KGF FIRST GRADE COLLEGE ,OORGAUM KGF
TITLE OF THE CERTIFICATE COURSE: STOCK EXCHANGE
CHAPTER 1

AN OVERVIEW OF CAPITAL MARKET

Capital market is a **market** where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. The buying/selling is undertaken by participants such as individuals and institutions

Following are the main features of the capital market

1. **Dealing in long term securities:** Capital market deals in securities for long and medium term like shares, debentures and bonds. It does not deal with channelising saving for less than one year.
2. **Dealing in marketable and non-marketable securities:** Capital market deals in both marketable and non-marketable securities. Marketable securities are those which can be transferred e.g. shares, debentures etc. Non-marketable securities are those which cannot be transferred e.g. term deposits with banks, loans and advances of banks and financial institutions.
3. **Includes both individual and institutional investors:** capital market comprises both individual and institutional investors. Individual investors are general public and institutional investors include mutual funds, pension funds, LIC etc.
4. **Includes both primary and secondary markets:** primary market relates to issue of fresh securities in the market and secondary market deals with sale and purchase of existing securities through stock exchange.
5. **Utilises intermediaries**: operations in the capital market is conducted with the help of intermediaries like merchant bankers, underwriters, brokers, sub-brokers, collection bankers etc.

ROLES/IMPORTANCE/SIGNIFICANCE OF CAPITAL MARKET

Following are the roles or importance or significance of capital market:

1. **Helps in raising long-term funds:** Capital market enables Corporate, industrial organizations, financial institutions, trusts and the government to get long-term funds from both domestic and foreign markets.
2. **Channelise saving of people to productive uses:** Capital market mobilizes idle funds from people for further investments in the productive channels of an

economy. In that sense, it activates the idle monetary resources and puts them in proper investments.

3. **Helps in capital formation:** Capital formation is the net addition to the existing stock of capital in the economy. Through mobilization of idle resources to industries, it helps in increasing capital formation.
4. **Encourages to Save:** With the development of capital, market, the banking and non-banking institutions provide facilities, which encourage people to save more.
5. **provides income to investors:** by investing in shares and other securities investors get income in the form of dividend/interest and capital appreciation.
6. **Encourages to Invest:** The capital market facilitates lending to the corporates and the government and thus encourages investment. It provides investment facilities through banking and non-banking financial institutions. Various financial assets, *e.g.,* shares, debentures, bonds, etc., encourages savers to lend to the government or invest in industry.
7. **Provide liquidity to investment:** liquidity means how easily and how quickly assets can be converted into cash. through capital market, investors can convert their money into securities, and when they need money they can easily sell them and get cash.
8. **Attracts foreign investors:** capital market provide an opportunity to Foreign institutional investors and foreign individual investors and non-resident Indians to invest in Indian securities market.

CLASSIFICATION OF FINANCIAL MARKET

By Nature of Claim

- **Debt Market**: The market where fixed claims or debt instruments, such as debentures or bonds are bought and sold between investors.
- **Equity Market**: Equity market is a market wherein the investors deal in equity instruments. It is the market for residual claims.

By Maturity of Claim

- **Money Market**: The market where monetary assets such as commercial paper, certificate of deposits, treasury bills, etc. which mature within a year, are traded is called money market. It is the market for short-term funds. No such market exists physically; the transactions are performed over a virtual network, i.e. fax, internet or phone.

  Capital Market: The market where medium and long term financial assets are traded is a capital market. It is divided into two types:

- **Primary Market**: A financial market, wherein the company listed on an exchange, for the first time, issues new security or already listed company brings the fresh issue.
- **Secondary Market**: Alternately known as Stock market, a secondary market is an organised marketplace, wherein already issued securities are traded between investors, such as individuals, merchant bankers, stock brokers and mutual funds.

By Timing of Delivery

- **Cash Market**: The market where the transaction between buyers and sellers are settled in real time.
- **Futures Market**: Futures market is one where the delivery or settlement of commodities takes place at a future specified date.

By Organizational Structure

- **Exchange Traded Market**: A financial market, which has a centralisedorganisation with the standardised procedure.
- **Over-the-Counter Market:** An OTC is characterised by a decentralisedorganisation, having customised procedure

Differences between money market and capital market

The following points are substantial, as far as the difference between money market and capital market is concerned:

1. The place where short-term marketable securities are traded is known as Money Market. Unlike Capital Market, where long-term securities are created and traded is known as Capital Market.
2. Capital Market is well organised which Money Market lacks.
3. The instruments traded in money market carry low risk, hence, they are safer investments, but capital market instruments carry high risk.
4. The liquidity is high in the money market, but in the case of the capital market, liquidity is comparatively less.
5. The major institutions that work in money market are the central bank, commercial bank, non-financial institutions and acceptance houses. On the

contrary, the major institutions which operate in the capital market are a stock exchange, commercial bank, non-banking institutions etc.

6. Money market fulfils short-term credit requirements of the companies such as providing working capital to them. As against this, the capital market tends to fulfil long-term credit requirements of the companies, like providing fixed capital to purchase land, building or machinery.
7. Capital Market Instruments give higher returns as compared to money market instruments.
8. Redemption of Money Market instruments is done within a year, but Capital Market instruments have a life of more than a year as well as some of them are perpetual in nature.

Types of Capital Market Instruments

The various capital market instruments used by corporate entities for raising resources are as follows: 1. Preference shares 2. Equity shares 3. Non-voting equity shares 4. Cumulative convertible preference shares 5. Company fixed deposits 6. Warrants 7. Debentures and Bonds

SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

Securities Exchange Board of India (SEBI) was set up in 1988 to regulate the functions of securities market. SEBI promotes orderly and healthy development in the stock market but initially SEBI was not able to exercise complete control over the stock market transactions.

Structure of SEBI

The SEBI is managed by its members, which consists of following:

1. The chairman who is nominated by Union Government of India.
2. Two members, i.e., Officers from Union Finance Ministry.
3. One member from the Reserve Bank of India.
4. The remaining five members are nominated by Union Government of India, out of them at least three shall be whole-time members.

Purpose of SEBI

SEBI was set up with the main purpose of keeping a check on malpractices and protect the interest of investors. It was set up to meet the needs of three groups.

1. Issuers:
For issuers it provides a market place in which they can raise finance fairly and easily.

2. Investors:
For investors it provides protection and supply of accurate and correct information.

3. Intermediaries:
For intermediaries it provides a competitive professional market.

Objectives of SEBI

The main objectives of SEBI are:

(1) Regulation of Stock Exchanges:
The first objective of SEBI is to regulate stock exchanges so that efficient services may be provided to all the parties operating there.

(2) Protection to the Investors:
The capital market is meaningless in the absence of the investors. Therefore, it is important to protect the interests of the investors.

The protection of the interests of the investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc. Hence, the foremost objective of the SEBI is to provide security to the investors.

(3) Checking the Insider Trading:
Insider trading means the buying and selling of securities by those people's directors Promoters, etc. who have some secret information about the company and who wish to take advantage of this secret information.

This hurts the interests of the general investors. Many steps have been taken to check inside trading through the medium of the SEBI.

(4) Control over Brokers:
It is important to keep an eye on the activities of the brokers and other middlemen in order to control the capital market. To have a control over them, it was necessary to establish the SEBI.

Role of SEBI

1. Power to make rules for controlling stock exchange:SEBI has power to make new rules for controlling stock exchange in India. For example, SEBI fixed the time of trading **9 AM and 4 PM** in stock market.

2. To provide license to dealers and brokers:SEBI has power to provide license to dealers and brokers of capital market. If SEBI sees that any financial product is of capital nature, then SEBI can also control to that product and its dealers. One of main example is ULIPs case. SEBI said, “It is just like mutual funds and all banks and financial and insurance companies who want to issue it, must take permission from SEBI."

3. To Stop fraud in Capital Market:SEBI has many powers for stopping fraud in capital market.It can ban on the trading of those brokers who are involved in fraudulent and unfair trade practices relating to stock market.
It can impose the penalties on capital market intermediaries if they involve in insider trading.

4. To Control the Merger, Acquisition and Takeover the companies: Many big companies in India want to create monopoly in capital market. So, these companies buy all other companies or deal of merging. SEBI sees whether this merger or acquisition is for development of business or to harm capital market.

5. To audit the performance of stock market:SEBI uses his powers to audit the performance of different Indian stock exchange for bringing transparency in the working of stock exchanges.

6. To make new rules on carry - forward transactions: Share trading transactions carry forward cannot exceed 25% of broker's total transactions.
90 day limit for carry forward.

7. To create relationship with ICAI:ICAI is the authority for making new auditors of companies. SEBI creates good relationship with ICAI for bringing more transparency in the auditing work of company accounts because audited financial statements are mirror to see the real face of company and after this investors can decide to invest or not to invest. Moreover, investors of India can easily trust on audited financial reports. After Satyam Scam, SEBI is investigating with ICAI, whether CAs are doing their duty by ethical way or not.

8. To Require report of Portfolio Management Activities:SEBI has also power to require report of portfolio management to check the capital market performance.

Recently, SEBI sent the letter to all Registered Portfolio Managers of India for demanding.

9. To educate the investors : Time to time, SEBI arranges scheduled workshops to educate the investors.

Functions of SEBI

The SEBI performs functions to meet its objectives. SEBI has three important functions. These are:

i. Protective functions

ii. Developmental functions

iii. Regulatory functions.

1. Protective Functions:
These functions are performed by SEBI to protect the interest of investor and provide safety of investment.

As protective functions SEBI performs following functions:

(i) It Checks Price Rigging:
Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of securities. SEBI prohibits such practice because this can defraud and cheat the investors.

(ii) It Prohibits Insider trading:
Insider is any person connected with the company such as directors, promoters etc. These insiders have sensitive information which affects the prices of the securities. This information is not available to people at large but the insiders get this privileged information by working inside the company and if they use this information to make profit, then it is known as insider trading, e.g., the directors of a company may know that company will issue Bonus shares to its shareholders at the end of year and they purchase shares from market to make profit with bonus issue. This is known as insider trading. SEBI keeps a strict check when insiders are buying securities of the company and takes strict action on insider trading.

(iii) SEBI prohibits fraudulent and Unfair Trade Practices:

SEBI does not allow the companies to make misleading statements which are likely to induce the sale or purchase of securities by any other person.

(iv) SEBI undertakes steps to educate investors so that they are able to evaluate the securities of various companies and select the most profitable securities.

(v) SEBI promotes fair practices and code of conduct in security market by taking following steps:
(a) SEBI has issued guidelines to protect the interest of debenture-holders wherein companies cannot change terms in midterm.

(b) SEBI is empowered to investigate cases of insider trading and has provisions for stiff fine and imprisonment.

(c) SEBI has stopped the practice of making preferential allotment of shares unrelated to market prices.

2. Developmental Functions:
These functions are performed by the SEBI to promote and develop activities in stock exchange and increase the business in stock exchange. Under developmental categories following functions are performed by SEBI:

(i) SEBI promotes training of intermediaries of the securities market.

(ii) SEBI tries to promote activities of stock exchange by adopting flexible and adoptable approach in following way:

(a) SEBI has permitted internet trading through registered stock brokers.

(b) SEBI has made underwriting optional to reduce the cost of issue.

(c) Even initial public offer of primary market is permitted through stock exchange.

3. Regulatory Functions:
These functions are performed by SEBI to regulate the business in stock exchange. To regulate the activities of stock exchange following functions are performed:

(i) SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.

(ii) These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.

(iii) SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner.

(iv) SEBI registers and regulates the working of mutual funds etc.

(v) SEBI regulates takeover of the companies.

(vi) SEBI conducts inquiries and audit of stock exchanges.

Powers of SEBI

For the discharge of its functions efficiently, SEBI has been vested with the following powers:

1. To approve by–laws of stock exchanges.
2. To require the stock exchange to amend their by–laws.
3. Inspect the books of accounts and call for periodical returns from recognized stock exchanges.
4. Inspect the books of accounts of a financial intermediaries.
5. Compel certain companies to list their shares in one or more stock exchanges.
6. Registration brokers.
7. Power to control and regulate stock exchanges.

Organization of SEBI

The SEBI act provides for the establishment of a statutory board consisting of 6 members. The chairman and 2 members are to be appointed by the central government, 1 member to be appointed by Reserve Bank and 2 members having experience of securities market to be appointed by the central government.

SEBI has divided its activities into four operational departments.

1. **Primary Market Department:** Primary market department deals with all policy matters and regulatory issues relating to primary market, market intermediaries and matters pertaining to redressal of investors grievances.

2. **Issue Management and Intermediaries Department:** This department is concerned with getting of offer documents and other things like registration, regulation and monitoring of issues related to intermediaries
3. **Secondary Market Department:** It looks after all the policy and regulatory issues for the secondary market i.e., administration of the major stock exchanges and other matters related to it.
4. **Institutional Investment Department:** This department is concerned with framing policy for foreign institutional investors, mutual funds and other matters like publications, membership in international organizations, etc.

Each is headed by an executive director. Apart from these there are 2 other department. Viz, Legal Department and Investigation Department also headed by officials of the rank of executive directors.

CHAPTER 2
PRIMARY MARKET

PRIMARY MARKET

It is also known as new issue market. Primary market is that part of the capital markets that deals with the issuance of new securities.

Features or characteristics of primary market

1. This is the market for new long term equity capital.
2. The primary market is the market where the securities are sold for the first time. Therefore it is also called the new issue market (NIM).
3. In a primary issue, the securities are issued by the company directly to investors.
4. The company receives the money and issues new security certificates to the investors.
5. Primary issues are used by companies for the purpose of setting up new business or for expanding or modernizing the existing business.
6. The primary market performs the crucial function of facilitating capital formation in the economy.

7. The new issue market does not include certain other sources of new long term external finance, such as loans from financial institutions. Borrowers in the new issue market may be raising capital for converting private capital into public capital; this is known as "going public."

Significance of primary market

- Primary market facilitates capital growth by enabling individuals to convert savings into investments
- It facilitates companies to issue new stocks to raise money directly from households for business expansion or to meet financial obligations
- It provides a channel for the government to raise funds from the public to finance public sector projects
- Primary market enables business expansion and growth for domestic and foreign companies.
- The presence of primary market has resulted in providing various financial services like underwriting, issue management, etc
- Primary market leads to speed up economic development.

