

C 5584

(Pages : 4)

Name.....

Reg. No.....

SECOND SEMESTER M.A. DEGREE (REGULAR) EXAMINATION**APRIL 2021**

(CBCSS)

Econometrics

ECM 2C 07—FINANCIAL MARKETS

(2020 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

1. *In cases where choices are provided, students can attend all questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub-section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A (Multiple Choice Questions)*Answer all questions.**Each question carries a weightage of 1/5.*

1. _____ are forward contracts where one stream of future interest payments is exchanged for another based on a specified principal amount.
 - (a) Foreign currency swaps.
 - (b) Interest rate swaps.
 - (c) Put Options.
 - (d) Futures.
2. Which of the following statements is not true with regard to the money market ?
 - (a) It involves low market risk.
 - (b) It is situated at specific locations.
 - (c) Deals in unsecured and short-term debt instruments.
 - (d) The instruments traded are highly liquid.

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3. Which of the following statements is not true with regard to Call money ?
- (a) It is short-term finance repayable on demand.
 - (b) Its maturity period ranges from one day to fifteen days.
 - (c) There is a direct relationship between call rates and other short-term money market instruments.
 - (d) It is used for inter-bank transactions.
4. _____ was promoted by RBI with the main objective of fostering an active secondary market in Government of India Securities and Public Sector bonds.
- (a) Stock Holding Corporation of India.
 - (b) Securities Trading Corporation of India.
 - (c) Securities and Exchange Board of India.
 - (d) None of the above.
5. _____ is a foreign currency denominated convertible bond issued by an Indian company abroad, which the holder can convert into equity shares.
- (a) American Depository Receipts.
 - (b) Global Depository Receipts.
 - (c) Foreign Currency Convertible bonds.
 - (d) Euronotes.
6. _____ is a standardized contract that obliges the buyer to purchase some underlying commodity at a predetermined future price and date.
- (a) Commodity futures contract.
 - (b) Put Options.
 - (c) Call Options.
 - (d) Swaps.
7. _____ has come via advances in financial instruments, technology, and payment systems.
- (a) Financial innovation.
 - (b) Financial inclusion.
 - (c) Financial growth.
 - (d) Financial integration.
8. How many companies are included in the NIFTY of India ?
- (a) 30.
 - (b) 50.
 - (c) 111.
 - (d) 25.
9. _____ trade on a futures exchange and a contract's price settles after the end of every trading session.
- (a) Futures contracts.
 - (b) Swaps.
 - (c) Eurobonds.
 - (d) Eurodollars.

10. _____ refer to excess reserves held by financial institutions, over and above the mandated reserve requirements of the central bank.
- (a) Call money. (b) Bill of Exchange.
(c) Federal Funds. (d) Commercial Bills.
11. The risk of losing money invested in mutual funds is called :
- (a) Capital risk. (b) Scheme risk.
(c) Credit risk. (d) Market risk.
12. The _____ is a form of payment that is guaranteed by a bank rather than an individual account holder.
- (a) Banker's Acceptance. (b) Negotiable certificate of deposits.
(c) Interbank market. (d) Commercial Paper.
13. _____ are financial instruments required by investors or hedge funds to invest in Indian securities without having to register with the Securities and Exchange Board of India (SEBI).
- (a) Investor Protection. (b) Participatory notes.
(c) Foreign Institutional Investment. (d) None of the above.
14. _____ allow the holder to buy an underlying security at the stated strike price by the expiration date.
- (a) Call Options. (b) Put Options.
(c) Interest rate swaps. (d) Foreign currency swaps.
15. _____ an organization that acts as both the issuer and guarantor for options and futures contracts.
- (a) International Monetary fund. (b) London Stock Exchange.
(c) Options Clearing Corporation. (d) Reserve Bank of India.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

16. What is Dematerialization ?
17. What is credit rating ?
18. What are offshore funds ?
19. What is financial inclusion ?
20. What is a Bond ?

Turn over

21. What is an American Depository Receipt ?
22. What is a Derivative ?
23. What is an Initial Public Offer (IPO) ?

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any seven questions.

Each question carries a weightage of 2.

24. Write a note on Investment banks.
25. What are the advantages and disadvantages of Foreign Institutional Investments (FII) ?
26. What is the role of the 'Primary Market'.
27. Which are the factors that influence the price of a stock ?
28. Which all institutions act as investment intermediaries ? Give a brief description.
29. What are the features of debt instruments ?
30. What are Mutual funds ? What are the risks involved in Mutual Funds.
31. Explain in brief the important money market instruments.
32. write a short note on Credit Analysis and Research limited (CARE).
33. Write a short note on money market reforms in India since 1991.

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any two questions.

Each question carries a weightage of 4.

34. Explain the process of multiple credit creation by commercial banks and also explain its limitations.
35. Describe the emergence and the current status of the Eurocurrency market.
36. Explain the capital market reforms in India since 1991.
37. Describe the types of options and the uses of options.

(2 × 4 = 8 weightage)