

St. Mira's College for Girls,  
 (Autonomous-Affiliated to Savitribai Phule Pune University)  
 Class: TYBCOM  
 Subject: Banking and Finance - II  
 Subject Code: C51706  
 SEM V  
 (2017-18)

Unit 3: Indian Capital Market

Skill Development - Mathematical and Analytical ability – understanding the process of calculation of SENSEX and NIFTY

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Questions:

A. Base Year to

Particulars	Reliance Ltd	Suzlon Ltd
1. Outstanding shares	20,000	40,000
2. Face Value	₹ 10	₹ 10
3. Market Value	₹ 20	₹ 40
4. Shares held by promoters	15,000	30,000

B. Current Year

Particulars	Reliance Ltd	Suzlon Ltd
1. Outstanding shares	50,000	30,000
2. Face Value	₹ 10	₹ 10
3. Market Value	₹ 50	₹ 60
4. Shares held by promoters	10,000	5,000

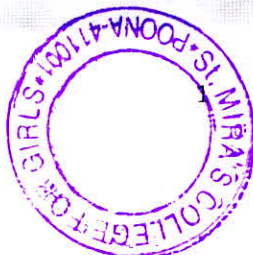
Solution

Reliance Ltd - Base Year Calculations  
 b/s of Reliance Ltd.

Liabilities	Am't	Assets	Am't
Outstanding share (20,000 equity share of ₹ 10 each)	<u>2,00,000</u>	Total Assets	<u>2,00,000</u>

1. Book Capitalisation = no. of outstanding shares × face value  
 $= 20,000 \times 10$   
 $= ₹ 2,00,000$

2. Full Market Capitalisation = no. of outstanding shares × market value  
 $= 20,000 \times 20 = ₹ 4,00,000$



*J.B.*  
 Principal Incharge  
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3. Calculation of Free Float Market Capitalisation  
20,000 shares

Held by promoter  
15,000

Held by Public  
5,000  
(Free Float Shares)

$$\begin{aligned} \text{Free Float Market Capitalisation} &= \text{no. of free float shares} \times \text{market value} \\ &= 5,000 \times 20 \\ &= \boxed{1,00,000} \end{aligned}$$

Free Float Market Capitalisation of Reliance Ltd. in base year

Suzolon Ltd - Base Year Calculations  
B/S of Suzolon Ltd.

Liabilities	Amt	Assets	Amt
Outstanding Shares (40,000 equity shares of ₹10 each)	4,00,000	Total Assets	4,00,000

1. Book Capitalisation = no. of outstanding shares × face value  
 $= 40,000 \times 10$   
 $= \underline{4,00,000}$

2. Full Market Capitalisation = no. of outstanding shares × market value  
 $= 40,000 \times 40$   
 $= \underline{16,00,000}$

3. Calculation of free float Market Capitalisation  
10,000 O/S Shares

Held by promoter  
30,000

(Free Float Shares)  
Held by Public  
10,000



  
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$$\text{Free Float Market Capitalisation} = \text{no. of } \overset{\text{free float}}{\text{o/s}} \text{ shares} \times \text{market Value}$$

$$= 40,000 \times 40$$

$$= \boxed{4,00,000}$$

Free Float Market Capitalisation of Suglon Ltd in Base Year

### Reliance Ltd - Current Year Calculations

#### B/S of Reliance Ltd.

Liabilities	Am't	Assets	Am't
Outstanding shares (50,000 equity shares of ₹10 each)	<u>500,000</u>	Total Assets	<u>500,000</u>

$$\begin{aligned} 1. \text{ Book Capitalisation} &= \text{no. of outstanding shares} \times \text{face value} \\ &= 50,000 \times 10 \\ &= \underline{5,00,000} \end{aligned}$$

$$\begin{aligned} 2. \text{ Full Market Capitalisation} &= \text{no. of outstanding shares} \times \text{market value} \\ &= 50,000 \times 50 \\ &= \underline{25,00,000} \end{aligned}$$

#### 3. Calculation of Free Float Market Capitalisation: 50,000 o/s shares

Held by promoters 10,000	(Free float shares) Held by public 40,000
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$$\begin{aligned} \text{Free Float Market Capitalisation} &= \text{no. of free float shares} \times \text{market value} \\ &= 40,000 \times 50 \\ &= \boxed{20,00,000} \end{aligned}$$

Free float Market Capitalisation of Suglon Ltd in Current Year



  
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Suzolon Ltd - Current Year Calculations  
b/s of Suzolon Ltd.

Liabilities	Am't	Assets	Am't
Outstanding Shares (30,000 equity shares of ₹10 each)	3,00,000	Total Assets	3,00,000

1. Book Capitalisation = no. of outstanding shares × face value  
= 30,000 × 10 = 3,00,000

2. Full Market Capitalisation = no. of outstanding shares × market value  
= 30,000 × 60  
= 18,00,000

3. Calculation of Free Float Market Capitalisation  
30,000 o/s shares

(Free Float Shares)	
Held by promoters 5000	Held by public 25000

Free Float Market Capitalisation = no. of free float shares × market value  
= 25,000 × 60  
= 15,00,000

Free Float Market Capitalisation of Suzolon Ltd in Current Year

SENSEX = Free Float Market Capitalisation of Reliance Ltd  
and Free Float Market Capitalisation of Suzolon Ltd  
in Current Year

Free Float Market Capitalisation of Reliance Ltd × 100  
and Free Float Market Capitalisation of  
Suzolon Ltd in Base Year

=  $\frac{20,00,000 + 15,00,000}{100,000 + 4,00,000} \times 100$

=  $\frac{35,00,000}{5,00,000} \times 100 = 700$  times Ans.

Meenakshi Wagh MsWagh

Name and Signature of the Faculty:  
Dr. Meenakshi Wagh

  
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