Importance or Significance of Primary Market

1. **Capital formation:** It provides attractive issue to potential investors and with this, company can raise capital at lower costs.
2. **Liquidity: S**ecurities issued in primary market can be immediately sold in secondary market, hence providing an opportunity for the investors to convert their holdings into cash quickly.
3. **Diversification:** Many financial intermediaries invest in primary market at the time of issue and many investors will also participate in the new issue resulted in reducing the risk for raising capital. Whenever company goes for raising capital in primary market, it will never depend on single investor, so the risk is minimized.
4. **Reduction in cost:** Prospectus containing all details about the securities are given to the investors hence it helps in reducing the cost in searching and assessing the individual securities.
5. **Business expansion:** The primary market enables business expansion and growth for domestic and foreign companies.

Functions of Primary Market

1. **Capital Formation:** The key function of the primary market is to facilitate capital growth by enabling individuals to convert savings into investments. It

facilitates companies to issue new stocks to raise money directly from households for business expansion or to meet financial obligations. It provides a channel for the government to raise funds from the public to finance public sector projects. Unlike the secondary market, such as the stock market which trades listed shares between buyers and sellers, the primary market exists for the issuance of new securities by corporations and the government directly to investors.

2. **Global Investments:** The primary market enables business expansion and growth for domestic and foreign companies. International firms issue new stocks--American Depository Receipts (ADRs)--to investors in the U.S., which are listed in American stock exchanges. By investing in ADRs, which are dollar-denominated, you can diversify the risk associated with putting all your savings in just one geographical market.
3. **Sale of Government Securities:** The government directly issues securities to the public via the primary market to fund public works projects such as the construction of roads, building schools etc. These securities are offered in the form of short-term bills, notes that mature in two to seven years, longer-term bonds and treasury inflation-protected securities (TIPS) linked to the Consumer Price Index. Visit the U.S. Treasury website for information about interest rates and maturity dates.
4. **Primary Market Participants:** An investment bank sets the offer price of the corporate security as opposed to market forces, which determines the price in the secondary market. While brokerage firms and online licensed dealers sell IPOs to the public, you may not be allotted IPO shares because of the large demand for a small number of shares typically issued by the company. Moreover, institutional investors (large mutual funds and banks) usually get the lion's share of much anticipated IPOs.
5. **Market Risk:** The Securities and Exchange Commission cautions investors that IPOs are inherently risky and therefore unsuited for low network individuals who typically are risk-averse.

Types of Issues in Primary Market or Issue Mechanism

1**. Public issue:** When a company raises funds by selling (issuing) its shares (or debenture / bonds) to the public through issue of offer document (prospectus), it is called a public issue.

a) Initial Public Offer: When a (unlisted) company makes a public issue for the first time and gets its shares listed on stock exchange, the public issue is called as initial public offer (IPO).

b) Further public offer: When a listed company makes another public issue to raise capital, it is called further public / follow-on offer (FPO).

Reasons for Public Issue

- To raise funds for financing capital expenditure needs like expansion, diversification, etc.
- To finance increased working capital requirements.
- To provide an exit route for existing investors.
- For the purpose of debt financing.

Benefits of going public or IPO

a. **Access to Capital:** The principal motivation for going public is to have access to larger capital. A company which fails to enter financial market may find it difficult to grow beyond a certain point for want of capital.
b. **Stock holder diversification:** As company grows and becomes more valuable, its founders often have most of its wealth tied up in the company. By selling some of their stock in public offerings, the founders can diversify their holdings and thereby reduce somewhat the risk of their personal portfolios.
c. **Easy to raise new capital:** If a privately held company wants to raise capital, it must either go to its existing share holders or look around for other investors. This can often be a difficult and time consuming process. By going public, it becomes easier to find new investors for the business.
d. **Enhances liquidity:** The stock of a closely held firm is not liquid. If one of the holders wants to sell some of their shares, it is difficult to find the investors who are interested to buy, especially if the amount required to invest is large. Even if any investor is interested to buy the shares, the problem of fixing the price arises. These problems are easily overcome in a publicly owned company.
e. **Image:** The reputation and visibility of the company increases. It helps to increase company and personal prestige.
f. **Signals from the market:** Stock prices represent useful information to the mangers. Every day, investors will decide the prices of the stock on the basis of performance of the company, its strategies, management decisions, supply and demand of particular shares, etc. Although the market may not be perfect, it provides a useful reality check.
g. **Other advantages:**

- Additional incentive for employees in the form of the company’s stocks helps to attract and retain employees.
- Increases the value of the company.
- Easier to make acquisitions.

<u>Drawbacks or Disadvantages of IPO or going public</u>

a. **Disclosure:** A public company is required to disclose information to investors and others. Hence, it cannot maintain secrecy in many aspects.
b. **Dilution:** When a company issues shares to public, existing shareholders suffer dilution of their proportionate ownership in the firm.
c. **Increased Regulatory Oversight:** Going public places your company under the supervision of SEBI and other regulatory bodies that regulate public corporations, as well as the stock exchange that has agreed to list the company's stock. This increase in regulatory oversight significantly changes the way you can manage the business.
d. **Accountability:** The degree of accountability of a public company is higher. It has to explain a lot to its investors.
e. **Inactive market:** If a firm is very small and its shares are not traded frequently, then its shares will not really be liquid and the market price may not be truly representative of its stock value.
f. **Less control:** As a public company, there is less freedom to make own business decisions and run the company independently. Instead, it requires taking an opinion and consultation of stakeholders, including public shareholders, institutional investors, a board of directors, brokerage firms, etc at the time of taking any decision.
g. **High costs:** Apart from the costs of issuing securities, a public company has to incur costs for providing investors with periodic reports, holding share holders meetings, communicating with institutional investors and financial analysts and fulfilling various statutory obligations, like filing quarterly reports with SEBI, etc.

h. **Other disadvantages:**
   - The profit earned by the company should be shared with its investors in the form of dividends.
   - An IPO is a costly affair. Around 10% to 20% of the amount realized is spent on raising the same.
   - A substantial amount of time and efforts has to be invested.

2. Offer for sale: Institutional investors like venture funds, private equity funds etc., invest in unlisted company when it is very small or at an early stage. Subsequently, when the company becomes large, these investors sell their shares to the public, through issue of offer document and the company's shares are listed in stock exchange. This is called as offer for sale. The proceeds of this issue go the existing investors and not to the company.

3. Issue of Indian Depository Receipts (IDR): A foreign company which is listed in stock exchange abroad can raise money from Indian investors by selling (issuing) shares. These shares are held in trust by a foreign custodian bank against which a domestic custodian bank issues an instrument called Indian depository receipts (IDR), denominated in `. IDR can be traded in stock exchange like any other shares and the holder is entitled to rights of ownership including receiving dividend

4. Rights issue (RI): When a company raises funds from its existing shareholders by selling (issuing) them new shares / debentures, it is called as rights issue. The offer document for a rights issue is called as the Letter of Offer and the issue is kept open for 30-60 days. Existing shareholders are entitled to apply for new shares in proportion to the number of shares already held. Illustratively, in a rights issue of 1:5 ratio, the investors have the right to subscribe to one (new) share of the company for every 5 shares held by the investor.

Advantages of Rights Issue

- Controlling of the company is retained in the hands of the existing shareholders. Issue of right shares makes possible equitable distribution of shares without disturbing the established equilibrium of shareholdings because right shares are offered to the persons who on the date of rights issue are the holders of equity shares of the company proportionately to their equity shares on that date.
- The existing shareholders do not suffer on account of dilution in the value of their holdings if fresh shares are offered to them because value of the shares is likely to fail with fresh issue. This decrease in the value of the shares will be compensated by getting new shares at a price lower than the market price. They are likely to suffer on account of the dilution in the value of their holdings if fresh shares are offered to the general public.
- The expenses to be incurred, if shares are offered to the general public, are avoided.
- Images of the company are bettered when rights issues are made from time to time and existing shareholders remain satisfied.

- There is more certainty of getting capital when fresh issue of shares is made to the existing shareholders instead of to the general public.
- Directors cannot misuse the opportunity of issuing new shares to their friends and relatives at lower prices and at the same time retaining more control in their hands when right shares are issued because in rights issue shares are offered proportionately to the existing shareholders according to their existing holdings.
- Management of applications and allotment is easier because the company has to handle only limited number.
- Existing shareholders earn the first right to share in the prosperity of the company if it is doing well.

Disadvantages of Right Issue

- This method can be used only by the existing companies and not by the new companies.
- Subscription of issue remains limited to existing shareholders.
- It's not possible to enter new investors.
- Dilution of management is impossible, so existing share holders can take undue advantage

5. Bonus Issue: In bonus issue, the company issues new shares to its existing shareholders. As the new shares are issued out of the company's reserves (accumulated profits), shareholders need not pay any money to the company for receiving the new shares.

6. Preferential Issue or Preferential allotment: It is an issue of equity by a listed company to selected investors at a price which may or may not be related to prevailing market price. It is not a public issue of shares. This kind of preferential allotment is made mainly to promoter or their friends and relative.

7. Private placement: The sale of securities to a relatively small number of select investors as a way of raising capital. Investors involved in **private placements** are usually large banks, mutual funds, insurance companies and pension funds.

Advantages of Private Placement

- There is economy in issue expenses because the company does not have to incur costs relating to underwriting commission, application and allotment of shares, publicity, etc.
- Staying private allows the company to choose its own investors.
- It saves company's time and money required to make a public offerings.

- Stock exchange requirements concerning contents of prospectus and its publicity are less difficult in case of private placements.
- Those shares do not arouse public interest can be sold through private placements.

Disadvantages of Private Placement

- Fear of issue getting concentrated in few hands.
- Artificial scarcity of these securities may be created for increasing their prices temporarily, thus misleading investors.
- Placement of shares does not generate confidence in the minds of investing public.

Players in the Primary Market

- **Merchant Bankers**: When a company approaches the public for funds, merchant bankers manage the process of public issue. They perform various activities such as issue managers, lead managers and co-managers.
- **Registrars**: Registrars are intermediaries who undertake all activities connected with the new issue management such as collecting applications from the investors, keeping all records with regard to applications received, receiving money, assisting the companies in the allotment of shares and helping to dispatch all letters, etc.
- **Underwriters and Brokers**: Underwriters are those who guarantee to buy and pay for the shares in case if there is non- subscription.
- **Collecting and Coordinating Bankers**: Collecting bankers collect the money in the form of cash, cheques, etc., for the subscriptions and the coordinating bankers collect the information on subscriptions and convey the same to the underwriters and merchant bankers. A collecting banker may double up as coordinating bankers too.
- **Transfer agents:** The transfer agents are those who maintain the record of holders of securities on their own behalf or on behalf of the companies and deal with all activities connected with the transfer or redemption of such company's securities.
- **Debenture trustees:** The debenture trustees are those who act as trustees for securing any issue of debenture of a body corporate under a trust deed executed by a company for the benefit of the debenture holders. They call for periodic reports from the company, inspect its books of accounts, take

possession of the property as per the deed, enforce the security and protect the interest of debenture holders in all possible ways.

- **Portfolio managers:** The portfolio managers are those who advise or direct or undertake the management or administration of a portfolio of securities or funds on behalf of the client as per the agreement with the client.
- **Printers, advertising agencies and mailing agencies:** Printers, advertising agencies and mailing agencies play significant role in the primary market by undertaking works related to printing, advertising and mailing without which the day to day operations in a primary market cannot function.

Methods of pricing in IPO

Fixed Price Offering

Under fixed price, the company going public determines a fixed price at which its shares are offered to investors. The investors know the share price before the company goes public. Demand from the markets is only known once the issue is closed. To partake in this IPO, the investor must pay the full share price when making the application.

Book Building Offering

Under book building, the company going public offers a 20% price band on shares to investors. Investors then bid on the shares before the final price is settled once the bidding has closed. Investors must specify the number of shares they want to buy and how much they are willing to pay. Unlike a fixed price offering, there is no fixed price per share. The lowest share price is known as the floor price, while the highest share price is known as the cap price. The final share price is determined using investor bids.

The following are the important points in book building process:

1. The Issuer who is planning an offer nominates lead merchant banker(s) as 'book runners'.

2. The Issuer specifies the number of securities to be issued and the price band for the bids.

3. The Issuer also appoints syndicate members with whom orders are to be placed by the investors.

4. The syndicate members put the orders into an ‘electronic book’. This process is called ‘bidding’ and is similar to open auction.

5. The book normally remains open for a period of 5 days.

6. Bids have to be entered within the specified price band.

7. Bids can be revised by the bidders before the book closes.

8. On the close of the book building period, the book runners evaluate the bids on the basis of the demand at various price levels.

9. The book runners and the Issuer decide the final price at which the securities shall be issued.

10. Generally, the number of shares is fixed; the issue size gets frozen based on the final price per share.

11. Allocation of securities is made to the successful bidders. The rest bidders get refund orders.

IPO categories

Investors can apply for shares in an IPO in different categories:

1. **Retail Individual Investor (RII)**

   In retail individual investor category, investors can not apply for more thanRs two lakh (Rs 2,00,000) in an IPO. Retail Individual investors have an allocation of 35% of shares of the total issue size in Book Build IPO's. NRI's who apply with less than Rs 2,00,000 /- are also considered as RII category.
2. **High Networth Individual (HNI)**

   If retail investor applies more than Rs 2,00,000 /- of shares in an IPO, they are considered as HNI.
3. **Non-institutional bidders**

   Individual investors, NRI's, companies, trusts etc who bid for more thanRs 2 lakhs are known as Non-institutional bidders. They need not to register with SEBI like RII's. Non-institutional bidders have an allocation of 15% of shares of the total issue size in Book Build IPO's.

4. **Qualified Institutional Bidders (QIB's)**

   Financial Institutions, Banks, FII's and Mutual Funds who are registered with SEBI are called QIB's. They usually apply in very high quantities.

QIBs are mostly representatives of small investors who invest through mutual funds, ULIP schemes of insurance companies and pension schemes

ASBA (Applications Supported by Blocked Amount)

ASBA (Applications Supported by Blocked Amount) is a process developed by India's Stock Market Regulator SEBI for applying to IPOs, Rights issue, FPS etc. In **ASBA**, an IPO applicant's bank account doesn't get debited until shares are allotted to them. **ASBA** means “Applications Supported by Blocked Amount”.

