

**MAHATMA GANDHI UNIVERSITY
FIFTH SEMESTER – BA PROGRAMME IN ECONOMICS**

Model Question Paper

**CORE 10 (EC5B10U)
ECONOMICS OF FINANCIAL MARKETS**

(Answers may be written either in English or in Malayalam.)

Time : 3 Hrs

Total Weightage : 25

Part A – Objective Type Questions (in bunches of 4)

I. Choose the correct alphabet only.

1. Which of the following is an example of a non-banking financial institution?

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|-----------------------|-------------|
| (A) Commercial Bank | (B) RBI |
| (C) Co-operative Bank | (D) L. I. C |

2. Market for borrowing and lending of short term funds is called

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|-----------------------|-----------------------|
| (A) Capital market | (B) Money Market |
| (C) Gilt-edged market | (D) derivative market |

3. Which of the following is not a money market instrument?

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|----------------------|---------------------|
| (A) Commercial Paper | (B) Treasury Bill |
| (C) Debenture | (D) Commercial Bill |

4. Financial instruments are useful for

- | | |
|--------------------------------------|------------------------------------|
| (A) Creating benefits for government | (B) Providing credit creation |
| (C) Mobilisation of savings | (D) For creating direct securities |

(Weightage 1)

5. Who controls the money market?

- | | | | |
|---------|---------|----------|----------|
| (A) RBI | (B) SBI | (C) DFHI | (D) IDBI |
|---------|---------|----------|----------|

6. A market for borrowing and lending of funds for a very short period is

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|-----------------------------|---------------|
| (A) Cash Loan | (B) Call Loan |
| (C) Certificate of Deposits | (D) Debenture |

7. A Certificate of Deposit is

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| (A) Fixed deposit in banks |
| (B) Short term negotiable instruments in bearer form |
| (C) a promissory note to pay a sum of money |
| (D) a government treasury bill |

8. A security used by RBI to adjust liquidity in the financial system

- | | | | |
|-------------|----------|---------|---------|
| (A) T-Bills | (B) Repo | (C) CDs | (D) CPs |
|-------------|----------|---------|---------|

(Weightage 1)

9. IPO stands for
 (A) Initial Private Offering (B) Internal Public Offering
 (C) Initial Purchase Offer (D) Initial Public Offering
10. Gilt-edged securities mean
 (A) Fixed deposit (B) Securities of Companies
 (C) Insurance premium (D) Government securities
11. A depository is
 (A) An electronic transfer through dematerialisation
 (B) a transfer of physical securities
 (C) a guard against price manipulation (D) None of these
12. Which of the following is not a QIB?
 (A) FIIs (B) RII (C) MFs (D) Scheduled Commercial Banks
 (Weightage 1)
13. The first Indian equity index is
 (A) Nifty (B) Dow Jones (C) Sensex (D) India VIX
14. Which of the following is not the name of the sensitive index of any global Stock Exchange?
 (A) NASDAQ (B) Nikkei (C) KOPSI (D) Combix
15. Which of the following is not a credit rating agency?
 (A) CRISIL (B) RRB (C) ICRA (D) CARE
16. The first fully automated electronic screen based trading system in India is:
 (A) NSE (B) NASDAQ (C) BSE (D) None of the above
 (Weightage 1)

Part B - Short Answer Questions

II. Answer any five out of eight, not exceeding 50 words.

17. Stock Exchanges
 18. NBFIs
 19. Underwriting
 20. Money market
 21. Repos and Reverse Repos
 22. Rights Issue
 23. Debenture
 24. Book-Building

(Weightage 1 × 5 = 5)

Part C - Short Essays

III. Answer any four questions not exceeding 150 words. Each question carries 2 weightages.

25. Explain financial institutions.
26. What are the functions of Mutual Funds?
27. Give an account of SEBI and its functions.
28. Distinguish between primary market and secondary market.
29. What are equity shares? Explain the important features.
30. Explain the role played by DFHI in increasing liquidity in the economy.

(Weightage $2 \times 4 = 8$)

Part D - Long Essays

IV. Answer any two questions not exceeding 450 words. Each question carries 4 weightages.

31. Describe the structure of Indian Money Market and point out its defects.
32. What are the various methods of issuing fresh capital in India?
33. What are the institutions and instruments in Indian Capital Market?

(Weightage $4 \times 2 = 8$)