

2008

[1st Semester]

FINANCIAL INSTITUTIONS AND MARKETS

PAPER—CM-1104

Full Marks : 50

Time : 2 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

UNIT – I

[Marks : 20]

1. Answer any *two* questions : 5×2

(a) Mention important components of the financial system.

(b) State three important recommendation of the Narasimhans Committee on Banking Sector Reforms.

(c) Treasury bill is an important short-term source of finance for the government and it is also a popular instrument with money market investors. Explain the above statement.

(d) Briefly explain the various causes of 'interest rate differential' in India.

2. Answer any *one* question from the following : 10×1

(a) (i) "There is a close relationship between financial system and economic growth."
Justify the statement.

(ii) What do you mean by Net Assets value (NAV) of a Mutual Fund Scheme ?

(iii) What is 'front-end-load' of a Mutual Fund Scheme ? 5 + 3 + 2

(b) (i) Discuss the role of Development Financial Institutions in Indian economy.

- (ii) Write short notes on Repo Rate and Bank Rate. 7 + 3

UNIT – II

[Marks : 20]

3. Answer any *two* questions from the following : 5×2

(a) Mention capital market instruments traded in India.

(b) Write a short note on 'Listing of Securities'.

(c) Mr. B buys a call option of "100 ACC shares @ Rs. 200 per share as on 01.03.09" at a premium of Rs. 5 per share from Mr. S on 01.01.09. If on 01.03.09, the actual market price of the shares is either Rs.190 or Rs. 225, what may be Mr. B's decision and gain/loss ?

(d) What are the benefits of an issue of/investment in 'convertibles' from the viewpoints of a company/an investor ?

4. Answer any *one* question from the following : 10×1

(a) (i) Discuss the role of lead managers in case of preissue management.

(ii) Write short notes on 'Warrants' and 'GDR'.

4 + (3 + 3)

(b) (i) Distinguish between 'cash method' and 'margin method' of on-line trading of shares.

(ii) What are the benefits in case of holding and trading of shares in dematerialized segment in comparison to the physical segment.

(iii) What are the rights and obligations of an option writer (or seller) in an options contract ?

3 + 4 + 3

[*Internal Assessment* : 10 Marks]