Advantages

1. The investor need not pay the application money by cheque rather block his / her bank account to the extent of the application money, thus continue to earn interest on application money.
2. The investor does not have to bother about refunds, as in ASBA only an amount proportionate to the securities allotted is taken from the bank account when his / her application is selected for allotment after the basis of allotment is finalised.
3. Customer can revise / withdraw the bid before the end of the Issue in the prescribed format with the Bank

CHAPTER 3

SECONDARY MARKET

The secondary market is where investors buy and sell securities they already own.

Significance of Secondary Market

- To facilitate liquidity and marketability of the outstanding equity and debt instruments
- To contribute to economic growth through allocation of funds to the most efficient channel through the process of disinvestment and reinvestment

- To provide instant valuation of securities caused by changes in the internal environment i.e, company wise and industry wise.
- The secondary market provides an efficient platform for trading of securities.

Functions of Secondary Market/Stock Exchange

1. Economic indicator:
A stock exchange is a reliable indicator 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 which reflects the economic conditions of a country.

2. 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 value of their investment, the creditors can value the creditworthiness and government can impose taxes on value of securities.

3. Safety of Transactions:
In stock market only the listed securities are traded and stock exchange authorities include the companies names in the trade list only after verifying the soundness of company. The companies which are listed they also have to operate within the strict rules and regulations. This ensures safety of dealing through stock exchange.

4. Contributes to Economic Growth:
In stock exchange securities of various companies are bought and sold. This process of disinvestment and reinvestment helps to invest in most productive investment proposal and this leads to capital formation and economic growth.

5. Spreading of Equity Cult:
Stock exchange encourages people to invest in ownership securities by regulating new issues, better trading practices and by educating public about investment.

6. Providing Scope for Speculation:
To ensure liquidity and demand of supply of securities the stock exchange permits healthy speculation of securities.

7. Liquidity:
The main function of stock market is to provide ready market for sale and purchase of securities. The presence of stock exchange 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.

8. 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 general public hesitates to invest in securities of loss making companies. So stock exchange facilitates allocation of investor's fund to profitable channels.

9. Promotes the Habits 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.

<u>Differences between Primary and Secondary Market</u>

Primary Market	***Secondary Market***
The primary market is that part of market that deals with the issuance of new securities	the secondary market is the financial market in which previously issued financial instruments such as stock, bonds, are bought and sold
It deals only with new or fresh issues made by companies for the first time	It deals in existing securities which are already issued by companies
No fixed geographical location for primary market	Need fixed place for trading e.g. Stock Exchanges
A primary market allows investors to purchase these financial products directly from the individuals or groups initially responsible for creating them	The secondary market, on the other hand, represents a venue for transaction between various investors

All companies can enter primary market	Only those companies which have issued securities in primary market can enter
Subject to regulations mostly from SEBI, stock exchanges, companies act, etc	Subject to regulation both from within and outside the company
Creating long term instruments for saving and investments	Providing liquidity for those instruments which are already issued by companies
Depth of primary market depends on number and the volume of issue of securities	Depth depends upon the activities of the primary market
Underwriters play a major role	There are no underwriters

Bombay Stock Exchange (BSE)

Established in 1875, BSE (formerly known as Bombay Stock Exchange Ltd.), is Asia's first & the Fastest Stock Exchange in world with the speed of 6 micro seconds and one of India's leading exchange groups. Over the past 140 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital-raising platform. Popularly known as BSE, the bourse was established as "The Native Share & Stock Brokers' Association" in 1875. BSE is a corporatized and demutualised entity, with a broad shareholder-base which includes two leading global exchanges, Deutsche Bourse and Singapore Exchange as strategic partners. BSE provides an efficient and transparent market for trading in equity, debt instruments, derivatives, mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SME).

More than 5500 companies are listed on BSE making it world's No. 1 exchange in terms of listed members. The companies listed on BSE command a total market capitalization of USD 1.64 Trillion as of Sep 2015. It is also one of the world's leading exchanges (5th largest in September 2015) for Index options trading

BSE also provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. It has a global reach with customers around the world and a nation-wide presence. BSE systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments. BSE is the first exchange in India and second in the world to obtain an ISO 9001:2000 certification. It is also the first Exchange in the country and second in the world to receive Information Security Management System Standard BS 7799-2-2002 certification for its On-Line trading System (BOLT). It operates one of the most respected capital market educational institutes in the country (the BSE Institute Ltd.). BSE also provides depository services through its Central Depository Services Ltd. (CDSL) arm.

BSE's popular equity index - the S&P BSE SENSEX - is India's most widely tracked stock market benchmark index. It is traded internationally on the EUREX as well as leading exchanges of the BRCS nations (Brazil, Russia, China and South Africa).

BOLT(BSE Online Trading)**:** BSE online trading was established in 1995 and is the first exchange to be set up in Asia. It has the largest number of listed companies in the world and currently has 4937 companies listed on the Exchange with over 7,700 traded instruments.

Objectives of BSE

- To safeguard the interest of investing public having dealings on the exchange
- To establish and promote honorable and just practices in securities transactions
- To promote, develop and maintain well regulated market in securities
- To promote industrial development in the country through efficient resource mobilization by the way of investment in corporate securities.
- Establishing a nationwide trading facility for all types of securities
- Ensuring equal access to all investors across the country through an appropriate telecommunication network

- Providing fair, efficient & transparent securities market using electronic trading system
- Enabling shorter settlement cycles and book entry settlements
- Meeting International benchmarks and standards

NSE (National Stock Exchange)

The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.

NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualization of stock exchange governance, screen based trading, compression of settlement cycles, dematerialization and electronic transfer of securities, securities lending and borrowing, professionalization of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counterparty risks, market of debt and derivative instruments and intensive use of information technology.

Objectives of the NSE

(i) To provide a fair, transparent and efficient securities market to investors using electronic trading system.

(ii) To establish nationwide trading facility for equities and debt instruments.

(iii) To ensure equal access to investors all over the country through an appropriate communication network.

(iv) To improve the standard of securities market to international level.

Advantages of NSE

(1) The investor is assured of the best price in the market. There will be equal opportunities to all investors throughout the country to trade in any security

irrespective of the size of the order or broker through whom the order is routed.
(2) Price and brokerage are separately shown on contract notes.
(3) Date and time of trade are indicated.
(4) The system will be better monitored and regulated ensuring a fair deal to investors.
(5) Settlement is quick and moneys/securities are received fast enhancing liquidity.
(6) Safety of securities is enhanced in a depository and there will be no problems of bad delivery loss, theft or forgery.

(7) Better portfolio churn
(8) Monitoring of invested portfolio becomes smoother due to benefits of disclosures and compliance requirements of a regulated platform.
(9) NSE has fully automated screen based system that provides higher degree of transparency. Trading in this stock exchange is done electronically.
(10) It ensures transparency i.e. the use of computer screen for trading makes the dealings in securities very transparent
(11) It has a system of scrip less trading. It means it does not requires physical form of securities.
(12) Since it is supported by total computerized network, greater functional efficiency is ensured in transactions.

Speculators at Stock Exchanges

1. **Jobbers:**Jobber in the stock market is a person responsible for 'operating' (i.e. buying or selling) the stocks. In a way they are very similar to brokers. Jobbers, however, resell the stock they have only to brokers, not the general public.

Characteristics of Jobbers

- Jobbers buy and sell the securities in their own
- They can only deal with brokers or other jobbers
- They work for making profit
- They are the dealers in their own right
- They quote two price i.e one for buy and another for sell

2. **Bull:** A ***Bull*** or ***Tejiwala*** is a speculator who purchases various types of shares. He purchases to sell them on higher prices in future. He may sell the

shares and securities before coming in possession. If the price falls then he suffers a loss.

Characteristics of Bull

a) **Supply and Demand Characteristics-** In Bull Market, strong demand and weak supplies of securities and commodities happen to exist. This is something very natural; because in a market with the expectation of price rise, many investors are willing to buy securities and commodities but few are willing to sell. And for this strong demand and weak supply, price levels continue to rise even higher.

b) **Effects on Economy-**When a Bull Market exists, the businesses earn huge profits as the people have enough money to spend and also the willingness to spend. This in turn strengthens the economy.

c) **Importance of Investor Psychology-**For a Bull Market investors' psychology is something very much important. What investors perceive about the market has a direct effect on the movement of prices. In an ideal Bull Market every prospective investor wants to invest with the aim of earning profit.

3. **Bear:** A ***bear*** or ***Mandiwala***is a speculator who is worried of fall in prices and hence sells securities so that he may buy them at cheap price in future. He is always in a position to dispose of or sells securities which he does not possess. He makes profit on each transaction. He sells the various securities for the objective of taking advantages of an expected fall in prices.

4. **Lame Duck:** When bear fails to meet his obligations he struggles to meet finance like the Lame Duck. This may happen when he has been concerned. Generally a bear agrees to dispose of certain shares on specific date. But sometimes he fails to deliver due to non availability of shares in the market.

5. **Stag:** He is also a speculator. He purchases the shares of newly floated company and shown himself a genuine investor. He is not willing to become an actual shareholder of the company. He purchases the shares to sell them above the par value to earn premium. A stag also suffer a loss.

6. **Contango:**Contango means to come over dealing to the settlement. The broker is paid a reward to carry the settlement, it is also known as contango.

It is paid by the buyers, to the brokers. In some cases buyers are unable make the payment of securities on any particular date. So he requests the broker to carry on the dealing to the next settlement.

7. **Backwardation:** It is an interest which is paid by the sellers of securities to the buyers who wants to postpone transaction to the next account.

Players in secondary market

Major players in the market are Brokerage and Advisory services (commission broker, security dealers and more); Financial Intermediaries (Banks, Insurance companies, Mutual Fund, Non-Banking Financial companies); and retail investors.

Chapter 4

Depositories

It is a system whereby the transfer and settlement of scrips take place not through the traditional method of transfer deeds and physical delivery of scrips but through the modern system of effecting transfer of ownership of securities by means of book entry on the ledgers or the depository without the physical movement of scrips.

The new system, thus, eliminates paper work, facilitates automatic and transparent trading in scrips, shortens the settlement period and ultimately contributes to the liquidity of investment in securities. This system is also known as ‘scripless trading system’.

Features of Depository

1. Securities in Dematerialized Form:

Depository system provides for maintenance of ownership record of the securities of the investor in a book entry form. The system immobilizes physical securities so that there is no physical certificate in existence. The securities are dematerialized to be held only as electronic records maintained with the depository.

2. Fungibility:

In the depository system, the securities dematerialized are not identified by distinctive numbers or certificate numbers as in the physical environment. Thus, all securities in the same class are identical and interchangeable. For example, all equity shares in the class of fully paid up shares are interchangeable.

3. Parties Involved:

In a depository system, the parties involved are:

(i) The depository;

(ii) The depository participant (DP);

(iii) The beneficial owner; and

(iv) The issuer.

4. Free Transferability of Shares:

Transfer of securities held in dematerialized form takes place freely through electronic book-entry system. The system dispenses with the transfer deed and other procedural requirements with respect to transfer of securities.

5. No Stamp Duty:

No stamp duty for transfer of securities in the electronic form is payable. In case of transfer of physical shares, stamp duty of 0.5 percent is payable on the market value of shares transferred.

6. No Risk:

All risks associated with physical certificates such as delays, loss in transit, theft, bad deliveries, etc. are eliminated in the depository system.

Objectives of Depositories

- To eliminate forgery of certificates.

- To avoid tearing and mutilation of scripts due to reckless handling.
- To avoid loss of certificates by postal authorities/registrars/investors.
- To ensure liquidity
- To liberate Indian securities market from the paper work
- To reduce the paper handling cost in the capital market
- To standardize the Indian settlement practice
- To increase the growth potential of Indian capital market
- To implement an achievable clearing, settlement and depository solution which is not expensive to develop and maintain.

Benefits of Depository or Depository Participant

- No danger of loss of share certificates since the shares are credited to your account.
- No possibility of bad deliveries.
- Elimination of all rise associated with physical certificates such as loss, theft, forgery, mutilation etc.
- No need to affix share transfer stamp as it is a paperless trading.
- No postal / courier charges.
- Less brokerage charges.
- After the settlement, pay in and pay out are on the same day for paperless trading which means you get your securities and cash immediately.
- Script less trading helps allocate corporate benefits faster.
- Facilitates pledging and hypothecation of your securities.
- Eliminates the problem of odd lot shares.

- Facility to lock your account if you are abroad.
- Depository promotes more activity in the capital market as trading in genuine share. is ensured under Depository system.
- Dividend and interest on securities are properly distributed through this system and in the case of convertible debentures, on the due date, the securities are converted into company shares
- No odd lot problem, even one share can be traded;
- Nomination facility
- Change in address recorded with DP gets registered with all companies in which investor holds securities electronically eliminating the need to correspond with each of them separately
- Transmission of securities is done by DP eliminating correspondence with companies
- Automatic credit into demat account of shares, arising out of bonus/split/consolidation/merger etc
- Holding investments in equity and debt instruments in a single account.

Functions of Depository

- Depository performs the following functions through depository participants:
- It maintains investor holdings in the electronic form.
- It enables the surrender and withdrawal of securities to and from the depository
- Effects settlement of securities traded on the exchanges
- Carries out settlement of trades not done on the stock exchange i.e., off market trades

- Receiving on behalf of demat account holders non cash corporate benefits such as allotment of bonus and rights shares in electronic form or securities ensuring upon consolidation, stock split or merger or amalgamation of companies

- Pledging of dematerialized securities

- Nomination facility is made easy

- Any change in address of correspondence that is registeres with the depository automatically gets registered with all the companies in which an individual holds share

DEMATERIALIZATION

Dematerialization is a process where in share certificate held in physical form will be converted into electronic form and credited to demat account of an investor opened with depository participant. It means converting the physical shares into electronic form.

Process of Dematerialization

The process of converting Physical Share Certificates to Electronic Form is called Dematerialization.

1. Surrender certificates for dematerialisation to your DP.
2. DP intimates to the Depository regarding the request through the system.
3. DP submits the certificates to the registrar of the Issuer Company.
4. Registrar confirms the dematerialisation request from depository.
5. After dematerialising the certificates, Registrar updates accounts and informs depository regarding completion of dematerialisation.
6. Depository updates its accounts and informs the DP.
7. DP updates the demat account of the investor.

