

2014

M B A

4th Semester Examination

Subject : FINANCIAL INSTITUTIONS AND MARKETS

(Specialization : Financial Management)

PAPER—F-403

Full Marks : 100

Time : 3 Hours

The figures in the right-hand margin indicate full 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)

1. Answer any four questions : 4×5
- (a) Discuss the role of interest rate in controlling the demand for and the supply of money. 5
- (b) What are the motives for holding money ? Discuss the factors that determine these motives. 3+2

(Turn Over)

- (c) Explain the concept of "liquidity trap". How is the efficacy of monetary policies limited by this trap? Discuss. 3+2
- (d) What is NPA? What steps have been taken by the RBI to minimize the size of NPA of the banks in India? 2+3
- (e) Distinguish between Tier I and Tier II capitals. Why was this new capital framework introduced in the Indian financial market? 3+2
- (f) Discuss briefly the innovative services that ICICI offers to its customers. 5

2. Answer any *two* questions : 2×10

- (a) Discuss the measures that are adopted by the RBI to control supply of and demand for money. Give your comment on the efficacy of these measures in controlling credit. 8+2
- (b) Discuss the factors that led to the rapid growth in deposit mobilization and credit expansion by the commercial banks in India since 1990-91 till date. Briefly write the rate of growth of these two during this period.
- (c) What are the main objectives behind the establishment of SEBI in 1988? Discuss the powers in regulating capital market. 5+5

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

3. Answer any *four* questions : 4×5

- (a) How does an efficient financial system ensure smooth functioning of an economy ?
- (b) Write a short note on Money Market Mutual Funds.
- (c) Explain the differences among hedging speculation and arbitrage.
- (d) Explain the functioning of NSDL.
- (e) From the following particulars, calculate the effective rate of interest p.a. as well as the total cost of funds to Bhoomi Ltd., which is planning a CP issue :

Issue price of C.P.	Rs. 97,550
---------------------	------------

Face Value	Rs. 1,00,000
------------	--------------

Maturity period	3 months
-----------------	----------

Issue Expenses :

Brokerage	0.15% for 3 months
-----------	--------------------

Rating charges	0.50% p.a.
----------------	------------

Stamp Duty	0.175% for 3 months
------------	---------------------

- (f) Current price of A. Ltd. shares is Rs. 1,000. In three months, this price can go up by 5% or can come down by 5%. 3 month call on A Ltd. share is available at strike price Rs. 1,030. Ascertain the value of perfectly hedged portfolio.

4. Answer any *two* questions : 2×10

- (a) Enumerate the various types of buy and sell orders placed by investors in a stock exchange.
- (b) What do you mean by Repos ? State the different types of repos. How does RBI use repos as a tool for managing liquidity in the money markets ?
- (c) Discuss "Bought Out Deals" clearly stating its advantages and disadvantages.

[Internal Assessment : 10 Marks]
