

Code : 302502

B.B.A. 5th Semester Examination, 2016

Indian Financial System

Time : 3 hours

Full Marks : 60

Instructions :

- (i) There are 7 questions in his paper. All questions carry equal marks.
- (ii) Attempt 5 questions in all.
- (iii) Question nos. 1 and 2 are compulsory.

1. Multiple Choice

- ✓ (1) The primary capital market is one:
- ~~a.~~ in which newly formed companies raise their first share capital.
- b. where existing shareholders are able to sell shares to other investors
- c. where businesses raise finance from investors
- d. that is the largest capital market in the particular country concerned
- ✓ (2) Financial intermediaries _____
- a. do not invest in new long-term securities
- b. include insurance companies and pension funds
- ~~c.~~ include the national and regional stock exchanges

www.akubihar.com

www.akubihar.com

- d. are usually underwriting syndicates
- ✓ 3. Which of the following are characteristic of a financial intermediary?
- ~~1.~~ It introduces borrowers to lenders.
2. It has assets which exceed liabilities
3. It increases liquidity for lenders.
4. It reduces transaction costs for borrowers and lenders.
5. It makes excess profit.
- a. 2 and 3 ✓ b. 1 only
- c. 1, 4 and 5 d. 3 and 4
4. The expected rate of return on a bond if bought at its current market price and held to maturity.
- a. Yield to maturity b. Current Yield
- c. Coupon Yield d. Capital gains yield
- ✓ 5. Which of the following is false?
- a. Futures contracts are more liquid than forward contracts.
- b. Futures contracts trade on a financial exchange
- c. Futures contracts are marked to market
- ~~d.~~ Futures contracts allow fewer delivery options than forward contracts
- ✓ 6. Using futures contracts to transfer price risk is called
- a. Hedging b. Diversifying
- c. Speculating ~~d.~~ Arbitrage

www.akubihar.com

www.akubihar.com

P.T.O

Code : 302502

2

7. Which the following actions will not close a long position in a call option?

- Exercising the call
- Buying a put with the same strike price, expiration and underlying asset.
- Allowing the call to expire
- Selling a call with the same strike price, expiration and underlying asset.

8. Interest is usually paid on money market instruments

- Annually
- Monthly
- At maturity
- On request

9. Which of the following are money markets instruments?

- Treasure 8% 2011.
 - National Savings Certificates
 - A 3-month certificate of deposit
 - A treasury bill with 7 days to maturity
 - A 14-day repurchase agreement of Treasury 8% 2007
- 2 and 4
 - 1, 3 and 4
 - 3, 4 and 5
 - 1, 2 and 5

10. Which one of the following statements is false?

- Usually providers of debt finance have no control over

Code : 302502

3

P.T.O.

the direction of the company

- Debt holders often impose negative covenants on firms
- A floating charge debt holder can insist on the sale of a specific asset to satisfy claim in the event of a default
- Usually debt holders oblige the firm to make interest and capital repayments on set dates-a failure to do so can lead to bankruptcy

2 Short answer type

- What is financial service? Discuss in brief about financial services provided by merchant bankers in Indian Capital market.
- Differentiate investment banking from commercial banking.
- What is an in-the-money call options.
- How is the current yield of a bond calculated?
- What is book building?

Long answer type

- What is money market? Discuss the role of money market in Indian Financial market.
- What do you mean by new issue market and secondary market? Explain their functions.
- What is interest rate risk of a bond? Explain how the risk arises.
- What is the role of SEBI in regulating the new issue market?
- How do financial derivatives help to hedge the risk in financial transactions?

Code : 302502

4