REMATERIALIZATION

It means conversion of demat holdings back into certificates. The process of converting Electronic Form Shares into Physical Shares is called Rematerialization.

Process of Rematerialization

1. Make a request for Rematerialization.
2. Depository participant intimates depository regarding the request through the system.
3. Depository confirms Rematerialization request to the registrar.
4. Registrar updates accounts and prints certificates.
5. Depository updates accounts and downloads details to depository participant.
6. Registrar dispatches certificates to investor.

DEMAT ACCOUNT

An account which is opened in any financial institution for investing in shares and other financial assets in electronic form.

Definition

In India's banking terminology, the term DEMAT Account refers to a deposit made at an Indian financial institution that can be used for investing in shares of stocks and other financial assets. Securities are held electronically in a DEMAT Account, thereby eliminating the need for physical paper certificates**.**

Objectives of Demat Account

- Delivery failures caused by signature mismatch
- Eliminating the risks associated with forging of the shares certificates and postal delay
- It is easy and convenient to hold securities in this account
- No stamp duty to be paid on transfer of shares
- Safer than shares which are in paper form due to theft, forgery
- Convenient in updating information
- Automatic credit of stock benefits in case of stock split, bonus, etc
- Reduces the risk for the brokers for delayed settlement
- Traders can deal in shares from anywhere using this account.

Advantages of Demat Account

- Easy and convenient way to hold securities
- Immediate transfer of securities

- No stamp duty on transfer of securities
- Safer than paper-shares (earlier risks associated with physical certificates such as bad delivery, fake securities, delays, thefts etc. are mostly eliminated)
- Reduced paperwork for transfer of securities
- Reduced transaction cost
- No "odd lot" problem: even one share can be sold
- Change in address recorded with a DP gets registered with all companies in which investor holds securities eliminating the need to correspond with each of them separately.
- Transmission of securities is done by DP, eliminating the need for notifying companies.
- Automatic credit into demat account for shares arising out of bonus/split, consolidation/merger, etc.
- A single demat account can hold investments in both equity and debt instruments.
- Traders can work from anywhere (e.g. even from home).

Disadvantages of Demat Account

- Trading in securities may become uncontrolled in case of dematerialized securities.
- It is incumbent upon the capital market regulator to keep a close watch on the trading in dematerialized securities and see to it that trading does not act as a detriment to investors.
- For dematerialized securities, the role of key market players such as stock-brokers needs to be supervised as they have the capability of manipulating the market.
- Multiple regulatory frameworks have to be conformed to, including the Depositories Act, Regulations and the various Bye-Laws of various depositories.
- Agreements are entered at various levels in the process of dematerialization. These may cause worries to the investor desirous of simplicity.
- There is no provision to close a demat account, which is having illiquid shares. The investor cannot close the account and he and his successors have to go on paying the charges to the participant, like annual folio charges etc.
- After liquidating the holdings, many Indian investors don't close their dp account. They are unaware that DPs charge even on dormant accounts

Services provided by Depository

- Opening a demat account;
- Dematerialization, i.e. converting physical securities into electronic form;
- Rematerialization, i.e. converting electronic securities balances held in a Beneficial Owner account into physical form;
- Maintaining record of securities held by the beneficial owners in the electronic form
- Settlement of trades by delivery or receipt of securities from / in Beneficial Owner accounts;
- Settlement of off-market transactions between BOs;
- Receiving electronic credit in respect of securities allotted by issuers under IPO or otherwise on behalf of demat account holders;
- Receiving non cash corporate benefits such as allotment of bonus and rights shares or any other non cash corporate benefits given by the issuers in electronic form on behalf of its demat account holders;
- Pledging of dematerialized securities & facilitating loans against shares;
- Freezing of the demat account for debits, credits, or both

NATIONAL SECURITIES DEPOSITORY LIMITED (NSDL)

NSDL, the first and largest depository in India, established in August 1996 and promoted by institutions of national stature responsible for economic development of the country has since established a national infrastructure of international standards that handles most of the securities held and settled in dematerialised form in the Indian capital market.

Although India had a vibrant capital market which is more than a century old, the paper-based settlement of trades caused substantial problems like bad delivery and delayed transfer of title till recently. The enactment of Depositories Act in August 1996 paved the way for establishment of NSDL, the first depository in India

Using innovative and flexible technology systems, NSDL works to support the investors and brokers in the capital market of the country. NSDL aims at ensuring the safety and soundness of Indian marketplaces by developing settlement solutions that increase efficiency, minimise risk and reduce costs. At NSDL, we play a quiet but central role in developing products and services that will continue to nurture the growing needs of the financial services industry.

In the depository system, securities are held in depository accounts, which is more or less similar to holding funds in bank accounts. Transfer of ownership of securities is done through simple account transfers. This method does away with all the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a depository environment is considerably lower as compared to transacting in certificates.

Objectives of NSDL

- Providing support to investors and brokers in the capital market of the country by using innovative and flexible technology system
- Ensuring the safety and soundness of Indian market place by developing settlement solutions that increase efficiency.
- Minimizing risk and reducing costs.
- Developing products and services that will continue to nurture the growing needs of the financial services industry.

Benefits of NSDL

1. **Elimination of bad deliveries -** In the depository environment, once holdings of an investor are dematerialised, the question of bad delivery does not arise i.e. they cannot be held "under objection". In the physical environment, buyer was required to take the risk of transfer and face uncertainty of the quality of assets purchased. In a depository environment good money certainly begets good quality of assets.
2. **Elimination of all risks associated with physical certificates -** Dealing in physical securities have associated security risks of theft of stocks, mutilation of certificates, loss of certificates during movements through and from the registrars, thus exposing the investor to the cost of obtaining duplicate certificates etc. This problem does not arise in the depository environment.
3. **No stamp duty** for transfer of any kind of securities in the depository. This waiver extends to equity shares, debt instruments and units of mutual funds.
4. **Immediate transfer and registration of securities -** In the depository environment, once the securities are credited to the investors account on pay out, he becomes the legal owner of the securities. There is no further need to send it to the company's registrar for registration. Having purchased securities in the physical environment, the investor has to send it to the company's registrar so that the change of ownership can be registered. This process usually takes around three to four months and is rarely completed within the statutory framework of two months thus exposing the investor to opportunity cost of delay in transfer and to risk of loss in transit. To

overcome this, the normally accepted practice is to hold the securities in street names i.e. not to register the change of ownership. However, if the investors miss a book closure the securities are not good for delivery and the investor would also stand to loose his corporate entitlements.

5. **Faster settlement cycle -** The settlement cycle follow rolling settlement on T+2 basis i.e. the settlement of trades will be on the 2nd working day from the trade day. This will enable faster turnover of stock and more liquidity with the investor.
6. **Faster disbursement of non cash corporate benefits like rights, bonus, etc. -** NSDL provides for direct credit of non cash corporate entitlements to an investors account, thereby ensuring faster disbursement and avoiding risk of loss of certificates in transit.
7. **Reduction in brokerage by many brokers for trading in dematerialised securities -** Brokers provide this benefit to investors as dealing in dematerialised securities reduces their back office cost of handling paper and also eliminates the risk of being the introducing broker.
8. **Periodic status reports** to investors on their holdings and transactions, leading to better controls.
9. **Elimination of problems related to change of address of investor -** In case of change of address, investors are saved from undergoing the entire change procedure with each company or registrar. Investors have to only inform their DP with all relevant documents and the required changes are effected in the database of all the companies, where the investor is a registered holder of securities.
10. **Elimination of problems related to transmission of demat shares -** In case of dematerialised holdings, the process of transmission is more convenient as the transmission formalities for all securities held in a demat account can be completed by submitting documents to the DP whereas, in case of physical securities the surviving joint holder(s)/legal heirs/nominee has to correspond independently with each company in which shares are held.
11. **Elimination of problems related to selling securities on behalf of a minor -** A natural guardian is not required to take court approval for selling demat securities on behalf of a minor.
12. **Ease in portfolio monitoring** since statement of account gives a consolidated position of investments in all instruments.

<u>Functions of NSDL</u>

- It enables for Dematerialization and Rematerialization of securities.

- It maintains investor holdings in the electronic form
- Effects settlement of securities traded on the exchange.
- Carries out settlement of trades not done on the exchange (off market trades)
- Transfer of securities
- Pledging/hypothecation of dematerialized securities.
- Electronic credit in public offerings of companies or corporate actions.
- Receipt of non cash corporate benefits like bonus, rights, etc in electronic form
- Stock lending and borrowing.

Facilities offered by NSDL

- Dematerialization i.e., converting physical certificates to electronic form
- Rematerialisation i.e., conversion of securities in demat form into physical certificates
- Facilitating repurchase / redemption of units of mutual funds
- Electronic settlement of trades in stock exchanges connected to NSDL
- Pledging/hypothecation of dematerialised securities against loan
- Electronic credit of securities allotted in public issues, rights issue
- Receipt of non-cash corporate benefits such as bonus, in electronic form
- Freezing of demat accounts, so that debits from the account are not permitted
- Nomination facility for demat accounts
- Services related to change of address, change in bank account details, change in nominee; Visit us at www.nsdl.co.in 3 National Securities Depository Limited
- Effecting transmission of securities
- Instructions to your DP over Internet through SPEED-e facility. (Please check with your DP for availing the facility)
- Other facilities viz. holding debt instruments in the same account, availing stock lending/borrowing facility, etc.

Services offered by NSDL

NSDL offers a host of services to thee investors through its network of DPs:

- Maintenance of beneficiary holdings through DPs
- Dematerialisation
- Off-market Trades

- Settlement in dematerialized securities
- Receipt of allotment in the dematerialized form
- Distribution of corporate benefits
- Re-materialisation
- Pledging and hypothecation facilities
- Freezing/locking of investor’s account
- Stock lending and borrowing facilities

CENTRAL DEPOSITORY SERVICES LIMITED (CDSL)

CDSL, the second depository had been promoted by BSE Ltd. jointly with leading banks such as State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank and Union Bank of India. It was formed in 1999. All leading stock exchanges such as BSE, NSE, etc have established connectivity with CDSL.

Advantages of having demat account with CDSL

Convenience

Wide DP Network: CDSL has a wide network of DPs, operating from over 10,000 sites, across the country, offering convenience for an investor to select a DP based on his location.

Online DP Services: The DPs are directly connected to CDSL thereby providing online and efficient depository service to investors.

Wide Spectrum of Securities Available for Demat: The equity shares of almost all A, B1 & B2 group companies are available for dematerialisation on CDSL, consisting of Public (listed & unlisted) Limited and Private Limited companies. These securities include equities, bonds, units of mutual funds, Govt. securities, Commercial papers, Certificate of deposits; etc. Thus, an investor can hold almost all his securities in one account with CDSL. A BO can also hold warehouse receipts pertaining to commodities, in a demat account. However, a separate account should be opened for holding warehouse receipts.

Competitive Fees Structure: CDSL has kept its tariffs very competitive to provide affordable depository services to investors.

Internet Access: A DP, which registers itself with CDSL for Internet access, can in turn provide demat account holders with access to their account on the Internet.

SMS Alerts Related to Transactions: SMART: CDSL's SMS alert facility - SMART, enables BOs to monitor their account for all debits (upto 4 ISINs) or for credits in their account, received due to Initial Public Offers (IPOs) or other corporate actions.

<u>Dependability</u>

Online Information to Users: CDSL's system is built on centralized database architecture and thus enables DPs to provide online depository services with the latest status of the investor's account.

Convenient to DPs: The entire database of investors is stored centrally at CDSL. If there is any system related issues at DPs end, the investor is not affected, as the entire data is available at CDSL.

Contingency Arrangements: CDSL has made provisions for contingency terminals, which enables a DP to update transactions, in case of any system related problems at the DP's office.

Meeting User's Requirements: Continuous updating of procedures and processes in tune with evolving market practices is another hallmark of CDSL's services.

Audit and Inspection: CDSL conducts regular audit of its DPs to ensure compliance of operational and regulatory requirements.

Dormant Account Monitoring: CDSL has in place a mechanism for monitoring dormant accounts.

Helpdesk: DPs and investors can obtain clarifications and guidance from CDSL's prompt and courteous helpline facility.

<u>Security</u>

Computer Systems: All data held at CDSL is automatically mirrored at the Disaster Recovery site and is also backed up and stored in fireproof cabinets at the main and disaster recovery site.

Unique BO Account Number: Every BO in CDSL is allotted a unique account number, which prevents any erroneous entry or transfer of securities. If the transferor's account number is wrongly entered, the transaction will not go through the CDSL system, unless corrected.

Data Security: All data and communications between CDSL and its users is encrypted to ensure its security and integrity.

Claims on DP: If any DP of CDSL goes into liquidation, the creditors of the DP will have no access to the holdings of the BO.

Insurance Cover: CDSL has an insurance cover in the unlikely event of loss to a BO due to the negligence of CDSL or its DPs

Chapter 5

Trading in stock market

Trade in stock markets means the transfer (in **exchange** for money) of a **stock** or security from a seller to a buyer. This requires these two parties to agree on a price. **Equities** (**stocks** or shares) confer an ownership interest in a particular company.

Types of trading

1. Spot market: The **spot market** is where financial instruments, such as commodities, currencies and **securities**, are traded for immediate delivery. Delivery is the **exchange** of cash for the financial instrument.
2. Derivative market: A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. The most common underlying assets include stocks, commodities, currencies, interest rates and market indexes

TYPES OF DERIVATIVE INSTRUMENTS

1. Forwards: A forward contract is a contract between two parties who agree to buy or sell a specified quantity instrument/commodity at a certain price at a certain date in future.

Features/characteristics of Forwards

1. **Counter party risk:** There is a counter party risk in forwards. For example, trade takes between party A (Buyer) ans party B (Seller). The pre specified delivery price is Rs 100 per kg and the maturity is one month. After one month, the commodity is trading at Rs 120 per kg. A would gain Rs. 20 and B would suffer a loss of Rs 20. In case if B refuses to sell at Rs 100 per kg as promised, A is exposed to counter party risk i.e. risk of foregoing the deserving gain of Rs 20 per kg
2. **Underlying Asset:** The underlying asset could be stock, bonds, foreign exchange, commodities, etc.
3. **Flexibility:** Forwards contracts offer flexibility to parties to design the contract in terms of price, quantity, quality, delivery time and place.
4. **Settlement:** A contract has to be settled in delivery or cash on expiry date.
5. **Contract price:** The contract price is generally not available in public domain.
6. In case the party wishes to reverse the contract, it has to compulsorily go to the same counter party, which being in a monopoly situation can command the price it wants.

