

## CHAPTER: FINANCIAL MARKET

S.NO.	QUESTION	MARKS
<b>1</b>	Which of the following helps to eliminate the use of stock certificates by placing stock transactions on computer? (a) Demat account (b) Securities exchange commission (c) Depository trust company (d) Federal depository insurance corporation	<b>1</b>
<b>2</b>	The last step in the trading procedure on a stock exchange is: (a) Placing an order (b) Executing the order (c) Settlement of account (d) Selection of a broker	<b>1</b>
<b>3</b>	The functions of SEBI are: (a) Regulatory functions (b) Development functions (c) Protective functions (d) All of the above	<b>1</b>
<b>4</b>	Elimination of problems on transfer of shares such as loss , theft and delay is the benefit of ..... account.	<b>1</b>
<b>5</b>	What is the minimum amount of treasury bill? (a) Rs 25,000 (b) Rs 10,000 (c) Rs 15,000 (d) Rs 20,000	<b>1</b>
<b>6</b>	.....refers to the process in which securities are allotted to the institutional investors and some selected individuals.	<b>1</b>
<b>7</b>	Financial market provide liquidity to financial assets (True/False)	<b>1</b>
<b>8</b>	Prem has 500 shares of L&T. L&T comes out with a fresh issue of shares and Prem received an offer to buy 1 share of L&T for every 5 shares held by him. Which method of floating new issue is indicated in this case?	<b>1</b>
<b>9</b>	Shiv wants to invest his savings in share market. What is the most important requirement for this?	<b>1</b>
<b>10</b>	Name the prominent stock exchange enjoying nation wide coverage	<b>1</b>
<b>11</b>	New issue market is also known as: (a) Stock market (b) Money market (c) Primary market (d) Capital market	<b>1</b>

<b>12</b>	A treasury bill is basically : (a) An instrument to borrow short term funds (b) An instrument to borrow long term funds (c) An instrument of capital market (d) None of the above	<b>1</b>
<b>13</b>	The settlement cycle in NSE is: (a) T+5 (b) T+3 (c) T+2 (d) T+1	<b>1</b>
<b>14</b>	Which of the following is money market instrument? (a) Share (b) Debenture (c) Commercial paper (d) Bond	<b>1</b>
<b>15</b>	.....provides continuous market for purchase and sale of securities.	<b>1</b>
<b>16</b>	Depository participant is an agent between depository and investor.( True/False)	<b>1</b>
<b>17</b>	Increase in the call rate makes the other short term sources of funds dearer. ( True/False)	<b>1</b>
<b>18</b>	Primary and secondary markets: (a) Compete with each other (b) Complement each other (c) Function independently (d) Control each other	<b>1</b>
<b>19</b>	Name the indices of BSE and NSE	<b>1</b>
<b>20</b>	“ SEBI conducts research and publishes information which are useful to all those participants who deal at capital market’. Name the function performed by SEBI.	<b>1</b>
<b>21</b>	List the initial four steps in the trading procedure: (A) Connect to main exchange (B) Placement of order (C) Opening account (D) Approach a registered broker Options are: (a) A,C,D,B (b) C,D,B,A (c) D,C,B,A (d) B,C,D,A	<b>1</b>

<b>22</b>	What is financial intermediation?	<b>1</b>
<b>23</b>	ABC Ltd. issued prospectus for the subscription of its shares for Rs. 500 crores in 2008. The issue was oversubscribed by 20 times. The company issued shares to all the applicants on pro-rata basis. Later SEBI inspected the prospectus and found some misleading statement about the management of the company in it. SEBI imposed a penalty of Rs. 5 crores and banned its three executive directors for dealing in securities market for three years. Identify the function and its type performed by SEBI in the above case.	<b>1</b>
<b>24</b>	Reshu's father has gifted her the shares of a large cement company with which he had been working. The securities were in physical form. She already has a bank account and does not possess any other forms of securities. She wished to sell the shares and approached a registered broker for the purpose. Mention one mandatory detail which she will have to provide with the broker	<b>1</b>
<b>25</b>	SEBI 2 years ago called for information and issued a show cause notice to NSE and its 14 officials seeking explanation on the preferential access allegations at the exchange's co-location facility.  State the function that SEBI performed by doing so.	<b>1</b>
<b>26</b>	Ketan won a cash prize of Rs. 20,000 in the National level Robotics Competition. On the advise of his father, he visits a nearby bank to open a Fixed deposit account in his name with the prize money. His sister Suhasini accompanied him to the bank. On reaching the bank, he notices big banners which are placed within the premises containing information about the various arrangements through which 157orporate may raise their capital through the bank. Being a finance graduate, Suhasini explains to Ketan that banks play the role of the financial intermediary by helping in the process of channelizing the savings of the households into the most profitable business ventures. In context of the above case: .  1. Name another financial intermediary that helps in the process of channelizing the savings of the households into the most productive use. 2. Also, outline any two functions of another financial intermediary as identified in part (1).	<b>3</b>
<b>27</b>	Sumita is a professor in a reputed business institute. While explaining the procedure of stock exchange trading, she shared with her students	<b>3</b>

