

MARKING SCHEME

MT 3 – BUSINESS STUDIES (054)

Q.N	ANSWERS	MARK
1	Access to capital market	1
2	Regulatory framework	1
3	Protective function	1
4	Measurement of actual performance	1
5	<p>Planning and controlling are inseparable twins of management.</p> <p>The standards established for the purpose of comparing actual results are the results of planning.</p> <p>When a plan becomes operational, controlling is essential to identify whether the plans are in conformity with the objectives of the organisation.</p> <p>If the standards are not set in advance, managers have nothing to control. When there is no plan, there is no basis of controlling. Planning is prescriptive whereas controlling is evaluative.</p> <p>Plans are prepared for future and are based on forecasts about future conditions where as controlling is like a post mortem of past activities to find out deviations from standards.</p> <p>Planning and controlling are both backward and forward looking function</p>	2
6	<p>FUNCTIONS OF STOCK EXCHANGE</p> <ul style="list-style-type: none"> • Providing liquidity and market ability to existing securities • Pricing of securities • Safety of transaction • Contributes to economic growth • Spreading of equity cult • Providing scope for speculation 	4
7	<p>a. $ROI = EBIT / \text{Total investment}$ $\text{Total investment} = 400000 + (10000 \times 760)$ $= 8000000$ $ROI = 200000 / 8000000 \times 100 = 2.5\%$</p> <p>b. CALCULATION OF EPS</p>	4

	<table><tr><td>EBIT</td><td>200000</td></tr><tr><td>(-) Interest (400000 x 14%)</td><td>56000</td></tr><tr><td>EBT</td><td>144000</td></tr><tr><td>(-) Tax @ 50%</td><td>72000</td></tr><tr><td>EAT</td><td>72000</td></tr><tr><td>Number of equity shares</td><td>10000</td></tr><tr><td>EPS (72000/10000)</td><td>7.2</td></tr></table> <p>The above investment proposal cannot be accepted as the cost of debt is higher than the ROI</p>	EBIT	200000	(-) Interest (400000 x 14%)	56000	EBT	144000	(-) Tax @ 50%	72000	EAT	72000	Number of equity shares	10000	EPS (72000/10000)	7.2	
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8	<p>TRADING AND SETTLEMENT PROCEDURE</p> <ul style="list-style-type: none">Any investor who want to take part in a stock market transaction have to approach any registered broker or sub broker and enter an agreement with himThe investor has to sign a broker – client agreement and to fill a client registration form before buying or selling a securityThe investor has to provide the details and information relating to PAN, DoB, education and qualification, residential status, bank account details, depository account details etc.Open a demat account with a depository participantThen places an order with the broker to buy or sell a securityThe broker then will go online and connect to the main stock exchange and match the shares and best price availableWhen the price quoted matches with the transaction, it will be communicated with the brokers terminal and the order will be executed electronically. The broker issues a trade confirmation slip to the brokerAfter the trade has been executed, the broker issues a contract note within 24 hours.Now the investor has to deliver the shares sold or pay cash for the shares bought on pay in day which is before T + 2 day.On the T + 2 day, the exchange will deliver the shares or make the payment.	6														
	<p>THE END</p>															