Advantages of Forward Contract

1) They can be matched against the time period of exposure as well as for the cash size of the exposure.
2) Forwards are tailor made and can be written for any amount and term.
3) It offers a complete hedge.
4) Forwards are over-the-counter products.
5) The use of forwards provides price protection.
6) They are easy to understand.

Disadvantages of Forwards Contract

1) It requires tying up capital. There are no intermediate cash flows before settlement.
2) It is subject to default risk.
3) Contracts may be difficult to cancel.

4) There may be difficult to find a counter-party.
5) Not traded in any recognized exchanges.
6) No transparency in prices.

2. Futures: A Future contract is an agreement between two parties –a buyer and a seller- to buy or sell something at a future date at a certain price.

Futures contract is a contract where both parties agree to buy and sell a particular asset of specific quantity and at a predetermined price.

Features/Characteristics of Future Contracts

1. **Highly standardized:** Futures are highly standardized contracts that provide for performance of contracts through either deferred delivery of asset or final cash settlement.
2. **Organized market:** These contracts trade in organized future exchanges with clearing association that acts as a middleman between contracting parties.
3. **Margin:** Contract seller is called short and buyer is called Long. Both parties pay margin to the clearing association.
4. **Fluctuations in prices:** Price of the contract changes every day.
5. **Mark to market:** Margins paid are generally marked to market price every day.
6. **No counter party risk:** There is no question of counter party risk.
7. **Transaction cost:** Transaction cost includes brokerage fees for buying and selling orders.
8. **Number of contracts:** The number of contracts in a year is fixed.

Advantages of Futures Contracts

1) The commission charges for futures trading are relatively small as compared to other type of investments.
2) Futures contracts are highly leveraged financial instruments which permit achieving greater gains using a limited amount of invested funds.
3) It is possible to open short as well as long positions. Position can be reversed easily.
4) Lead to high liquidity.
5) Helps in risk management

6) There is no counter party risk.

Disadvantages of Future Contracts

1) Leverage can make trading in futures contracts highly risky for a particular strategy.
2) Futures contract is standardized product and written for fixed amounts and terms.
3) Lower commission costs can encourage a trader to take additional trades and lead to over-trading
4) It offers only a partial hedge.
5) It is subject to basis risk which is associated with imperfect hedging using futures.

Differences between Forwards and Futures

Forwards	Futures
Unregulated market	Regulated and highly controlled market
Forward contracts are customized as per the requirements of the counterparties.	Futures contracts are highly standardized
Participants must negotiate rates and prices.	Pricing is extremely efficient. No negotiations
Prices depend on credit risk and relationship.	Prices are the same for all.
Custom made product may be difficult to exit.	Liquidity and flexibility. Hedge position may be entered and exited when needed.
One delivery date	Delivery is realized several days after maturity.
Credit risk of counterparty may be huge	There is no credit risk
There is no margin system	Margin system may be expensive
Mark to market is not done	Mark to market is done
There can be any number of contracts in a year	Number of contracts in a year is fixed

3. Swaps: A swap is a derivative contract through which two parties exchange financial instruments. These instruments can be almost anything, but most swaps involve cash flows based on a notional principal amount that both parties agree to. Usually, the principal does not change hands.

Types of Swaps

1. **Interest rate swap**: An interest rate swap is a contractual agreement between two counterparties to exchange cash flows on particular dates in the future. There are three types of interest swaps namely.

   a. Fixed-for-fixed swaps involve the exchange of interest payments that both carry fixed rates determined before the contract takes effect. Since there's no variability in either of the two rates, the payments will remain the same over the life of the swap contract. Fixed-for-fixed swaps are used when each party uses a different currency. For example, suppose there are two companies in different countries, each of which wants to borrow money to build facilities in the other country, and that both can borrow at a lower interest rate in their home country. In this case, the companies can borrow money in their respective countries and swap with each other, essentially borrowing for each other. Each saves money by taking advantage of the other firm's lower cost of borrowing while also dodging currency conversion costs.

   b. Fixed-for-floating, or "vanilla" swaps, commonly used as a type of investment, involve the exchange of a fixed interest payment for a floating interest payment. The payment with the fixed rate (known as the *swap rate*) doesn't change, while the payment with the floating rate is linked to some outside index (such as the LIBOR) and rises and falls throughout the duration of the contract. This type of swap can be used if a company wants to trade the floating rate on its debt for the stability of a fixed rate. In the example, Firm A has a floating rate loan but pays a fixed rate to Firm B. Firm B receives a fixed payment from Firm A and pays it a variable payment in return, which Firm A then pays to its lender. In this case, Firm A thinks that interest rates will rise and hopes to avoid higher payments by trading for a fixed rate. Firm B, on the other hand, probably thinks that rates will fall; if it's right, it will pay out less than the fixed amount it receives from Firm A, making a profit off the difference.

C. Floating-for-floating, or "Basis" swaps, as the name implies, involve the trade of interest payments that both have floating rates. The rates are based on different indexes, so each party is betting that either their original rate will rise, the other party's original rate will fall, or some combination of the two.

2. Currency Swap: A currency swap is an agreement between two parties in which one party promises to make payments in one currency and the other promises to make payments in another currency.

3.Commodity Swap: In commodity swaps, the cash flows to be exchanged are linked to commodity prices. Commodities are physical assets such as metals, energy stores and food including cattle. E.g. in a commodity swap, a party may agree to exchange cash flows linked to prices of oil for a fixed cash flow.

4. Equity swaps: Under an equity swap, the shareholder effectively sells his holdings to a bank, promising to buy it back at market price at a future date. However, he retains a voting right on the shares.

Features of Swaps

- Most involve multiple payments, although one-payment contracts are possible
- A series of forward contracts.
- When initiated, neither party exchanges any cash; a swap has zero value at the beginning.
- One party tends to pay a fixed rate while the other pays on the movement of the underlying asset. However, a swap can be structured so that both parties pay each other on the movement of an underlying asset.
- Parties make payments to each other on a **settlement date.** Parties may decide to agree to just exchange the difference that is due to each other. This is called **netting.**
- Final payment is made on the **termination date.**
- Usually traded in the over-the-counter market. This means they are subject credit risk.
- It requires that there is a double coincidence of wants, which is two parties with equal, opposite but matching needs must come into contact with each other
- There may be a need for a financial intermediary to make the two counterparties meet.

Advantages of Swaps

- The investors or corporate will have an access to the markets in which it is impossible to raise debt directly. For instance, the companies with lower credit ratings may not have access to fised rate funds but can arrange fixed rate funds through swaps.
- Swaps can be used as a long hedge instruments
- Swap is generally cheaper. There is no upfront premium and it reduces transactions costs.
- Swap can be used to hedge risk, and long time period hedge is possible.
- It provides flexible and maintains informational advantages.
- It has longer term than futures or options. Swaps will run for years, whereas forwards and futures are for the relatively short term.
- Using swaps can give companies a better match between their liabilities and revenues.

Disadvantages of Swaps

- Lack of liquidity.
- It is subject to default risk.
- Difficulty in finding counterparty with opposite cash flow obligation who could enter for a swap deal.
- Termination of swap contract requires mutual consent of both the parties.
- Swaps are not easily tradable because the secondary market in swap deals are not fully developed worldwide.

4. Options: The right, but not the obligation, to buy (for a call option) or sell (for a put option) a specific amount of a given stock, commodity, currency, index, or debt, at a specified price (the strike price) during a specified period of time.

Features of Options

- The buyer has the right to buy or sell the asset.
- To acquire the right of an option, the buyer of the option must pay a price to the seller. This is called the option price or the premium.
- The exercise price is also called the fixed price, strike price or just the strike and is determined at the beginning of the transaction. It is the fixed price at which the holder of the call or put can buy or sell the underlying asset.
- Exercising is using this right the option grants you to buy or sell the underlying asset. The seller may have a potential commitment to buy or sell the asset if the buyer exercises his right on the option.

- The expiration date is the final date that the option holder has to exercise her right to buy or sell the underlying asset.
- Time to expiration is the amount of time from the purchase of the option until the expiration date. At expiration, the call holder will pay the exercise price and receive the underlying securities (or an equivalent cash settlement) if the option expires in the money. The call seller will deliver the securities at the exercise price and receive the cash value of those securities or receive equivalent cash settlement in lieu of delivering the securities.
- Defaults on options work the same way as they do with forward contracts. Defaults on over-the counter option transactions are based on counterparties, while exchange-traded options use a clearing house.

Advantages

- An investor can gain leverage in a stock without committing to a trade.
- Option premiums are significantly cheaper on a per-share basis than the full price of the underlying stock.
- Risk is limited to the option premium (except when writing options for a security that is not already owned).
- Options allow investors to protect their positions against price fluctuations.

Disadvantages

- The costs of trading options are significantly higher on a percentage basis than trading the underlying stock, and these costs can drastically eat into any profits.
- Options are very complex and require a great deal of observation and maintenance.
- The time-sensitive nature of options leads to the result that most options expire worthless. Making money by trading options is extremely difficult, and the average investor will fail.
- Some option positions, such as writing uncovered options, are accompanied by unlimited risk.

Types of Options

Call option: a call option gives the holder the right but not the obligation to buy an asset at a certain date for a certain price.

Put option: A put option gives the holder the right but not the obligation to sell an asset at a certain date for a certain price.

Real option: Option that involves tangible assets (buildings, facilities, land, machi nes) and physical actions (digging, grading, construction) instead of financial instruments (bonds, CDs, shares) and cash flows. They are referred to as "real" because they usually pertain to tangible assets such as capital equipment, rather than financial instruments.

Exchange Traded option: An option traded on a regulated exchange where the terms of each option are standardized by the exchange. The contract is standardized so that underlying asset, quantity, expiration date and strike price are known in advance.

Vanilla option:A financial instrument that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a predetermined price, within a given time frame. A vanilla option is a normal call or put option that has standardized terms and no special or unusual features. It is generally traded on an exchange such as the Chicago Board Options Exchange. Generally vanilla options is a simple or well understood options

Exotic options: An **exotic option** is an option which has features making it more complex than commonly traded vanilla options. An exotic option may also include non-standard underlying instrument, developed for a particular client or for a particular market. Exotic options are more complex than options that trade on an exchange, and are generally traded over the counter (OTC).

American option: Itcan be exercised at any time between the date of purchase and the expiration date.

European option: Theseare different from American options in that they can only be exercised at the end of their lives.

Index option: A financial derivative that gives the holder the right, but not the obligation, to buy or sell a basket of stocks, such as the S&P 500, at an agreed-upon price and before a certain date.

Stock index option: Options trading based on stock indices of various markets or industry groups without having to buy individual stocks.
For example, if technology stocks are seen to be heading for a fall, an investor could buy a put option on a technology index instead of short selling the stocks of several technology firms.

Employee Stock option: A stock option granted to specified employees of a company. ESOs carry the right, but not the obligation, to buy a certain amount of shares in the company at a predetermined price.

Settlement System in Stock Exchange

The period within which the settlement is made -- the period within which buyers receive their shares and sellers receive their money -- is called a settlement cycle.

Trading &Settlement mechanism	***Activity***	***Day***
Trading	Rolling settlement Trading	T
Settlement	Securities and Funds Pay in	T + 2 Working days
	Securities and Funds Payout	T + 2 Working days
Post Settlement	Auction	T + 3 Working days
	Auction Settlement	T + 5 Working days

Stock Broker

A stock broker is a member of a recognized stock exchange who buys, sells or deals in securities.

Types of Stock Brokers

Full Service Brokers: This broker is the most costly. They do research and give recommendations on which stocks you should invest in. They have large research departments, and their brokers act increasingly as financial advisers in addition to providing guidance on individual investments. Full-Service brokers may provide their clients with additional services such as financial planning, corporate and executive services, wealth management, and trust services.

Discretionary Service: With a discretionary service, the stock-broking company will take a sum of money that you provide and invest this on your behalf. It's significantly different to an advisory service because the stockbroker does not have to tell the investor about every trade that is made on their behalf – the stockbroker has a lot of "discretion" on how to invest the clients' money.

Discount Brokers: A Discount broker carries out buy and sells orders at a reduced commission compared to a full service broker. He doesn't provide investment advices.

Online Brokers: Online brokers works through different brokerage websites.Online firms give you 24-hour access to your account, as well as the opportunity to do research, track investments, and follow the latest market news online, but they offer no personal contact or advice.

ONLINE TRADING

Online trading is the act of buying and selling securities over the internet.

Online Trading Process

Procedure for trading or dealing at Stock Exchange

The Trading procedure involves the following steps:

1. Selection of a broker:

The buying and selling of securities can only be done through SEBI registered brokers who are members of the Stock Exchange. The broker can be an individual, partnership firms or corporate bodies. So the first step is to select a broker who will buy/sell securities on behalf of the investor or speculator.

2. Opening Demat Account with Depository:

Demat (Dematerialized) account refer to an account must open with the depository participant (banks or stock brokers) to trade in listed securities in electronic form. Second step in trading procedure is to open a Demat account.

The securities are held in the electronic form by a depository. Depository is an institution or an organization which holds securities (e.g. Shares, Debentures, Bonds, Mutual (Funds, etc.) At present in India there are two depositories: NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services Ltd.) There is no direct contact between depository and investor. Depository interacts with investors through depository participants only.

Depository participant will maintain securities account balances of investor and intimate investor about the status of their holdings from time to time.

3. Placing the Order:
After opening the Demat Account, the investor can place the order. The order can be placed to the broker either personally or through phone, email, etc.

Investor must place the order very clearly specifying the range of price at which securities can be bought or sold. e.g. "Buy 100 equity shares of Reliance for not more than Rs 500 per share."

4. Executing the Order:
As per the Instructions of the investor, the broker executes the order i.e. he buys or sells the securities. Broker prepares a contract note for the order executed. The contract note contains the name and the price of securities, name of parties and brokerage (commission) charged by him. Contract note is signed by the broker.

5. Settlement:
This means actual transfer of securities. This is the last stage in the trading of securities done by the broker on behalf of their clients. There can be two types of settlement.

