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MBA/IVS/F-403/12

2012

MASTER OF BUSINESS ADMINISTRATION

[Fourth Semester Examination]

FINANCIAL INSTITUTIONS AND MARKETS

(Specialisation : Financial Management)

PAPER—F 403

Full Marks : 100

Time : 3 hours

The figures in the right-hand margin indicate marks

*Candidates are required to give their answers in their
own words as far as practicable*

Illustrate the answers wherever necessary

**Write the answers to questions of each Half
in separate books**

(Turn Over)

FIRST HALF

[Marks : 50]

1. Answer any *four* questions : 5 × 4
- (a) What do you mean by capital market ? Discuss the features of the Indian capital market.
 - (b) Distinguish between deposit multiplier and credit multiplier and discuss their importances. Show how a multiplier works itself out.
 - (c) Discuss the relation between bond price and interest rate. Define the concept of liquid assets and give some examples.
 - (d) What do you mean by liquidity trap ? What is its implication so far as monetary measures for credit control are concerned ?
 - (e) Discuss the functions of commercial banks.
 - (f) Distinguish between Unit Trusts and Investment Trusts. Briefly discuss the growth of Unit Trusts in India.

2. Answer any *two* questions : 10 × 2

- (a) Discuss the most important recommendations of M. Narasimham committee (1991) on the financial reforms in India. Examine its effect on the performance of the banking system in the country.
- (b) Why was SEBI established by the government of India ? Discuss the constitution, organisation and powers of the SEBI.
- (c) What are the objectives of the ICICI ? Discuss the types of services offered by ICICI bank. In this connection discuss the role of technology in providing services to its clients.

[*Internal Assessment* : 10 Marks]

SECOND HALF

[*Marks* : 50]

3. Answer any *four* questions : 5 × 4

- (a) What are the functions of a financial system ?
- (b) Compare GDRs and ADRs as a source of resource mobilisation from international markets.

- (c) What are the benefits that a depository system provides to an investor ?
- (d) What are Treasury Bills ? Discuss about its features.
- (e) Explain the difference between futures and options.
- (f) During a year the price of Indian gilts (face value Rs. 1,000) rose from Rs. 1,050 to Rs. 1,100, while paying a coupon of Rs. 80. At the same time the exchange rate moved from Rs./\$ 52.50 to 54. What is the total return to an investor in USA who invested \$ 1000 in this security ?

4. Answer any *two* questions : 10 × 2

- (a) Write about the settlement process mechanism involved in the cash market segment of NSE/BSE.
- (b) What is CBLD ? How has it emerged as a predominant segment in money market ?
- (c) A portfolio manager expects to receive Rs. 5,00,000 after three months from now. He wants to use the funds to buy 25,000 shares of X Ltd., which are currently traded at Rs. 20 per share. Beta for

X Ltd.'s share is 1·20. Show the way the portfolio manager can utilize stock index futures to hedge his position, given that 3-month Nifty futures are traded at Rs. 1,200. Illustrate the cash flow for strategy developed by you for 2% change in Nifty. Assume 1 Nifty lot = 200 units.

[*Internal Assessment* : 10 Marks]
