

2011**M B A****4th Semester Examination****FINANCIAL INSTITUTIONS AND MARKETS****(Specialization : Financial Management)****PAPER—F 403**

Full Marks : 100

Time : 3 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Write the answers to Questions of each Half in separate books.

First Half

(Marks : 50)

1. Answer any four questions : 5×4

- (a) Make a distinction between Primary securities & Secondary securities.
- (b) Mention the important features of Banking Institutions.
- (c) What do you mean by liquidity of an asset? Define Open Market Operation.

(Turn Over)

- (d) How does the Central Bank play role to promote economic development of a country?
- (e) Write a short note on yield curve.
- (f) Indicate the major functions performed by financial system.

2. Answer any two questions : 10×2

- (a) (i) How do you calculate return of an asset? Explain various types of risk related to financial market. 6
- (ii) Explain the implications derived from Capital Asset Pricing Model (CAPM). 4
- (b) (i) "A financial system is well-integrated system whose parts interact with each other" — Explain the statement. 6
- (ii) What is the need for flow of funds Account? 4
- (c) (i) What are the main objectives behind the establishment of Industrial Development Bank of India (IDBI)? 5
- (ii) Point out the functions performed by SEBI. 5

[Internal Assessment : 10]

Second Half

(Marks : 50)

- Answer any four of the following : 5×4
- (a) What are the benefits of raising finance by issue of debentures ?
 - (b) Give a brief account of the role of Discount & Finance House of India in the Indian money market.
 - (c) Call on A Ltd. share at strike price of Rs. 50 is priced at Rs. 5. Show pay off for call holder and write in tabular and graphical form. Make suitable assumptions.
 - (d) (i) A 14-day treasury bill for Rs. 25,000 is issued for Rs. 24,930. Determine yield from the bill.
(ii) A mutual fund that had a NAV of Rs. 20 at the beginning of the month, made income and capital gain distributions Re. 0.0375 and Re. 0.03 per share respectively during the month and then ended the month with a NAV of Rs. 20.06. Calculate monthly return.
 - (e) Explain the terms 'Depository' and 'Depository Participant'.
 - (f) Write about the factors that act as a determinant in deciding the premium price of options.

4. Answer any two questions : 10

- (a) Discuss about the various categories of risk inherent in the process of trading settlement in Cash Market Segment of a Stock Exchange.
- (b) Explain the factors that attribute to the volatility of the rate of call money market.
- (c) Current price of H Ltd. share is Rs. 550. Risk free rate of interest is 8% p.a. Present value of Re. 1 discounted at 8% p.a. continuously compounded for 3 months is Re. 0.981 and Re. 1 invested at 8% p.a. continuously compounded for 3 months grows to Rs. 1.0194.
- (i) Calculate the theoretical minimum value of a European put expiring after 3 months at a strike price Rs. 600.
- (ii) Illustrate arbitrage if value of put is less than the minimum.

[Internal Assessment : 10]