B.C.M.SCHOOL, BASANT AVENUE, LUDHIANA

X IFM August Assignment Answer key

Question 1: Define interim dividend

An interim dividend is a dividend payment declared and distributed to shareholders by a company's board of directors before the end of the financial year and prior to the release of final annual financial statements.

Question 2: Who maintains Nifty Index?

NSE Indices Limited (formerly known as India Index Services & Products Limited - IISL), a subsidiary of the National Stock Exchange (NSE).

Question 3: Write the formula to calculate dividend yield?

Value of share – expenses / No. of units issued

Question 4:

(b) Both assertion (A) and reason (R) are true, but reason (R) is not the correct explanation of assertion (A).

Question 5:

Both assertion (A) and reason ® are false.

Question 6: Define Nifty index

The NIFTY 50 is the benchmark stock market index of the National Stock Exchange of India (NSE), tracking the weighted performance of 50 large, liquid, and financially sound Indian companies across various sectors.

Question 7:

The verification of shares received in buyback has to be completed within 15 days of the closure of the offer.

Question 8: Give one difference between Gilt funds and Balanced funds.

Gilt Funds: Invest exclusively in low-risk government securities with zero default risk.

Balanced Funds: Invest in a mix of both equities and debt securities to balance risk and return.

Question 9: Do Dematerialized shares have distinctive numbers?

No. Dematerialized shares are fungible (interchangeable) electronic entries and do not carry individual distinctive numbers.

Question 10: Give one difference between calls and puts

Call Option: Gives the buyer the right (but not the obligation) to buy an underlying asset at a specified price.

Put Option: Gives the buyer the right (but not the obligation) to sell an underlying asset at a specified price.

Question 11: What is a Listing Agreement?

A legal agreement executed between a company and a stock exchange setting out the terms, conditions, and continuous disclosures the company must comply with to have its securities listed and traded on that exchange.

Question 12: Differentiate between open ended funds and close ended funds

Open-ended Funds

These funds do not have a fixed date of redemption. Generally they are open for subscription and redemption throughout the year.Their prices are linked to the daily net asset value (NAV). From the investors' perspective, they are much more liquid than closed-ended funds.

Close-ended Funds

These funds are open initially for entry during the Initial Public Offering (IPO) and thereafter closed for entry as well as exit. These funds have a fixed date of redemption. One of the characteristics of the close-ended schemes is that they are generally traded at a discount to NAV; but the discount narrows as maturity nears. These funds are open for subscription only once and can be redeemed only on that fixed date of redemption.

Question 13: Elaborate the functions performed by custodian

Safekeeping of Assets: Safely holds securities (shares, bonds) in physical or electronic form on behalf of institutional investors.

Corporate Actions: Tracks and processes corporate actions such as collecting dividends, interest, bonus shares, and stock splits.

Settlement & Clearing: Executes the clearing and settlement of trades by receiving or delivering funds and securities as instructed.

Question 14: Define the terms

ADR (American Depositary Receipt): A negotiable certificate issued by a U.S. depositary bank representing a specified number of shares of a foreign company's stock, allowing foreign shares to trade on U.S. stock markets.

Treasury Bills (T-Bills): Short-term, zero-coupon debt instruments issued by the central government (RBI in India) to meet temporary liquidity mismatches, issued at a discount and redeemed at face value.

Question 15: What details are required to be mentioned on the contract note issued by the stock broker?

Name, address, and SEBI registration number of the stock broker.

Client name and Unique Client Code (UCC).

Trade date, execution time, and contract/trade number.

Name and symbol of the security bought or sold.

Quantity, rate per unit, and total trade value.

Statutory charges clearly itemized (Brokerage, STT, GST, Exchange turn-over fees, Stamp duty).

Question 16:

Powers of SEBI:

a) **Regulating the business in stock exchanges and any other securities markets**
b) **Registering and regulating the working of stock brokers, sub-brokers etc.**
c) **Promoting and regulating self-regulatory organizations**
d) **Prohibiting fraudulent and unfair trade practices**
e) **Calling for information from undertaking inspection, conducting inquiries and audits of the stock exchanges, intermediaries, self-regulatory organizations, mutual funds and other persons associated with the securities market.**

What is meant by Stock Exchange:

A Stock Exchange is an organized, regulated marketplace (physical or electronic) where buyers and sellers can trade existing corporate securities (shares, debentures, derivatives) under established guidelines, ensuring liquidity and fair price discovery.