

Solution

Q1. Objective Questions:

A. Match the Columns: (Solve any 8 out of 10)

(8Marks)

Group A		Group B (Solution)
1	Reserve Bank of India	1935
2	T- Bill	Liquid Instruments
3	ROSCAS Model	Chit Fund
4	MOF	5 Departments
5	NHB	1988
6	Inter Corporate Deposits	Uncollateralized Basis
7	Merchant Banking	Fee Based Services
8	Custodian	Appointed by Board of Trustees
9	Utmost Good Faith	Transparency
10	Stockholder Lender Conflict	Shareholder- creditor

B. True and False (Solve any 7 out of 10)

(7Marks)

1. Financial system is a set of complex and closely interlinked financial institutions, financial markets, financial instruments and services which facilitate the transfer of funds.: **True**
2. Commercial Paper (CP) is a popular instrument for financing working capital requirements of companies.: **True**
3. Grameen model are small loan, informal and homogenous groups of 10 to 20 members each: **False.**
4. SEBI does not help in prohibiting insider trading in securities: **False**
5. The IFCI has promoted ICRA Ltd, a credit rating agency to help investors undertake investment decisions: **True**
6. Treasury Bill is used by the Government to raise short term funds for meeting temporary Government revenues: **True**
7. Mutual fund is a way of reducing your potential financial loss or hardship: **False**
8. Multi Commodity Exchange of India Limited (MCX) is India's first listed exchange: **True**
9. Basis = Cash Price – Future Price: **False**
10. Closed – ended mutual funds does not have a fixed number of units and a fixed tenure: **False**

Q2. Solve Any 2

A. What are the various challenges faced by Financial sector

(8 Marks)

Ans: a. Issue of Consolidation

b. Issue of Management of Cost

c. Reducing Cost of funds of the banking sector

d. Issue of credit delivery systems

e. Issue of Management of NPA

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- f. Management of Risk
- g. Developmental Challenges
- h. Inter-linkage among Financial markets

B. Explain in detail the operations of Primary market in India

(7 Marks)

Ans:

- a. Users of Funds (Corporates issuing instruments)
- b. Underwriting with Investment Bank
- c. IPO and Primary Issue

OR

C. What are the various advantages and disadvantages of Microfinance?

(8 Marks)

Ans:

I. Advantages

- a. A Pivotal role in poverty eradication and employment generation
- b. Fill a needed gap within the financial services industry
- c. Target women borrower
- d. It can give unprivileged people enough capital stability
- e. A suitable regulatory framework, innovative products, self regulation by MFI's, appropriate governance, technology.

II. Disadvantages

- a. Loans to individual who lack the ability to repay the loan
- b. Geographically dispersed or roaming populations
- c. Hyperinflation limits the ability of lenders to charge an appropriate rate of interest
- d. Lending small loans become more costly for a lender
- e. The microfinance delivery models are not exclusively focused on those who are below the poverty line or very poor
- f. The high interest rate charged by the MFI's from their poor clients is perceived as exploitative.
- g. Interest rates of some MFIs are regulated but they impose some charges like transaction cost, the cost of borrowings and some other charges
- h. There is no specific regulator for Microfinance Institutions

D. Discuss role of SEBI in investors Protection?

(7 Marks)

- a. Issue of Guidelines
- b. Introducing takeover code
- c. Bringing stock invests
- d. Awareness Campaigns
- e. Special measure for Insider trading
- f. Special protection to retail investors

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Q3. Solve Any 2

A. Briefly define various functions and objectives of IDBI

(8 Marks)

1. Operation of other institutions providing term finance to industries
2. Assistance to medium and large industries
3. Support to all India and state level financial institutions
4. Asset credit equipment finance, equipment leasing and bridge loans
5. Undertakes merchant banking
6. Technical and administrative assistance to industrial concerns
7. Guarantees deferred payments
8. Promotes and develops key industries
9. It undertakes techno-economic studies

B. Who are the various participants in money market?

(7 Marks)

1. Government
2. RBI
3. Commercial Banks
4. FIs like IFCI, IDBI, ICICI, SIDBI, UTI, LIC etc
5. Discount and Finance House of India
6. Brokers
7. Mutual Funds
8. Public sector undertakings
9. Corporate Units

OR

C. What are various developments that took place in capital market?

(8 Marks)

1. Benefits to Investors
2. Benefits to Companies
3. Benefits to Community and Nation

D. What are the types of Derivatives Contracts?

(7 Marks)

1. Forward Contracts
2. Future Contracts
3. Options
4. Swaps
5. Warrants
6. Leaps
7. Baskets
8. Swaptions

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Q4. Solve Any 2

A. How mutual funds do functions in India?

(8 Marks)

1. Sponsor
2. Trustees
3. The Asset Management Company
4. Custodian and Depositories
5. Transfer Agents
6. Bankers

B. Elaborate the need and purpose of Insurance

(7 Marks)

1. Individual:

- a. Insurance Provides Security and Safety
- b. Insurance affords Peace of Mind
- c. Insurance eliminates dependency
- d. Life Insurance encourages savings
- e. Life Insurance fulfils the needs of a person

2. Business

- a. Uncertainty of business losses is reduced
- b. Business efficiency is increased with insurance
- c. Enhancement of credit
- d. Business Continuation
- e. Welfare of Employees

3. Society

- a. Wealth of the society is protected
- b. Economic Growth of the Country
- c. Reduction in Inflation

OR

C. What are the various Dimensions of well functioning financial systems?

(8 Marks)

1. A Strong legal and regulatory environment
2. Stable money
3. Sound public finances and public debt management
4. A central bank
5. A sound banking system
6. An information system
7. A well functioning securities market

D. Explain in detail the Three Pillar Banking system of Germany

(7 Marks)

1. The private commercial banks
2. The saving banks

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3. The small credit cooperatives

Q5. Write Short Notes On: (Solve any 3 out of 5)

(15 Marks)

- a. Financial system in Germany
- b. Grameen Bank Model
- c. SIDBI
- d. Role of Capital Markets in India
- e. Commercial Paper

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