(a) On the spot settlement:
It means settlement is done immediately and on spot settlement follows. T + 2 rolling settlement. This means any trade taking place on Monday gets settled by Wednesday.

(b) Forward settlement:
It means settlement will take place on some future date. It can be T + 5 or T + 7, etc. All trading in stock exchanges takes place between 9.55 am and 3.30 pm. Monday to Friday.

Advantages of online stock trading, India

There are various advantages that one can obtain while trading online, which are as follows:

• It helps in real-time stock trading with no visiting or calling at the broker's office.
• An investor can enjoy investment in Bonds, Mutual Funds and IPOs online.
• It displays real-time market watch, graphs and historical dates.
• Secure transactions.

Disadvantages of online stock trading, India

Apart from various advantages, the online trading also has certain disadvantages, which include:
• Brokerages being a little high.
• The procedure of online stock trading, India is a bit long-learning procedure for those who are not aware about the Internet and computer technology.
• Sometimes the site is very slow and is not enough user-friendly.

TITLE OF THE CERTIFICATE COURSE: TALLY-ERP . 9
DURATION OF THE COURSE: 34 Hrs.
18th DEC 2017 TO 8th JAN 2018

THE CONTEXT:

With the trend changing for the past few years, most of the students today prefer studying arts, commerce and science stream or medical stream for these days. Most of the people who are from an accounting field know Tally as it is one of the most used and most required software on the market today. If you are a person who does not know what is tally, then here is a simple explanation. Tally is an accounting program/software that helps any small, medium or large industry in preparing invoices, maintaining inventory etc. Tally is an accounting software that is very much useful in making calculations in small and mid-level businesses. It usually stands for transactions allowed in a linear line yards. You can do all the banking, auditing and accounting works using this software.

Tally's accounting features permit you to record business transactions instantly and easily. Record transactions necessary for your business by creating and maintaining vouchers, masters and generating reports. It helps you manage all the major accounting in your business.Students are taught from the basic accounting concepts to the practical usage of the subject in terms of speaking during the duration of their course. The basic aim of the course is to improve their competitive position through practical methods and up-date the changes in the subject areas.The course would be monitored by the Program Coordinator, K N Najaraja , Department of commerce.

OBJECTIVES OF THE COURSE:

1. **To impact knowledge regarding concepts of Financial Accounting.**
2. **To enable the learners to gain an in-depth knowledge in accounting tally software and it allied subjects.**
3. **To enable the learners to acquire necessary competencies by imparting knowledge of various concepts, methods and approaches to analyze complex business issue.**
4. **To improve their competitive position through practical methods and up-date the changes in the subject areas**

THE PRACTICE:

- **Duration of the course: 34 Hrs. in a semester**
- **02 hours a day during the course on all days.**
- **Intake: 30 students**
- **Eligibility: Final year degree students of all BCOM, BCA, BSc**

EVALUATION:

- **Continuous Course Evaluation (CCE) will be in effect during the course.**
- **The minimum attendance required is 75% of the total number of working hours.**

- **The students who fail to meet the requirements will be declared ineligible for the examination.**
- **The syllabus and question paper will be framed by the Course Coordinator.**

CHALLENGES:

- **Execution of the plan according to the preplanned objectives.**
- **Cent percent student participation in the teaching-learning process.**

COURSE OUTCOME:

- **Students feel empowered to face the challenges of the competitive world by taking up various competitive examinations.**
- **In addition to this they will be capable enough to place themselves in corporate sectors.**

SYLLABUS
CERTIFICATE COURSE IN TALLY – ERP.9
COURSE CODE: C-001

Module I: FUNDAMENTALS OF TALLY.ERP 9
Types of Accounts, Golden Rules of Accounting, Accounting Principles, Concepts and Conventions, Double Entry System of Book Keeping, Mode of Accounting, Financial Statements, Transactions, Recording Transactions

Module II: BASICS OF ACCOUNTING

- **Getting Functional with Tally.ERP 9**
- **Creation / Setting up of Company in Tally.ERP 9**

Module III: FINACIAL ACCOUNTING PROCESS

- **Classifications of accounting transaction.**
- **Rules of debt and credit as per DES**
- **Journalisations**
- **Preparation of ledgers**

Module IV: ACCOUNTING MASTERS IN TALLY.ERP 9

- **F11:Features**
- **F12 : Configurations**
- **Setting up Account Heads**

Module V: VOUCHER ENTRY IN TALLY.ERP 9

- **Accounting Vouchers**
- **Inventory Vouchers**
- **Invoicing**

Module VI: ADVANCED ACCOUNTING IN TALLY.ERP 9

- **Bill-wise Details**
- **Cost Centers and Cost Categories**
- **Voucher Class and Cost Centre Class**
- **Multiple gowdons**
- **Purchase day book, sales day book**
- **Petty cash book**
- **Purchase returns and sales returns book**
- **Subsidiary books**
- **Purchase returns, sales returns book.**

Module VII: FINAL ACCOUNTS OF COMPANY

- **Meaning, Needs**
- **Classification of final accounts**
- **Preparation of manufacturing, trading**
- **Profit and loss and balance sheet.**

DEPARTMENT OF COMMERCE AND MANAGEMENT

CERTIFICATE COURSE TALLY – ERP.9

QUESTION PAPER PATTERN

2017-18

18th DEC 2017 TO 8th JAN 2018

TIME: 60 MINUTES **MAX. MARKS: 50**

1. **Fifty multiple choice questions.**
2. **Tests the knowledge of basics of accounting.**
3. **Tests the use of accounting principles.**
4. **Tests the use of Accounting Vouchers.**
5. **Tests Bill-wise Details.**
   .
6. **Tests the use Excise Reports.**
7. **Tests the skill Creation / Setting up of Company in Tally.ERP 9.**
8. **Tests the Creating Payroll Masters.**
9. **Tests accuracy, appropriateness Payment of Professional Tax.**
10. **Tests on Generating Payroll Reports.**

DEPARTMENT OF COMMERCE

CERTIFICATE COURSE IN TALLY – ERP. 9

QUESTION PAPER - 2017-18
8th JAN 2018

TIME: 60 MINUTES **MAX. MARKS: 50**

1. Tally has been developed using
A.C B. Visual Basic C.C++ D.None of the above

2. The number of predefined ledger(s) in Tally is/are
A.2 B.4 C.10 D.20

3. The location of saving data of company can be altered by changing the
A.Tally.exe B. Tally.data C.Tally.ini D. Tally.sav

4. Tally programmed files are stored in
A. Data Directory B. Application Directory C. Configuration Directory D. None of the above

5. Tally data files are stored in
A. Data Directory B. Application Directory C. Configuration Directory D. None of the above

6. Tally configuration files are stored in
A. Data Directory B. Application Directory C. Configuration Directory D. None of the above

7. There is no "Help" option in Tally 7.2
A. True B. False

8. The backup file is stored as
A.TBK500.001 B.TAK500.001 C.TCK500.001 D.TDK500.001

9. Which is not the default group in Tally?
A. Suspense Account B. Outstanding Expense C. Sales Account D. Investments

10. Through _________ option, we can modify the ledger.
A. Alter B. Display C. Both of the above D. None of the above

11. We can view the Interest Calculation report from
A.Accounts Info. B. Accounts Book C. Statement of Accounts D.None of the above

12. For data restoration company creation is compulsory.
A. True B. False

13. To directly log on to Tally web site, we have to press Alt + W.
A. True B. False

14. To create a Group Company, we have to always open at least 3 companies.
A. True B. False

15. To pass the Sales challan, we have to select Delivery Note.
A. True B. False

16. Tally does not provide Budget Variance report.
A. True B. False

17. _______ is an advanced security system, which allows for encryption of the company data.
A. Tally Audit B. Tally Vault C.Tally Gold D.None of the above

18. _________ feature helps the administrator to track changes in the accounts.
A. Tally Audit B. Tally Vault C. Tally Gold D. None of the above

19. The maximum number of decimal places, that can be activated is
A.4 B.3 C.2 D.1

20. To pass a voucher from Daybook, directly we have to press
A. Alt + C B. Alt + I C. Ctrl + C D. Ctrl + I

21. To pass the sales Order, we have to press
A.F5 B. Alt + F5 C. Ctrl + F5 D. None of the above

22. We can create ________ level(s) of cost centric.
A.10 B.5 C. Single D. Unlimited

23. We can specify the company to be loaded automatically in
A. Tally.sav B.Tally.txt C. Tally.info D. Tally.ini

24. To view the Bank Reconciliation report, we have to press
A.F4 B.F5 C.F6 D.F7

25. In Tally, while creating a company we can select a
A. State B. Country C. Both of the above D. None of the above

26. To pass the TDS transaction in the journal entry mode, we have to press
A. Alt+C B. Alt+S C. Alt+N D. Alt+F4

27. Through _________ option, we can modify the ledger.
A. Alter B. Display C. Both of the above D. None of the above

28. We can view the Interest Calculation report from
A.Accounts Info. B. Accounts Book C. Statement of Accounts D. None of the above

29. Tally does not provide Budget Variance report.
A.True B.false

30. To pass the Sales challan, we have to select Delivery Note.
A.True B.False

31. ______ key is used to print a report
A. Alt + F4 B. Alt + F3 C. Alt + P D. None of the above

32. In order to delete a voucher, press
A. Alt + D B. Alt + F4 C. Alt + F3 D. None of the above

33. Stock category and stock group are same
A. True B. False

34. It is possible to use cash/bank in journal mode
A. True B. False

35. Allocation against bill are done automatically
A. True B. False

36. Tally supports trading inventory
A. True B. False

37. Debit Note is used for
A. Sales Return B. Purchase Return C. Purchase Return only D. None of the above

38. _______ godown facility is available in Tally
A. Single B. Multi

39. It is possible to search voucher in Tally
A. True B. False

40. F11 is used for changing current configuration
A. True B. False

41. Multiple ledger creation is possible in Tally
A. True B. False

42. Tally is developed by
A. EDP B. TCS C. Petronius D. None of the above

43. To define a ledger it is mandatory to maintain
A. Alias B. Opening Balance C. Group D. None of the above

44. Units of measurement is used for calculation of stock
A. True B. False

45. F6 used for purchase voucher
A. True B. False

46. What is the shortcut key to select a company?
A.F1 B.F2 C.F3 D.F4

47. In Tally, what is the shortcut key to change the date of a transaction?
A.F3 B.Alt+M C.F2 D. Ctrl+F

48. To select configuration screen we should press
A.F11 B.F4 C.F12 D.F1

49. Alt+D is used to
A.Create any voucher B.Delete any voucher C.Copy any value D.None of the above

50. The executable file of Tally is
A.Tally.Exe B.WinTally.Exe C.Tally.ini D. Tally.Sav

DEPARTMENT OF COMMERCE
LIST OF STUDENTS AND RESULT

SL.NO	STUDENT NAME	MARKS	SL.NO.	STUDENT NAME	MARKS
01	AJITH G	38	16	SHARAN KUMAR B V	42
02	AKEEB JAVEED	41	17	SHASHI KUMAR H V	44
03	ARCHANA A	42	18	SHINEY S	41
04	ARUN B	38	19	SONIYA A	39
05	C VINODH KUMAR	39	20	SUNIL KUMATR R	41
06	DINESH KUMAR S	40	21	SURESH KUMAR R	40
07	DIVYA KUMARI S	41	22	SURESH V	39
08	DIVYASHREE V	42	23	SWATHI K	38
09	DURVANI SIMPRLL R	44	24	VIJAYARAJ SAMSON J	37
10	GAJENDRA N	46	25	POORNIMA T	42
11	HEMANATH M	46	26	ARVIND KUMAR L	44
12	ARVIND V	42	27	CHANDAN S	38
13	KALAIVANI P	41	28	HARESH NAREN P M	39
14	KISHORE S	40	29	MUKESH G M	41
15	MANISA M	41	30	PRAVEEN V	42

DR T THIMMAIAH COLLEGE OF DEGREE AND MANAGEMENT STUDIES

TITLE OF THE CERTIFICATE COURSE: SPOKEN ENGLISH

DURATION OF THE COURSE: 34 Hrs.

2021-2022

22ND AUGUST 2022 TO 8THSEPTEMBER 2022

THE CONTEXT:

As a language with global usage English in today's world has become the lingua franca of the international community. From education to job opportunities, knowledge of English has become a key criterion to determine suitable candidates. Thus, from growth to career all opportunities are governed by accuracy, proficiency and appropriateness of the knowledge and execution of English Language in this corporate world.

However, most of the students in spite of knowing the language are seen lacking in expressing their talents in the spoken form. This acts as a big hindrance for them in life as they are refused even after possessing the desired skills or eligibility for any respective opportunity.

A certification level program in spoken English weeds away this disadvantage of students and turns their weakness into well-crafted skill. Students are taught from the basic nitty-gritty to the practical usage of the language in terms of speaking during the duration of their course. The basic aim of the course is to make a novice turned into a candid speaker and a better handler of language.

