

FOURTH SEMESTER M.A. DEGREE EXAMINATION, MARCH 2020

(CUCSS)

Economics

ECO 4C 14—FINANCIAL MARKETS

: Three Hours

Maximum : 36 Weightage

Part A

*Answer all questions.**Each bunch of four questions carries a weightage of 1/4.*

Multiple Choice Questions :

As regards to changes in interest rates, the most sensitive money market is the :

- a) Call Money Market.
- b) Commercial Bill Market.
- c) Treasury Bill Market.
- d) Bond Market.

The act of simultaneously buying and selling a currency in one market and selling in another market is called :

- a) Hedging.
- b) Pegging.
- c) Arbitrage.
- d) Any of these.

A major Financial Inclusion Initiative named as "Swabhiman" was formally launched on :

- a) April 2015.
- b) February 2011.
- c) January 2013.
- d) November 2017.

The rate at which the Central Bank discounts the bills of Commercial Banks is called :

- a) Repo rate.
- b) Reverse Repo rate.
- c) Discount rate.
- d) Interest rate.

The term 'carried interest' is mostly used in the context of :

- a) Private Equity Fund.
- b) Mutual Fund.
- c) Share Market.
- d) Preference Shares.

Capital market consist of :

- a) Equity and debt market.
- b) Derivative market.
- c) Both (a) and (b).
- d) None of these.

Turn over

7. Instruments of money market are :
- a) Call and Notice Money.
 - b) Certificate of Deposit.
 - c) Commercial Papers.
 - d) All the above.
8. The lowering or raising of discounts or interest rates of commercial bank with the central bank referred to as :
- a) Open Market Operation.
 - b) Bank Rate Policy.
 - c) Cash Reserve Ratio.
 - d) Statutory Liquidity Ratio.
9. The stock or shares of the highest quality, with long records of earnings and dividends, of known, or stable companies :
- a) Gilt-edged security.
 - b) Fixed income securities.
 - c) Blue chip stocks.
 - d) Preferred stock.
10. Market in which securities are sold for the first time :
- a) Money Market.
 - b) Primary Market.
 - c) Capital Market.
 - d) Secondary Market.
11. The market in which prices are going up and the market sentiments are highly optimistic :
- a) Bearer Market.
 - b) Bull market.
 - c) Primary Market.
 - d) Secondary Market.
12. The arrangements in which investment bankers undertake to ensure the full success of the sale of securities :
- a) Swap contract.
 - b) Letter of credit.
 - c) Underwriting.
 - d) Acceptance houses.

(12 × ¼ = 3 weight)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

- 13. Financial innovations.
- 14. Call money market.
- 15. Mutual funds.
- 16. Primary market.
- 17. P-notes.
- 18. Credit rating.
- 19. Clearing House.
- 20. Foreign currency swap.

(5 × 1 = 5 weight)

Part C (Short Answer Questions)

Answer any eight questions.

Each question carries a weightage of 2.

21. What are the objectives of development banks ?
22. What are the components of a good financial system ?
23. What are the functions of commercial banks ?
24. Explain the significance of treasury bill market.
25. Critically examine financial sector reforms in India since 1991.
26. Describe the regulatory and promotional functions of SEBI.
27. Elucidate major functions and important role played by RBI in Indian economy.
28. "Commercial banks are special among the intermediaries for the development of the economy". Justify.
29. Who are the various participants in money market ?
30. What do you mean by lead bank scheme ?
31. Critically examine the highlights of Narasimham Committee report.

(8 × 2 = 16 weightage)

Part D (Essay Questions)

Answer any three questions.

Each question carries a weightage of 4.

32. What are the constituents of Financial Derivative Market ?
33. Describe recent financial innovations and developments in Indian Financial Market.
34. Explain the structure and functions of Indian Security Market.
35. Describe the role of International Financial Institutions in Indian Financial Market.
36. What are capital market institutions ? Describe their functions.

(3 × 4 = 12 weightage)