	<p>that many years back she had bought 200 shares of a leading automobiles company. As per the settlement procedure she paid for the shares and received the share certificates in physical form. However, when she had sent those certificates to the company to get them endorsed in her name, she was informed by the company that those certificates were duplicate. Therefore, in order to protect the investors from many such malpractices, now only screen-based trading is done and dematerialisation is compulsory. In context of the above case:</p> <ol style="list-style-type: none"> <li>1. What is screen based trading?</li> <li>2. Give the meaning of 'dematerialisation'. State any two of its advantages.</li> </ol>	
<b>28</b>	<p>The stock market regulator, Securities and Exchange Board of India (SEBI), has initiated a certification programme for all market intermediaries. Under this programme, people associated with stock markets in any way, will have to obtain a qualifying certificate from the regulator. The National Institute of Securities Market (NISM), a trust formed by SEBI, is tasked with the certification programme. In the context of the above case:</p> <ol style="list-style-type: none"> <li>1. Identify the type of function performed by SEBI.</li> <li>2. Outline any two reasons for setting up SEBI.</li> </ol>	<b>3</b>
<b>29</b>	<p>Make Good Technologies Ltd. is one of the top suppliers of security software products and solutions in India with a market share of over 20% in the retail segment. Its customers includes people all sections of the society i.e. both households and corporates. Its unique threat detection system works to detect security threats including virus attacks in real time to protect users' IT assets across varied platforms and devices. The company has an established track record of growth and financial performance. At present the company operates only through its website. The company now intends to launch a range of computer accessories and plans to market it by opening its own retail outlets. So, the board of directors of the company have decided to only raise capital for the first time through an issue of shares, but at the same time they do not wish to get into the hassles of launching a public issue of shares. In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Name and explain the way through which the company can raise finance by allotting securities to selective individuals and institutions only.</li> <li>2. Can the company also raise capital through a right issue? Why or</li> </ol>	<b>4</b>

	why not? Give a reason to justify your answer.	
<b>30</b>	<p>Ragunath Ahuja is one of the Promoter-Director of Vishwas Ltd. The company is engaged in the real estate sector, which has recently witnessed a steady fall in its revenue and the value of its assets due to a downward trend persisting in the market in specific and the economy in general. The periodical financial results of the company were to be declared in a fortnight time. Ragunath Ahuja, being an insider, had access to unpublished price sensitive information related to it. Consequently, he sells a major portion of his holdings in an anticipation of a fall in the market price of the shares of the Company subsequent to the announcement of periodical financial results of the company. Moreover, he doesn't inform The Securities and Exchange Commission (SEC) about the dealings.</p> <p>On conducting a probe, Securities and Exchange Board Of India (SEBI) finds Ragunath Ahuja guilty of insider trading. As per law, company directors, officials or any individual with a stake of 10% or more in the company are considered to be insiders and they are required to report their insider transactions within two business days of the date the transaction occurred.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>1. State the purpose of setting up SEBI.</li> <li>2. Identify the type of function performed by SEBI by quoting lines from the paragraph.</li> </ol>	<b>4</b>
<b>31</b>	<p>Ragu works as a waiter in a five star hotel in Mumbai. While serving the customer he overhears him at the table saying that the he has made profits higher than expected by investing in securities market. So, Ragu also decides to make a nominal investment from his savings in the stock market in pursuit of higher gains. In context of the above case: As a financial consultant, apprise him of the steps involved in the working of a Demat system.</p>	<b>4</b>
<b>32</b>	<p>During navratras ,Varun finalises a deal to buy a new house. So, he visits a nearby branch of 'Subh Bank' to withdraw Rs. 10 lakhs from his account in order to pay the token money to the seller. In the bank he observes that a large number of customers are present to make cash with drawls, probably because it is an auspicious time to make purchases. After sometime, he overhearsone of the bank staff members telling his colleague that, "Today 'Subh Bank' is likely to fall short of cash and to make up for the deficit and maintain its cash reserve ratio it will have to approach another bank."</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Identify the instrument that 'Subh Bank' will use to meet its</li> </ol>	<b>4</b>

	<p>short term requirements of funds.</p> <p>2. State any three feature of the instrument as identified in part (1).</p>	
<b>33</b>	<p>Ganesh Steel Ltd. is a large and creditworthy company that manufactures steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.</p> <p>1. Name and explain the money-market instrument the company can use for the above purpose.</p> <p>2. What is the duration for which the company can get funds through this instrument?</p> <p>3. State any other purpose for which this instrument can be used.</p>	<b>4</b>
<b>34</b>	<p>Incorporated in 1990, Raju Dairy Ltd., is one of the leading manufacturers and marketers of dairy-based branded foods in India. In the initial years, its operations were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of dairy based products including fresh milk, flavoured yogurt, ice creams, butter milk, cheese, ghee, milk powders etc. In order to raise capital to finance its expansion plans, Raju Dairy Ltd. has decided to approach capital market through a mix of Offer for sale of Rs. 4 crore shares and a public issue of Rs. 2 crore shares.</p> <p>In context of the above case:</p> <p>1. Name and explain the segment of capital market being approached by the company.</p> <p>2. Identify the two methods of floatation used by the company to raise the required capital. Give one difference between them.</p>	<b>5</b>
<b>35</b>	<p>After doing a course in online trading, Arsh started an online portal for stock trading under the name 'Investment Guru'. He met his school friend Ajay after a long time in a bank where Ajay had come to open a D-Mat account. Arsh urged Ajay to invest in the forthcoming IPO of a blue chip companies whereas Ajay was inclined to buy existing securities of the other companies to build his investment portfolio.</p> <p>In context of the above case:</p> <p>1. Identify the two different types of capital market being referred</p>	<b>5</b>

	<p>to by quoting lines from the para.</p> <p>2. State any four differences between the two different types of capital markets as identified in part (1).</p>	
<b>36</b>	<p>Madhav's is one of the India's most trusted brands in Indian sweets and snacks segment. The company has manufacturing plants in Kota, Kanpur, New Delhi, and Mumbai. Madhav's has its own retail chain stores and a range of restaurants in these cities. Now, the company plans to extend its business in 12 more cities in India. In order to raise the funds, its directors have decided to float a public issue through prospectus. Besides, it intends to raise money to meet the floatation costs in terms of brokerage, underwriting commission, advertising etc.</p> <p>In context of the above case:</p> <p>1. What is the other name used for the funds required to meet floatation costs?</p> <p>2. Describe briefly the short term instrument popularly used by the companies to raise for the funds required to meet floatation costs. Who can issue them?</p> <p>3. Distinguish between the two types of financial markets that the company intends to approach to meet its financial needs.</p>	<b>5</b>
<b>37</b>	<p>The SEBI has imposed a penalty of Rs. 7,269.5 crore on Pearls Agrotech Corporation Limited (PACL) and its four directors — Tarlochan Singh, Sukhdev Singh, Gurmeet Singh and Subrata Bhattacharya who had mobilised funds from the general public through illegal collective investment schemes in the name of purchase and development of agriculture land. While imposing the penalty, the biggest in its history, Securities and Exchange Board of India (SEBI) said the company deserved "maximum penalty" for duping the common man. Its Prevention of Fraudulent and Unfair Trade Practices Regulations provides for "severe to severe penalties" for dealing with such violations. As per SEBI norms, it can impose a penalty of Rs. 25 crore or three times of the profit made by indulging in fraudulent and unfair trade practices and in the present case, the regulator has imposed a fine equivalent to three times of the illicit gains.</p> <p>In the context of the above case:</p>	<b>5</b>

	<p>1. State the objectives of setting up SEBI.</p> <p>2. Identify the type of function performed by SEBI by quoting lines from the paragraph.</p>	
<b>38</b>	<p>The Bombay Stock Exchange (BSE) is Asia's first stock exchange and the world's 11th largest stock exchange. It became the first stock exchange to be recognized by the Indian Government under the Securities Contracts Regulation Act. Its automated, screen-based trading platform called BSE On-Line Trading (BOLT) had a capacity of 8 million orders per day. The BSE has also introduced a centralized exchange-based internet trading system, BSEWEBx.co.in to enable investors anywhere in the world to trade on the BSE platform.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Name the organisation that regulates the working of stock exchanges in India.</li> <li>2. State any three functions performed by stock exchanges.</li> <li>3. Give any two advantages of screen-based trading.</li> </ol>	<b>6</b>
<b>39</b>	<p>Supriya's grandmother who, was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificates inside. Her grandmother told her that they had been left behind by her late grandfather.</p> <p>As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates.</p> <ol style="list-style-type: none"> <li>1. Identify and state the process.</li> <li>2. Also, give any four reasons to Supriya why dealing with shares in physical form has been stopped.</li> </ol>	<b>6</b>
<b>40</b>	<p>Incorporated in 1990, Raju Dairy Ltd., is one of the leading manufacturers and marketers of dairy-based branded foods in India. In the initial years, its operations were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of dairy based products including fresh milk, flavoured yogurt, ice creams, butter milk, cheese, ghee, milk powders etc. In order to raise capital to finance its expansion plans, Raju Dairy Ltd. has decided to approach capital market through a mix of Offer for sale of Rs. 4 crore shares and a public</p>	<b>6</b>



	<p>issue of Rs. 2 crore shares.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Name and explain the segment of capital market being approached by the company.</li> <li>2. Identify and explain the two methods of floatation used by the company to raise the required capital.</li> <li>3. Give one difference between them.</li> </ol>	
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### MARKING SCHEME

Q.NO.	ANSWER	MARKS
1	A	1
2	C	1
3	D	1
4	Demat account	1
5	Rs 25,000	1
6	Private placement	1
7	True	1
8	Right issue	1
9	PAN card for opening Demat account	1
10	NSE	1
11	C	1
12	A	1
13	C	1
14	C	1
15	Stock exchange	1
16	True	1
17	False	1
18	B	1
19	Sensex and Nifty	1
20	Developmental function	1
21	C	1
22	It is the process by which banks and financial market allocate funds available to them	1
23	Protective function has been performed by SEBI in the above case. And the type of Protective function is Prohibition of fraudulent and unfair trade practices.	1
24	Reshu will have to give her Permanent Account Number (PAN) to the broker as it is mandatory as per law.	1

<b>25</b>	Regulatory function	<b>1</b>
<b>26</b>	<ol style="list-style-type: none"> <li>1. Financial markets is the other financial intermediary that helps in the process of channelizing the savings of the households into the most productive use.</li> <li>2. The two functions of financial market are as follows: <ul style="list-style-type: none"> <li>• It helps to determine the price for the financial asset in a particular financial market through the market forces of demand and supply.</li> <li>• It provides liquidity to the financial assets by providing ready markets wherein the securities can be converted into cash or vice versa easily.</li> </ul> </li> </ol>	<b>1+2=3</b>
<b>27</b>	<ol style="list-style-type: none"> <li>1. Screen-based trading refers to the process of buying or selling securities online.</li> <li>2. Dematerialisation refers to the process of holding securities in electronic form. The two advantages of Dematerialisation as follows: <ul style="list-style-type: none"> <li>• The securities in the demat account can be offered as security to raise loans.</li> <li>• Since the shares certificates are not held in physical form, there is no danger of loss, theft or forgery.</li> </ul> </li> </ol>	<b>1+2=3</b>
<b>28</b>	<ol style="list-style-type: none"> <li>1. Developmental function is being carried out by SEBI by starting a certification programme for all market intermediaries.</li> <li>2. SEBI was set up as a regulatory body by the government for the following reasons: <ul style="list-style-type: none"> <li>• To curb malpractices in the financial market.</li> <li>• To enhance the confidence of the investors by ensuring fair, efficient and transparent dealings.</li> </ul> </li> </ol>	<b>1+2=3</b>
<b>29</b>	<ol style="list-style-type: none"> <li>1. The company can raise finance by allotting securities to selective individuals and institutions only through Private Placement. It is a relatively economical way of raising money as it helps to save time, cost and money involved in the process of issuing securities.</li> <li>2. No, the company cannot raise capital through a right issue as it is issuing securities for the first time. A rights issue is a pre-emptive right given only to the existing shareholders to subscribe to the securities of the company as per its terms and conditions.</li> </ol>	<b>2+2=4</b>
<b>30</b>	<ol style="list-style-type: none"> <li>1. SEBI has to be responsive to the needs of three groups, which constitute the market namely: <ul style="list-style-type: none"> <li>• The issuers of securities so as to provide them a platform</li> </ul> </li> </ol>	<b>1X3+1=4</b>

	<p>for raising capital in an easy, effective and efficient manner.</p> <ul style="list-style-type: none"> <li>• The investors so as to protect their interests in securities by keeping them abreast about the developments through true and appropriate information.</li> <li>• The market intermediaries in order to provide them a framework so as to enable them perform their functions effectively and efficiently.</li> </ul> <p>Regulatory function is being performed by SEBI: “On conducting a probe Securities and Exchange Board of India (SEBI) finds Ragunath Ahuja guilty of insider trading.”</p>	
<b>31</b>	<p>Ragu will have to initiate the following steps for trading through a Demat system:</p> <ul style="list-style-type: none"> <li>• He will have to first open a Demat account with a depository participant (DP) who may either be a bank, broker or financial services company by furnishing certain details and information about himself including PAN number, date of birth, bank account details, income details etc.</li> <li>• If he plans to buy shares through a public offer he will have to give details of his Demat account, bank account etc. On allotment the shares will be directly credited to his account.</li> <li>• If he decides to buy shares otherwise, he will have to instruct his broker with the details about the name of the company, number of shares, price etc. The transaction will be executed through the depository participant and he will have to make payment for them within T + 2 days.</li> <li>• On contrary, whenever he decides to sell shares, he will have to instruct his broker with the details about the name of the company, number of shares, price etc. The transaction will be executed through the depository participant and his account will be debited accordingly. He will receive the payment in T + 2 days.</li> </ul>	<b>1X4=4</b>
<b>32</b>	<ol style="list-style-type: none"> <li>1. Call money is the instrument used by ‘Subh Bank’ to meet its short term requirements of funds.</li> <li>2. Three features of call money are as follows: <ul style="list-style-type: none"> <li>• Call money is an instrument through which one bank may borrow money from another bank to maintain the cash reserve ratio as per the guidelines of RBI.</li> <li>• Its maturity period may be from a single day to a fortnight.</li> <li>• The rate at which the interest is paid on call money is called call rate.</li> </ul> </li> </ol>	<b>1+1X3=4</b>

33	<p>1. Commercial Papers can be used for Bridge financing by Ganesh Steel Ltd. as they are issued by large and credit worthy companies. The instrument is in the form of an unsecured promissory note and is freely transferable by endorsement. It is sold at discount and redeemed at par.</p> <p>2. Its maturity period may range from a fortnight to a year.</p> <p>3. It is also used to meet the short term seasonal and working capital requirements of a business enterprise.</p>	2+1+1=4																
34	<p>Primary market is the segment of capital market being approached by the company. It is also known as the new issue market as the securities are issued for the first time by the companies through this market.</p> <p>1. The two methods of floatation used by the company to raise the required capital are – Issue through prospectus and Offer for sale.</p> <p>In case of issue through prospectus, the company approaches the members of the general public directly by issuing a prospectus whereas in case of Offer for sale, the company approaches members of the general public indirectly through intermediaries like issuing houses, stock brokers etc.</p>	2+3=5																
35	<p>1. The two different types of capital market being referred to are-</p> <ul style="list-style-type: none"> <li>•Primary Market: “Arsh urged Ajay to invest in the forthcoming IPO of a blue chip companies.”</li> <li>•Secondary Market: “Ajay was inclined to buy existing securities of the other companies to build his investment portfolio.”</li> </ul> <p>Differences between Primary Market and Secondary Market:</p> <table border="1" data-bbox="367 1451 1166 1894"> <thead> <tr> <th>S. No</th> <th>BASIS</th> <th>PRIMARY MARKET</th> <th>SECONDARY MARKET</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Meaning</td> <td>It is the new issue market.</td> <td>It is the market for old securities.</td> </tr> <tr> <td>2</td> <td>Aspects</td> <td>Only buying of securities takes place.</td> <td>Both buying and selling of securities takes place.</td> </tr> <tr> <td>3</td> <td>Price</td> <td>Prices of the securities are determined by the company.</td> <td>Prices of the securities are determined by the</td> </tr> </tbody> </table>	S. No	BASIS	PRIMARY MARKET	SECONDARY MARKET	1	Meaning	It is the new issue market.	It is the market for old securities.	2	Aspects	Only buying of securities takes place.	Both buying and selling of securities takes place.	3	Price	Prices of the securities are determined by the company.	Prices of the securities are determined by the	1+4=5
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1	Meaning	It is the new issue market.	It is the market for old securities.															
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3	Price	Prices of the securities are determined by the company.	Prices of the securities are determined by the															

			forces of demand and supply.
4	Parties involved	It involves dealings between the company and investors	It involves dealings between the two investors.

<b>36</b>	<p>1. Bridge financing is the other name used for the funds required to meet floatation costs.</p> <p>2. Commercial Papers issued by large and credit worthy companies. The instrument is in the form of an unsecured promissory note and is freely transferable by endorsement. It is sold at discount and redeemed at par. Its maturity period may range from a fortnight to a year. It is also used to meet the short term seasonal and working capital requirements of a business enterprise. For example it is used for the purpose of bridge financing.</p>			<b>1+4=5</b>
	S. No	Basis	Capital Market	Money Market
	1	Duration	It is a market for long term funds	It is a market for short term funds whose maturity period is upto one year.
	2	Participants	The main participants in capital market are banks, financial institutions, corporate bodies, foreign investors and retail investors.	The main participants are institutional investors.
	3	Investment outlay	Since, the cost of securities may be low, investment can be made in the capital market can be with less capital.	Since the cost of securities may be high, investment in the money market requires huge capital outlay.
	4	Liquidity	The securities in capital market enjoy good	The securities in money market enjoy high liquidity

			liquidity.	as The Discount Finance House of India works as a compulsory market maker	
<b>37</b>	1. The objective of setting up SEBI are outlined below:				<b>1x5=5</b>
	<ul style="list-style-type: none"> <li>•To prevent trading malpractice in the securities markets.</li> <li>•To protect the rights and interest of investors, and to guide and educate them.</li> <li>•To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers, etc. with a view to making them competitive and professional.</li> <li>•To regulate stock exchanges and the securities market to promote their orderly functioning.</li> </ul> <p>Protective function is performed by SEBI: “The SEBI has imposed a penalty of Rs. 7,269.5 crore on Pearls Agrotech Corporation Limited.”</p>				
<b>38</b>	1. Securities And Exchange Board of India (SEBI) regulates the working of stock exchanges in India.				<b>1+3+2=6</b>
	2. Three functions performed by stock exchanges are as follows: <ul style="list-style-type: none"> <li>• Ensures liquidity and marketability of existing securities by a providing a ready and continuous market for the sale and purchase of securities.</li> <li>• Helps in determining the prices of the securities through the forces of demand and supply.</li> <li>• It provides a legal framework for fair and safe dealings.</li> </ul> Two advantages of screen-based trading are as follows: <ul style="list-style-type: none"> <li>• As the investors get access to the stock market during real time, there is complete transparency in the dealings.</li> <li>• It provides a common platform for exchange of securities thereby increasing the efficient transactions by saving time, effort and money.</li> </ul>				
<b>39</b>	1. Dematerialisation refers to the process of holding securities in electronic form.				<b>2+4=6</b>
	2. The two problems of holding shares in physical form are				

	<p>as follows:</p> <p>(1) When the shares certificates are held in physical form, there is danger of loss or theft.</p> <p>(2) There is risk of forgery, as the buyer may be delivered fake certificates .</p> <p>(3) Transfer delay</p> <p>(4) Paper work associated with the share certificates or debentures held in physical forms.</p>	
<b>40</b>	<p>1. Primary market is the segment of capital market being approached by the company. It is also known as the new issue market as the securities are issued for the first time by the companies through this market.</p> <p>2. The two methods of floatation used by the company to raise the required capital are – Issue through prospectus and Offer for sale.</p> <p>3. In case of issue through prospectus, the company approaches the members of the general public directly by issuing a prospectus whereas in case of Offer for sale, the company approaches members of the general public indirectly through intermediaries like issuing houses, stock brokers etc.</p>	<b>2+2+2=6</b>