OBJECTIVES OF THE COURSE:

1) **To equip the students with English speaking capability to his/her potential to succeed in their professional and personal life.**

2) **To liberate the students from their inability to communicate in the corporate language of India, which is English.**

3) **To enable the students to participate in group discussions and meetings.**

4) **To promote the students to present their thoughts more effectively and confidently.**

THE PRACTICE:

- **Duration of the course: 34 Hrs. in a semester.**
- **02 hours a day during the course on all days.**
- **Intake: 50 students**
- **Eligibility: First year degree students of all streams.**
- **Selection Criteria: On first come first serve basis.**

EVALUATION:

- **Continuous Course Evaluation (CCE) will be in effect during the course.**
- **The minimum attendance required is 75% of the total number of working hours.**
- **The students who fail to meet the requirements will be declared ineligible for the examination.**

CHALLENGES:

- **Execution of the plan according to the preplanned objectives.**
- **Cent percent student participation in the teaching-learning process.**

COURSE OUTCOME:

- **Students feel empowered to face the challenges of the competitive world by taking up various competitive examinations.**
- **In addition to this they will be capable enough to place themselves in corporate sectors.**

SYLLABUS

CERTIFICATE COURSE IN SPOKEN ENGLISH

COURSE CODE: CCSE-001

Module I: Basics of Communication

- **Introduction to Communication**
- **Building Active Vocabulary**
- **Learning Sentence Construction**

Module II: English Grammar in Use

- **Noun, Pronoun, Verb, Adverb & Adjective**
- **Articles, Prepositions & Conjunctions**
- **Tenses for effective writing**
- **Grammar usage for right syntax**

Module III: Speaking English for the real world

- **Functional English – Everyday Communication**
- **Introduction, Shopping, Meeting friends, Travelling**
- **Visiting a doctor, Telephonic Communication**
- **Negotiation, At the movie Theatre, At the office**
- **Meeting relatives, etc.,**
- **Video Lessons from real life situations**

Module IV: Public Speaking Skills, Personality Development & Job Interview Skills

- **Extempore & Group Discussion**
- **Email drafting & Business Correspondence**
- **Regulating Spelling Mistakes & Mispronunciations**
- **Resume Writing Workshop**
- **Manners & Etiquettes**
- **Building Confidence & Developing Presentation Skills**
- **Dress Code & Color Pattern**

- **Mock Interview Sessions**

DEPARTMENT OF ENGLISH

CERTIFICATE COURSE IN SPOKEN ENGLISH

QUESTION PAPER PATTERN

2020-21

22ND AUGUST 2022 TO 8THSEPTEMBER 2022

TIME: 60 MINUTES **MAX. MARKS: 50**

11. **Fifty multiple choice questions.**
12. **Tests the knowledge of sentence structures.**
13. **Tests the use of content words.**
14. **Tests the use of structure words.**
15. **Tests tone, pitch and intonation.**
16. **Tests the use stress and stress shift.**
17. **Tests the skill of LSRW.**

18. Tests the execution of situational conversation.

19. Tests accuracy, appropriateness and fluency of the language.

20. Tests on accentuation.

DEPARTMENT OF ENGLISH

CERTIFICATE COURSE IN SPOKEN ENGLISH

QUESTION PAPER - 2021-22

8TH SEPTEMBER 2022

TIME: 60 MINUTES **MAX. MARKS: 50**

1. I haven't got ……

A. no brothers or sisters
B. brothers or sisters
C. any brothers or sisters
D. some brothers and sisters

2. He goes to his guitar lessons....
A. by underground
B. on underground
C. with underground

D. in underground

3. A. Always he arrives at 2:30
B. He arrives at always 2:30
C. He always arrives at 2:30
D. He always at 2:30 arrives

4. We haven't got ….. Champagne
A. a lot
B. little
C. too
D. much

5. David is the boss, you need to speak to …..
A. it
B. him
C. her
D. them

6. She …….. Supper with us last Friday

A. hadn't
B. no had
C. didn't have got
D. didn't have

7.
A. He never comes after 2:30
B. He never after 2:30 comes
C. He comes never after 2:30
D. After 2:30 he never comes

8.
A. Taking train what you are?

B. What train taking are you?
C. Are you what train taking?
D. What train are you taking?

9.
A. What like his brother?
B. How his brother is?
C. How's his brother?
D. What's his brother like?

10. Which pen do you want?
A. A one blue
B. One blue
C. The blue one.

11. I'm going out ....some cigarettes

A. to buying
B. for buying
C. to buy
D. for to buy

12. He says he's been robbed. He can't find his wallet .....
A. not anywhere.
B. nowhere.
C. anywhere.
D. somewhere.

13. I have class .....
A. on Mondays
B. in Mondays
C. at Mondays
D. by Mondays

14. I wanted a purple bike but they only had .....
A. a one green.

B. one green.

C. a green one.

D. a green.

15. He ….. breakfast yesterday

A. hadn't

B. no had

C. didn't have got

D. didn't have

16.

A. Give the Joan money.

B. Give the money to Joan.

C. Give to Joan the money.

D. Give the money at Joan.

17. The room was empty. There ….. there.

A. wasn't nobody

B. was anybody

C. was nobody

D. was somebody

18. We'll never get to the airport! There is ….. time!

A. few.

B. too little

C. too much little.

D. too few.

19. She arrived ….. Victoria Station half an hour late.

A. in

B. at

C. on

D. by

20. I haven't seen your cousin …..over a year ago.

A. since

B. for

C. during

21. Don't start ..... That's for babies!

A. to crying!

B. crying!

C. cry!

D. in crying!

22. He works for the Bank, ...?

A. doesn't he?

B. does he?

C. isn't he?

D. didn't he?

23.

A. I told her what she finished the exercise .

B. I told her to finish the exercise.

C. I told she finish the exercise.

D. I told her that she finish the exercise.

24. My mother asked me if I was hungry, But I said that I .... dinner.

A. had already got

B. had already had

C. have already had

D. already had

25. On a windy morning, I arrived ..... Chicago Airport.

A. in

B. on

C. at

D. by

26. I'm really looking forward ..... this exercise

A. to finish

B. finishing

C. finish

D. to finishing

27. Don’t start ..... to me about it.You know I don't care.

A. to complaining

B. complaining

C. complain

D. in complain

28. “.....have they been living in Paris?” “Only a few months”

A. How long

B. How long time

C. What time

D. For how long

29. The kitchen can’t be dirty, he .....

A. is just clean it.

B. have just cleaned it.

C. just clean it.

D. has just cleaned it.

30. Don’t start .....

A. to shouting!

B. shouting!

C. shout!

D. in shouting!

31.

A. I told her what she closed the window.

B. I told her to close the window.

C. I told she close the window.

D. I told her that she close the window.

32. Haven't you seen that film .....

A. already?

B. still?

C. now?
D. yet?

33. If I won the lottery, I ..... a house in the country.
A. will buy
B. have bought
C. would buy
D. would have bought

34. Peter is ..... Jane to do it at this very moment.
A. telling
B. saying
C. saying to
D. telling to

35. He ..... go to see the accountant this morning .
A. must
B. had to
C. ought to
D. must to

36. "Those shopping bags look really heavy. ......carry one for you?'' —"That's very kind of you!"
A. Will I
B. Do I have
C. Shall I
D. Do I

37. ..... is it from Istanbul to Bagdad?
A. How much distance
B. How long
C. How far
D. How many

38. If you get bored, call me ..... you like, and we can go for a drink.
A. whenever

B. soon

C. always

D. whatever

39. Thanks for remembering my birthday, but you........bought me a present.

A. shouldn't have

B. haven’t

C. mustn't

D. have had to

40. Sorry I couldn't meet you yesterday, I........collect the kids from school

A. must

B. must to

C. ought to

D. had to

41. After his girlfriend left him, his boss was the ....of his worries

A. less

B. least

C. fewer

D. last

42. I wouldn’t mind ..... an early night, tonight I'm exhausted!

A. to have

B. have

C. having

D. to having

43. The woman.... by the table is his sister, not his mother.

A. whose

B. is standing

C. standing

D. stands

44. "I'm just going out for an ice cream - ....get one for you too?'' “That would be nice of you!”

A. Do I

B. Shall I
C. Will I
D. Do I have

45. I thought you .....
A. were going to have lunch with us.
B. go to have lunch with us
C. will to have lunch with us.
D. have gone to have lunch with us.

46. This is the cat ..... I saw.
A. whom
B.
C. what
D. who

47. You can meet me ..... you like.
A. whenever
B. soon
C. always
D. whatever

48. She ..... go to the dentist's yesterday.
A. must
B. had to
C. ought to
D. must to

49. That's the ….. of my worries, it'll never happen.
A. fewer
B. less
C. last
D. least

50. The man ..... in the corner is my boss.

A. whose

B. sitting

C. is sitting

D. sits

DEPARTMENT OF ENGLISH

LIST OF STUDENTS AND RESULT

SL.NO	STUDENT NAME	MARKS	SL.NO.	STUDENT NAME	MARKS
01	ABHISHEK zEN	44	16	RAMYA	36
02	AJITH KUMAR	46	17	SANTHOSH	31
03	AMAR	41	18	SHAM	38
04	DEEPAK	48	19	SHINY JOHNSON	35
05	DHIVAKAR	47	20	SARANYA	25
06	HARISH KARTHIK	41	21	TEJESWINI BAI	24
07	JAISON	34	22	THARUN	31
08	JOEL XAVIER	45	23	VIGNESH	29
09	JOTHY RANI	32	24	VINOD KUMAR	22

10	KRISHNA KUMAR	18	25	VISHAL R	36
11	MAHALAKSHMI	42	26	AISHWARYA	35
12	KUMAR	41	27	ANIL KUMAR B	38
13	MARIA PRIYA	32	28	ASHWINI	44
14	PRASSANAKUMAR	35	29	DINESH	41
15	RAKSHITHA	36	30	MATHEW	42

KGF FIRST GRADE COLLEGE OORGAUM

09th March 2021 – 26th of March 2021

Certificate course Tittles:

Certificate course in Kannada language for Non-Kannada students

Duration of the course: 30 HOURS

The context:

Keeping In the view the Non-Kannada students find it difficult to adapt to the Kannada rich environment. The certificate course in Kannada for the Non-Kannada students creates a conductive environment to understand the language, literature, culture and communicate with Kannada speaking community with ease and become an integral part of the society where they live in.

Objectives of the Certificate course:

1) Listening: Comprehend questions and answers of the conversation, discussion, meetings, radio and television news bulletins, public speeches etc., given in normal speed in Kannada.

2) Speaking: Speak with ease in Kannada, regarding personal needs in different social contexts, professional contexts without mistakes conduct or participate in discussions and speak with ease in Kannada.

3) Reading: Read printed, typed and handwritten materials in Kannada relating to newspapers, magazines and routine matters with appropriate speed and comprehension.

4) Writing: To fill the forms printed in Kannada, to write short paragraphs with connected sentences; write applications / petitions etc.

5) Translation: To Translate short pages, stories etc., from Kannada to his / her mother tongue.

.

The practice:

Duration of the course: 34 hours in a year, 2 hours per day
Intake :39 students
Eligibility: 1st year degree students of all streams
Selection criteria: On first come first serve basis

Continuous course evaluation (CCE) will be in effect during the course.

The students who fail to meet the requirements will be declared ineligible for the examination.

The minimum attendance required is 75% of the total number of working hours.

Challenges:

Execution of the plan according to the pre-planned objectives.
Cent percent student participation in the teaching-learning process.

Course outcome:

The students who take up the course would be capable to transact in Kannada for their academic and life purposes.
The course is tailored to keeping in mind the needs of Non- Kannada students.

Syllabus

Certificate course in Kannada language for Non-Kannada students

Course code: CCK 0 2

Module No 1:

Structure of Kannada
Akshara (letter) and their combinations
Pada (world) and their use
Vakya (sentence) and their use
Ref: First and second standard Kannada text books, Kannada kali by Lingadevaru Halemane

Module No 2:

Language practice
Kannada reading and writing

Listening and conversation

Ref: Kannada kali and an intensive course in Kannada by Leelavathi and Halemane
First and second standard textbooks (KTBS)

Module No 3:

An introduction to Kannada language, Literature, Culture

Kannada language: Origin and development of language
Literature: History of Kannada literature
Culture: Dynasties (rajavamshagalu) Religious (dharma), Arts (Kalegalu)
Literary texts: L vachanas, sarvagna vachana, padagalu,
Folk poems: Poems of kuvempu ,K S Narasimha Swamy and Bendre.

LIST OF STUDENT AND RESULT: 2016-2017

SI.NO	ROLL NO	STUDENT NAME	CLASS	ATTENDENCE	PERFORMANCE	TEST	TOTAL	RESULT
1		ABISHEK ZEN	BCOM	24	22	48	94	COMPLETED
2		VINOTH KUMAR	BCOM	25	24	47	96	COMPLETED
3		JOYAL ZAVEER	BCOM	23	22	45	90	COMPLETED
4		MARIYA PRIYA	BCOM	24	23	46	93	COMPLETED
5		MONISHA	BCOM	25	24	48	97	COMPLETED
6		PRASANNA KUMAR	BCOM	23	22	49	94	COMPLETED
7		AVINASH	BCOM	24	23	45	92	COMPLETED
8		VAMSHI	BCOM	25	24	48	97	COMPLETED

		PRATHUYNA						
9		JASEON PUAL	BCOM	**24**	**23**	**47**	**94**	COMPLETED
10		KRISHNA KUMAR	BCOM	**25**	**24**	**49**	**98**	COMPLETED
11		VIGNESH J	BCOM	**24**	**23**	**48**	**95**	COMPLETED
12		SANTOSH	BCOM	**25**	**24**	**47**	**96**	COMPLETED
13		HARISH KARTHIK R	BCOM	**23**	**22**	**46**	**91**	COMPLETED
14		JOTHI RANI	BCOM	**25**	**24**	**48**	**97**	COMPLETED
15		ABISHEK Y	BCOM	**25**	**24**	**49**	**98**	COMPLETED
16		JAROME	BCOM	**25**	**25**	**47**	**97**	COMPLETED
17		KISHORE KANNAN	BCOM	**25**	**25**	**48**	**98**	COMPLETED
18		JARAOD S.I	BCOM	**25**	**25**	**49**	**99**	COMPLETED
19		THARUN M	BCOM	**24**	**23**	**49**	**96**	COMPLETED
20		SURENDRA	BCOM	**25**	**25**	**48**	**98**	COMPLETED
21		SHALIET LHUIN	BCOM	**25**	**25**	**49**	**99**	COMPLETED
22		DEEPAK	BCOM	**24**	**23**	**48**	**95**	COMPLETED
23		AMAR	BCOM					
24		VISHAL	BCOM	**25**	**24**	**48**	**97**	COMPLETED
25		SUGUNA	BCOM	**24**	**24**	**47**	**95**	COMPLETED
26		KOUSALYA DEVI	BCA	**23**	**22**	**49**	**94**	COMPLETED
27		LAVANYA	BCA	**25**	**24**	**48**	**97**	COMPLETED
28		DIWAKAR	BCA	**24**	**23**	**45**	**92**	COMPLETED
29		SHALINI	BCA	**25**	**24**	**46**	**95**	COMPLETED

30		MAHALAKSHMI	BCA	**23**	**22**	**44**	**89**	COMPLETED
31		AISHWARYA	BSC	**C**	**20**	**45**	**87**	COMPLETED
32		SOWMIYA	BSC	**25**	**24**	**49**	**98**	COMPLETED
33		SWEATHA	BSC	**24**	**22**	**48**	**94**	COMPLETED
34		SANDHYA	BSC	**25**	**24**	**47**	**96**	COMPLETED
35		DINESH KUMAR	BSC	**23**	**22**	**45**	**90**	COMPLETED
36		NANDHINI	BSC	**24**	**23**	**46**	**93**	COMPLETED
37			BSC	**24**	**22**	**48**	**94**	COMPLETED
38		ROOPESH	BSC	**25**	**24**	**47**	**96**	COMPLETED
39		ARUN	BSC	**23**	**22**	**45**	**90**	COMPLETED

PÀ£ÀßqÀ ¸Ànð¦PÉÃmï PÉÆÃ¸ïð

¥Àæ±Éß ¥ÀwæPÉ – 2021-22

r¸ÉA§gï 2021

CAPÀUÀ¼ÀÄ-50 ¸ÀªÀÄAiÀÄ:
60 ¤«ÄµÀ

gÉÆÃ¯ï £ÀA- vÀgÀUÀw: 2nd year

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r¸ÉA§gï 2021

CAPÀUÀ¼ÀÄ-50 ¸ÀªÀÄAiÀÄ: 60 ¤«ÄµÀ

gÉÆÃ¯ï £ÀA- 2021-22 ¥ÀjÃPÉëAiÀÄ ¸Àj GvÀÛgÀUÀ¼ÀÄ vÀgÀUÀw:2nd year

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50) J) PÁgÀAvÀgÀÄ

Dr. T THIMMAIAH COLLEGE OF DEGREE & MANAGEMENT STUDIES
TITLE OF THE CERTIFICATE COURSE: STOCK EXCHANGE
DURATION OF THE COURSE: 34 Hrs.
22nd Aug 2022 TO 8th SEP 2022

THE CONTEXT:

The candidates who have genuine interest towards the Indian stock market can apply for this course. Certificate course discloses both the aspect of the stock market academic aspect and professional aspect by providing the ultimate guide to the market and other factors associated with the market as well. The candidates can also get to know about the international stock markets and the relevance in working there. Certificate Course in stock market is one of the popular courses opted by the students after completing their 10+2 level of education.

