

Total Pages—6

MBA/IVS/F-403/13

2013

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**

FIRST HALF

[Marks : 50]

(Turn Over)

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

(a) Distinguish between Intermediary Banking Institutions and Non-intermediary Banking Institutions. Name one of the institutions in each group and write down their functions. 2 + 3

(b) How do the banks create deposits ? Illustrate with an example. Distinguish between primary deposits and secondary deposits. 3 + 2

(c) Define "High Power Money". Distinguish between 'Narrow Money' and 'Broad Money'. Which of these two is considered as the stock of money in the country and why ? 2 + 3

(d) Discuss when and why the financial reforms were introduced in India. 1 + 4

(e) State in detail the recommendations of Narasimham Committee (1991) on the structural reorganisation of the Banking System in India. 5

(f) When and why was the RBI set up and why is it so named ? Discuss its functions. 2 + 3

(3)

2. Answer any *two* questions : 10×2

(a) Distinguish between cash reserve and excess reserve, Define the concept of money multiplier. Derive the formula for money multiplier with demand deposits and with demand and time deposits. $2 + 2 + 3 + 3$

(b) Discuss and critically examine the Keynesian theory of rate of interest. $4 + 6$

(c) Define the concepts of 'directed investment's and 'directed credit programmes'. Discuss the effects of these two types of programmes on the banking system in India in the pre-financial reforms period. $4 + 6$

(d) Discuss the anti-inflationary policies of the RBI. Comment on the efficacy of these policies in controlling inflation. $6 + 4$

[*Internal Assessment* : 10 Marks]

(4)

SECOND HALF

[Marks : 50]

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

- (a) Discuss in brief about the key elements of a well functioning financial system.
- (b) State the characteristics of stock future market in India.
- (c) Elucidate the role of Clearing Corporation of India Ltd. in the Indian money market.
- (d) What are sweat equity shares ? What are the conditions that needs to be complied for issuing such shares ?
- (e) A company has issued commercial papers on 17.4.2013 for 75 days maturity. Determine issue price of the commercial paper assuming implicit annual rate of interest at 12.75 %.

(f) Mr. X established the following spread on the Tulip Corporation's stock :

(i) Purchased one 2 month call option with a premium of Rs. 30 and an exercise price of Rs. 650.

(ii) Purchased one 2 month put option with a premium of Rs. 5 and an exercise price of Rs. 550.

Tulip Corporation's stock is currently selling at Rs. 600. Determine profit or loss, if the price of Tulip Corporation's share :

(I) remains at Rs. 600 after 2 months.

(II) falls at Rs. 450 after 2 months.

(III) rises to Rs. 700.

Assume the size of option is 100 shares of Tulip Corporation.

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

(a) What are Commercial Bills ? Discuss about the various types of commercial bills as money market instruments.

(6)

- (b) Define Sensitivity index. Explain the methodologies for calculating the index.
- (c) Write about the various activities undertaken in a depository process.

[*Internal Assessment* : 10 Marks]
