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- Q.6 Attempt any two:
- i. Explain the term 'depositories.' What type of services do depositories provide? **5**
 - ii. What is the role of NABARD in the rural credit? **5**
 - iii. "Rural Banks are important financial institutions in the rural credit structure." Comment. **5**

Total No. of Questions: 6

Total No. of Printed Pages:4

Enrollment No.....



Faculty of Commerce
End Sem (Even) Examination May-2019
CM3EA10 Financial Markets & Institutions
Programme: B.Com.(Hons) Branch/Specialisation: Commerce

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. Financial intermediation is best described as: **1**
- (a) The flow of savings of lenders to borrowers in return for the IOU of the borrower
 - (b) The flow of borrowed funds directly to deficit spending units
 - (c) The purchase of indirect financial claims of FIs & the subsequent purchase of direct financial claims, held as liabilities of FIs
 - (d) The purchase of direct financial claims with funds raised by issuing separate indirect financial claims to savers.
- ii. The purpose of financial markets is to: **1**
- (a) Increase the price of common stocks
 - (b) Lower the yield of bonds
 - (c) Allocate savings efficiently
 - (d) Control inflation
- iii. How are funds allocated efficiently in the market economy? **1**
- (a) The most powerful economic unit receives the fund
 - (b) The economic unit that is willing to pay the highest expected return receives the funds
 - (c) The economic unit that considers itself most in need of funds receives them
 - (d) Receipt of the funds is rotated so that each economic unit can receive them in turn

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- iv. Authority which intervenes directly or indirectly in foreign exchange markets by altering interest rates is considered as: **1**
 (a) Centralized Instruments (b) Centralized Stocks
 (c) Central Government (d) Central Corporations
- v. The money market is an important financial market because: **1**
 (a) The money market is the World's liquidity market
 (b) It is the market in which the central bank conducts monetary policy
 (c) The government finances most of its credit needs in the money market
 (d) All of these
- vi. Money market where debt & stocks are traded & maturity period is more than a year is classified as: **1**
 (a) Short-Term market (b) Capital Market
 (c) Counter Markets (d) Long-term Markets
- vii. Depository institutions that concentrate loans in one segment such as consumer loans are considered as: **1**
 (a) Thrifts (b) State Bank
 (c) Global Bank (d) Multinational Institutions
- viii. Insider trading occurs when: **1**
 (a) Someone has information not available to the public which they use to make profit from trading in stocks
 (b) Corporate officers buy stock in their company
 (c) Lawyers, investment bankers & others buy common stock in companies represented by their firms
 (d) Any stock transactions occur in violation of the Federal Trade Commission's restrictions on monopolies
- ix. Economists group commercial banks, saving & loan associations, credit unions, mutual funds, insurance companies & finance companies together under the heading Financial Intermediaries: **1**
 (a) Act as middleman, borrowing funds from those who have saved & lending these funds to others
 (b) Produce nothing of value & are therefore a drain on society's resources
 (c) Help promote a more efficient & dynamic economy
 (d) Do only (a) and (c) of these

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- x. Which of the following can be described as involving direct finance? **1**
 (a) People buy shares in a mutual fund
 (b) A pension fund manager buys commercial paper in the secondary market
 (c) An insurance company buys shares of common stock in the over-the-counter market
 (d) None of these
- Q.2 i. What is financial system? **2**
 ii. Discuss the types of financial markets. **3**
 iii. "There is a close relationship between the financial system & economic growth." Comment critically. **5**
- OR iv. Discuss the various indicators of financial development. **5**
- Q.3 i. Define role of NBFCs. **2**
 ii. Differentiate financial exclusion & financial inclusion. Why financial inclusion is important in India? **8**
- OR iii. Discuss the role of RBI as a regulator & supervisor of financial system. **8**
- Q.4 i. Compare between the treasury bills and the commercial papers. **3**
 ii. What is money market? Briefly define the instruments of money market. **7**
- OR iii. What are repos? State the different types of repos. How does the Reserve bank use repos as a tool for managing liquidity in the money market? **7**
- Q.5 i. State the functions of SEBI. **4**
 ii. What is a capital market? What are the functions of capital market? How does it aid economic growth? **6**
- OR iii. What are the services provided by a stock exchange? What are the distinctive features of stock markets in India? **6**

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Marking Scheme

CM3EA10 Financial Markets & Institutions

Q.1	i.	Financial intermediation is best described as:	1
		(d) The purchase of direct financial claims with funds raised by issuing separate indirect financial claims to savers.	
	ii.	The purpose of financial markets is to:	1
		(c) Allocate savings efficiently	
	iii.	How are funds allocated efficiently in the market economy?	1
		(b) The economic unit that is willing to pay the highest expected return receives the funds	
	iv.	Authority which intervenes directly or indirectly in foreign exchange markets by altering interest rates is considered as:	1
		(c) Central Government	
	v.	The money market is an important financial market because:	1
		(d) All of these	
	vi.	Money market where debt & stocks are traded & maturity period is more than a year is classified as:	1
		(b) Capital Market	
	vii.	Depository institutions that concentrate loans in one segment such as consumer loans are considered as:	1
		(a) Thrifts	
	viii.	Insider trading occurs when:	1
		(a) Someone has information not available to the public which they use to make profit from trading in stocks	
	ix.	Economists group commercial banks, saving & loan associations, credit unions, mutual funds, insurance companies & finance companies together under the heading Financial Intermediaries:	1
		(d) Do only (a) and (c) of these	
	x.	Which of the following can be described as involving direct finance?	1
		(d) None of these	
Q.2	i.	Financial system	2
	ii.	Two types of financial markets.	3
		1.5 marks for each (1.5 marks * 2)	
	iii.	“There is a close relationship between the financial system & economic growth.”	5
		Any five points 1 mark for each (1 mark *5)	
OR	iv.	Any five indicators of financial development.	5
		1 mark for each (1 mark *5)	

Q.3	i.	Any two role of NBFCs.	2
		1 mark for each (1 mark *2)	
	ii.	Differentiate financial exclusion & financial inclusion	8
		1 mark for each point (1 mark * 4)	4 marks
		Financial inclusion is important in India	
		1 mark for each point (1 mark * 4)	4 marks
OR	iii.	Role of RBI as a regulator	8
		1 mark for each (1 mark * 4)	4 marks
		Role of RBI as a Supervisor	
		1 mark for each (1 mark *4)	4 marks
Q.4	i.	Compare b/w treasury bills and the commercial papers.	3
		1 mark for each (1 mark * 3)	
	ii.	Money market	7
		Any five instruments of money market.	
		1 mark for each (1 mark * 5)	5 marks
OR	iii.	Repos	7
		Types of repos	2 marks
		Reserve bank use repos as a tool	3 marks
Q.5	i.	Any four functions of SEBI.	4
		1 mark for each (1 mark * 4)	
	ii.	Capital market	6
		Functions of capital market	4 marks
		Capital market aid economic growth	1 mark
OR	iii.	Services provided by a stock exchange	6
		1 mark for each (1 mark * 3)	3 marks
		Features of stock markets in India	
		1 mark for each (1 mark * 3)	3 marks
Q.6		Attempt any two:	
	i.	Depositories	5
		Type of services do depositories provide	2 marks
		3 marks	
	ii.	Any five role of NABARD in the rural credit	5
		1 mark for each (1 mark * 5)	
	iii.	“Rural Banks are important financial institutions in the rural credit structure.” Comment.	5
		Any five points 1 mark for each (1 mark * 5)	
