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FYBCOM (F.M)

P. Code :- 57128

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M.U.P./J.Exam.2069-40,000x8pp.-2-14.

**Questions should be —
 WRITTEN IN LEGIBLE HANDWRITING IN BLACK INK.
 SIGNS, SKETCHES OR FIGURES IF ANY BE DRAWN IN NEAT BLACK INK,
 so as to avoid mistakes in the printed question papers.**

Duration Hours.

Total Marks assigned to the paper

FYBFCM — Introduction to Financial System

Q. No.

Marks

N.B. :

Answer Keys.

- Q.1.A. 1) Financial
 2) AMC
 3) Fee
 4) Virtual
 5) Money
 6) Arbitrageurs
 7) RBI
 8) FMC
 9) Hybrid
 10) Derivatives

- Q.1.B) 1) False
 2) True
 3) True
 4) False
 5) True
 6) False
 7) True
 8) False
 9) False
 10) True

Q.2. Components of financial markets:

↳ Capital market, Money market, Currency Market and Commodity Markets

OR

Q.2 (c) Functions of financial markets:-

- 1) Mobilising savings, facilitating investments
- 2) Transfer and management of risk
- 3) Improved Liquidity
- 4) Lower transaction costs

(d) Role of Banking system:

- 1) Largest player in financial system
- 2) Risk distributors
- 3) Regulated and hence safe.
- 4) Money to all kinds of borrowers.

Q.3 a. Difference between organised and unorganised financial markets:-

- 1] Introduction (Definition)
- 2] Regulation
- 3] Size
- 4] Future

b. Functions of capital market.

- 1] Channelise funds
- 2] provide capital
- 3] liquidity and marketability
- 4] Rationalise cost
- 5] Enhance operational efficiency
- 6] Transparency and co-ordination

Q.3c. Participants in the currency markets: ^{OR}

Hedgers
Speculators
Arbitrageurs.

Q.3d. Advantages of capital market

1) Availability of capital

2) brings lenders and borrowers together

3) Counterparty risks are mitigated

4) Integrated with capital market

Disadvantages: -

1) Easy to get lost in oceans

2) Weakness in market is threat

3) Information asymmetry

4) Risk of default

5) open to fluctuations.

Q.4. a) IRDA's primary role: -

1) safeguard the interest of policyholders

2) systematic growth of insurance industry

3) provide long term funds.

4) Information about products

Q.4. b. Financial regulators are important: -

1] To make and enforce regulations

2] To prevent malpractices

3] Monitor and protect

4] Ensure competence

(OR)

Q. 4) Quantitative and qualitative credit control methods of RBI.

Quantitative methods:-
Open market operations, Reserve ratios, Repo & Reverse Repo, and Marginal Standing Facility.

Qualitative control methods:-
Varying margin requirements, selective credit controls, Moral suasion

Q. 5a) Features of debt instruments

- 1) Principal
- 2) Maturity
- 3) Coupon rate
- 4) Security
- 5) Call and put option

b) Advantages of equity instruments:-

- 1) No need to repay unless company is dissolved
- 2) Payment of dividend is optional
- 3) Raises credibility of company
- 4) No restrictions for using equity proceeds.

OR

Q. 5. Short notes - write in brief.