

PARUL UNIVERSITY
FACULTY OF ARTS
B.A Summer 2018 – 19 Examination

Semester: 6
Subject Code: 15101352
Subject Name: Banking and Financial Markets

Date: 13/04/2019
Time: 10:30am to 1:00pm
Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**(08)****A. Multiple choice type questions. (Each of 0.5 mark)**

1. The “banks” are “centrally” controlled by

a) State Banks	c) Cooperative Banks
b) Central Banks	d) Private Banks
2. What “term” used for the “money” that has been “taken” by “somebody” but has “not been repaid yet”?

a) Property	c) Liability
b) Financial Instruments	d) Deposits
3. Which “word” is often used for “referring” about “things” that are “owned by someone”?

a) Assets	c) Bank Accounts
b) Borrowing	d) Loan Money
4. Which “one” of the following is related to the “positive improvements” and “changes” that take place in a country?

a) Consequences	c) Limitations
b) Reforms	d) Effects
5. