Roll No:
Date: __/__/____

St. Claret College

Autonomous, Bengaluru

UG END SEMESTER EXAMINATION-MAY 2026
B.COM IV SEMESTER
BC 4325: STOCKS AND COMMODITY MARKET

27

TIME: 3 hours. **MAX. MARKS: 80**

This paper contains THREE printed pages and FOUR parts

Instructions:
1. **Verify and ensure that the question paper is completely printed.**
2. **Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.**
3. **Students must check the course title and course code before answering the questions.**

PART-A

Answer all the questions. Each answer carries ONE mark. **[10x1 = 10]**

1. Which of the following is a key feature of screen-based trading introduced by National Stock Exchange of India?
   a) Physical presence of traders in trading ring
   b) Open outcry system
   c) Electronic order matching system
   d) Paper-based settlement

2. The index SENSEX represents:
   a) Top 100 companies listed on NSE
   b) Top 30 companies listed on BSE
   c) All companies listed in India
   d) Only banking sector companies

3. Which of the following institutions is responsible for holding securities in electronic form in India?
   a) National Securities Depository Limited
   b) Reserve Bank of India
   c) Securities and Exchange Board of India
   d) Insurance Regulatory and Development Authority of India

4. The settlement cycle "T+1" in Indian financial markets means:
   a) Trade is settled one week after execution
   b) Trade is settled on the same day
   c) Trade is settled one day after the transaction date
   d) Trade is settled after one month

5. In the derivatives market, taking a "long position" in a futures contract means:
   a) Selling an asset expecting prices to fall
   b) Buying an asset expecting prices to rise
   c) Holding cash without trading
   d) Borrowing securities for short selling

6. Mark-to-Market (MTM) in futures trading refers to:
   a) Fixing the price of a contract at maturity
   b) Long-term valuation of securities
   c) Daily settlement of gains and losses based on market price
   d) Trading without margin requirements

7. In commodity markets, price discovery refers to:
   a) Determination of prices based on demand and supply forces
   b) Fixing prices by the government
   c) Random price fluctuations
   d) Prices set by brokers

8. A farmer using commodity derivatives to protect against falling prices is acting as a:
   a) Speculator
   b) Arbitrageur
   c) Hedger
   d) Broker

9. SCORES, introduced by SEBI, is a system used for:
   a) Trading securities online
   b) Registering and resolving investor complaints
   c) Issuing IPOs
   d) Calculating stock indices

10. Value at Risk (VaR) in stock markets is mainly used to:
   a) Predict company profits
   b) Eliminate all types of risk
   c) Fix stock prices
   d) Measure potential loss in value of an investment

PART-B

Answer any THREE questions. Each answer carries EIGHT marks. **[3x 8 = 24]**

11. What is demat account. Briefly explain the features of demat account.
12. Analyze the different instruments traded in the capital market based on risk and return.
13. Give the meaning of debt instruments. Elaborate the various types of debt instruments.
14. What do you mean by commodity market. Explain the features of commodity markets.
15. What is insider trading? Explain SEBI regulations to prevent insider trading and their effectiveness.

PART-C

Answer any THREE questions. It carries TWELVE marks. **[3x 12 = 36]**

16. Write a note on ring-based trading and screen-based trading explain its features.
17. Give the meaning of money market. Evaluate on the importance and instruments traded in money market.
18. Explain the various types of derivative contracts and its features.
19. Write a brief note on various commodity exchanges in India.
20. Analyze the role and functions of Securities and Exchange Board of India in regulating the Indian capital market.

PART-D

Answer the question. It carries TEN marks **[1 x 10 = 10]**

21. The Ketan Parekh scam of 2001

The Ketan Parekh scam of 2001 was a major stock market manipulation case in India that exposed serious weaknesses in market regulation, banking controls, and investor awareness. The scam occurred during a period of rapid growth in technology, media, and entertainment stocks, when market sentiment was highly optimistic and speculative.

Ketan Parekh, a stockbroker operating primarily on the Bombay Stock Exchange (BSE), focused on a select group of shares popularly known as the K-10 stocks. These stocks belonged mainly to technology and media companies with weak financial fundamentals but strong market hype. Using his influence and network of brokers, Parekh created artificial demand and trading volumes in these stocks.

To finance large-scale trading, funds were mobilized from cooperative banks and financial institutions, often without proper collateral or risk assessment. Circular trading practices were adopted, where shares were repeatedly bought and sold among connected entities to inflate prices. This led to abnormal increases in share prices, attracting retail investors who believed the rally was genuine.

The scam came to light in March 2001 when liquidity dried up and Ketan Parekh failed to meet his market obligations. Once funding stopped, stock prices collapsed sharply, leading to heavy losses for investors and triggering a broader market crash. The incident severely damaged investor confidence and highlighted the need for stronger regulatory oversight and risk management systems in Indian capital markets.

1. Explain how bank funding contributed to the Ketan Parekh scam. (5 Marks)
2. Analyze the role of speculation and market hype in this case. (5 Marks)

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