After the completion of this course, the candidates can work in different job profiles such as stock broker, equity dealers, stock market analyst, relationship manager, and terminal operator etc. they can work in popular recruiting areas like stock exchanges, financial firms, financial institutions, corporate houses, and trading houses etc. The basic aim of the course is to improve their competitive position through practical methods and up-date the changes in the subject areas. The course would be monitored by the Program Coordinator, Priyanka S. R , Department of commerce.

OBJECTIVES OF THE COURSE:

1. **Provides the participants with adequate knowledge of the stock exchange.**
2. **A course can help students learn about the practical application of the results derived from fundamental analysis tools.**
3. **Helps to choose the right trading style for personal goals using correct approach to financial planning.**
4. **To equip the participant with necessary stock market theoretical and practical know-how**
5. **Students can apply the same in researching equity markets for wealth creation.**

THE PRACTICE:

- **Duration of the course: 34 Hrs. in a semester**
- **02 hours a day during the course on all days.**
- **Intake: 30 students**
- **Eligibility: Final year degree students of all BCOM.**
- **Selection Criteria: On first come first serve basis.**

EVALUATION:

- **Continuous Course Evaluation (CCE) will be in effect during the course.**
- **The syllabus and question paper will be framed by the Course Coordinator.**
- **The minimum attendance required is 75% of the total number of working hours.**
- **The students who fail to meet the requirements will be declared ineligible for the examination.**

CHALLENGES:

- **Execution of the plan according to the preplanned objectives.**
- **Student participation in the teaching-learning process.**

COURSE OUTCOME:

- **Students feel empowered to face the challenges of the competitive world by taking up various competitive examinations.**
- **In addition to this they will be capable enough to place themselves in corporate sectors.**

SYLLABUS

CERTIFICATE COURSE IN STOCK EXCHANGE
COURSE CODE: CCSE – 002

Module I:
AN OVERVIEW OF CAPITAL MARKET
- **ROLES/IMPORTANCE/SIGNIFICANCE OF CAPITAL MARKET**
- **CLASSIFICATION OF FINANCIAL MARKET**
- **TYPES OF CAPITAL MARKET INSTRUMENTS**

Module II:
PRIMARY MARKET
- **Characteristics of primary market**
- **Drawbacks or Disadvantages of IPO or going public**
- **Functions of Primary Market**
- **Types of Issues in Primary Market or Issue Mechanism**
- **Benefits of going public or IPO**
- **Players in the Primary Market**

Module III:
SECONDARY MARKET
- **Differences between Primary and Secondary Market**
- **Significance of Secondary Market**
- **Functions of Secondary Market/Stock Exchange**
- **Players in secondary market**

Module IV:
Depositories
- **Process of Rematerialization**
- **Functions of Depository**
- **Process of Dematerialization**
- **Features of Depository**
- **Objectives of Depositories**
- **Benefits of Depository or Depository Participant**

Module V:
DEMAT ACCOUNT
- **Objectives of Demat Account**
- **Services provided by Depository**

- **Objectives of NSDL**
- **Functions of NSDL**
- **Facilities offered by NSDL**
- **Services offered by NSDL**

Module VI :
Trading in stock market

- **Types of trading**
- **Types of derivative instruments**
- **Types of Swaps**
- **Features of Options**
- **Settlement System in Stock Exchange**
- **Types of Stock Brokers**

Module VII:
ONLINE TRADING

- **Procedure for trading or dealing at Stock Exchange**
- **Advantages of online stock trading, India**
- **Disadvantages of online stock trading, India**

DEPARTMENT OF COMMERCE
CERTIFICATE COURSE STOCK EXCHANGE
QUESTION PAPER PATTERN

2021-22
22nd SEP 2022 TO 8th SEP 2022

TIME: 60 MINUTES **MAX. MARKS: 50**

1. **Fifty multiple choice questions**
2. **Tests the knowledge of an overview of capital market**
3. **Tests the use of going public or IPO**
4. **Tests the Players in the Primary Market**
5. **Tests the functions of secondary market/stock exchange**
6. **Tests the use of Depository or Depository Participant**
7. **Tests the Services provided by Depository**
8. **Tests the Types of derivative instruments**
9. **Tests Settlement System in Stock Exchange**
10. **Tests on Procedure for trading or dealing at Stock Exchange**

DEPARTMENT OF COMMERCE
CERTIFICATE COURSE IN STOCK EXCHANGE
QUESTION PAPER – 2021-22

8th SEP 2022

TIME: 60 MINUTES **MAX. MARKS: 50**

1) When did stocks Trading Start in the United States?
A. Around 25 Years Ago B. Around 50 Years Ago
C. Around 75 Years Ago D. Around 200 Years Ago

2) When was the New York Stock Exchange created?
A. 1992 B. 1702 C. 1863 D. 1792

3) What is NYSE?
A. New York Saturday Exchange
B. New York Stock Exchange
C. New York Store Exchange
D. A and B

4) What are Stock Ticker Symbols
A. How Stocks go Up & Down
B. Identification tag for a Stock
C. Little Tickers Seen On Exchange
D. All of Above

5) Stockholder is another name for
A. Share member B. Shareholder C. Share builder D. None of the Above

6) What is Stock Fundamental Analysis?
A. Evaluating A Companies Balance Sheets
B. Evaluating A Companies Operating Hours
C. Evaluating A Companies Balance Attack
D. B and C

7) What company has the following MSFT ticker symbol?
A. Merck B. McDonalds C. Microsoft D. None of the above

8) What is AMEX?
A. American Stock Exchange Capital
B. American Mobile Stock Exchange
C. American Merchant Stock Exchange
D. American Mirror Stock Exchange

9) What is a company Annual report?
A. Financial Statement issued by a Capitalist
B. Financial Statement issued by China
C. Financial Statement issued by a Corporation
D. None of the Above

10) What is a Bear Market?
A. A Declining Asset B. A Declining Market C. A Declining savings bond D. B & C

11) How many companies make up Dow Jones Industrial Average?
A. 10 Companies B. 20 Companies C. 30 Companies D. 50 Companies

12) It is always good to invest in a stock that has declined or seems to be "on sale."
A. True B. False

13) If there are more buyers than sellers the prices____________.
A. Fall B. Rise

14) Money availability can change with….(check all that apply)
A. Movement of Interest rates B. Earning of a Corporation C. Having Investors

15) A good investor must become familiar with the ____________ action of the market and the stock of interest
A. Past B. Buyer C. Current D. Seller

16) The stock market always trades…..
A. Due to current prices and trends. B. In anticipation for the future. C. Based on past sales.

17) Usually the best time to buy in a stock is when…….
A. a uptrend turns down and solidly crosses the trend line.
B. a downtrend turns up and solidly crosses the trend line.
C. a downtrend turns up and stays at the trend line.
D. a uptrend rises and remains at the trend line.

18) _________________ is when buyers enter a downtrend and stop the decline.
A. Assistance B. Support C. Reinforcement D. Foundation

19) Information about _______________(s) can be otained through news media, the internet, or by calling the company direct.
A. stockB. Stocks. C. All of the above

20) A ____________________ gives their opinion as to the current weakness or strength of the stock market.
A. market analysis B. economist C. Both A&B D. None

21) A high interest investment in a company in risk of going bankrupt is called a:
A. Blue chip B. Junk bond C. Futures D. Fool's gold

22) This describes an investment tool in which a group of indivdiuals give money to a company/person who in turns invests the money for them.
A. Preferred stock B. Common stock C. Mutual Fund D. Corporate bond

23) Stock with less volatility, reputed company, long history of growth and earnings is called as
A. Growth stock B. Income Stock C. Large Cap stock D. Blue Chip stock

24) Ratio used to compare a stock's market value to its book value.

A. price to book ratio B. Dividend yield ratio C. price earnings ratio D. Earnings per share

25) Stock trading where stock quantities buy or sell by an investor is more then 0.5% of total number of equity shares of the company listed is called as.
A. bull dael B. Bull C. Dael D. All of the above

26) An individual is more likely to invest in a bear market than in a bull market.
A. True B. False

27. ------------------ is the market where the existing securities of companies are traded.
(a) Primary market (b) Secondary market (c) Money market (d) None of these

28. ----------------- is the process of admitting securities for trading on a recognized stock exchange.
(a) Issuing (b) Investing (c) Listing (d) None of these

29. Devise adopted to make profit out of the difference in prices of a security in two different markets is called
(a) Arbitrage (b) Margin trading (c) Call option (d) None of these

30. The number of store which is less than the standard unit is called ----------------.
(a) Arbitrage (b) Margin trading (c) Odd lots (d) None of these

31. ----------------- is a professional independent broker who deals in securities on his own behalf.
(a) Arbitrage(b) Jobber (c) Odd lots (d) None of these

32. A person appointed by a stock broker to assist him in the business of securities trading is called ----------.
(a) Sub broker (b) Tarawaniwalas (c) Authorized clerk (d) None of these

33. Speculators who neither buy nor sell securities in the market but still trade on them are called
(a) Wolves (b) Stags (c) Bears (d) None of these

34. The process of hedging the entire supply of a particular security with a view to dictating term
is called -----------------.
(a) Wash sale (b) Arbitrage (c) Cornering (d) None of these.
35. Under depository system the allotment and credit of shares to the beneficiary amount should be completed within how many days from the date of an issue?
(a) 15 days (b) 21 days (c) 7 days (d) 14 days

36. Member of stock exchanges is called ------------------.
(a) Stock broker (b) Investor (c) Issuer (d) None of these

37. ------------- buy and sell securities on behalf of the investing public.
(a) Arbitrage (b) Commission brokers (c) Stock broker (d) None of these

38. is the person who buys securities with a view to sell them in future at a profit------------.
(a) Speculator (b) Issuer (c) Stock brokers (d) None of these

39. A person who sells the shares with the expectation of buying them in future at a reduced price.
(a) Bull (b) Bear (c) Stag (d) None of these

40. In the Indian stock exchange a bull is known as ------------.
(a) Badla (b) Tejiwala (c) Mandiwala (d) None of these

41. Risk involved in gambling is -------------------.
(a) High (b) Low (c) Very high (d) None of these

42. The process of artificially increasing or decreasing the price is known as ------------.
(a) Price bond (b) Price rigging (c) Cover system (d) None of these

43. An order for the purchase of securities of a fixed price is known as ----------------.
(a) Limit order (b) Open order (c) Stop loss order (d) None of these

44. National stock exchange operations are divided into ---------------- and capital market segment.
(a) Whole sale debt market (b) Money market (c) Secondary market (d) None of these

45. ---------------- is a market where unlisted securities are dealing.
(a) Grey market (b) Kerb market (c) Capital markets (d) None of these

46. The electronic clearing and Depository system set up by the ---------------------.
(a) SGL (b) SHCIL (c) HCL (d) None of these

47. The objectives of SEBI include -------------.
(a) To protect interests of inventors (b) To regulate securities market
(c) To promote the development of the market (d) All of the above

48. SEBI Act was passed in -----------------------.
(a) 1988 (b) 1990 (c) 1991 (d) 1992

49. SEBI was established in the year----------------.
(a) 1992 (b) 1988 (c) 1990 (d) 1989

50. The administrative head office of SEBI is at ------------.
(a) New Delhi (b) Bombay (c) Kolkata (d) Chennai

DEPARTMENT OF COMMERCE

LIST OF STUDENTS AND RESULT

SL.NO	STUDENT NAME	MARKS	SL.NO.	STUDENT NAME	MARKS
01	ABISHEK ZEN	30	16	KUMAR N	42
02	ABISHEK Y	32	17	MAHALAKSHMI R	42
03	AJITH KUMAR R	40	18	MARIA PRIYA G	41
04	AVINESH RAJ T	42	19	PRASANNA KUMAR Y	37
05	DEEPAK D P	40	20	PRAVEEN R	49
06	DEEPIKA R	41	21	RAKSHITHA V	39
07	DIVAKAR R	44	22	RAMYA N	37
08	HARISH KARTHICK R	45	23	SANTHOSH G	36
09	JARAD S I	37	24	SHIRISHA S	35
10	JASON PAUL	40	25	TEJESWINI BAI B	40
11	JEROME S I	38	26	THARUN M	42
12	JOEL XAVIER S	40	27	VAMSHI PRADHUMANA K	36
13	JYOTI RANI	41	28	VINOD KUMAR P	44
14	KISHORE KANNAN	40	29	PRIYA R M	45
15	KRISHNA KUMAR V	39	30	JAI PRASANTH	40