggestion or observations made by Board have been incorporated in the offer document</li> <li>6. "due diligence" certificate at the time of filing the prospectus with the Registrar of Companies</li> <li>7. Certificates Signed by the Company Secretary or Chartered Accountant, in Case of Listed Companies Making Further Issue of Capital</li> </ol> </li> </ul>	10	10 M
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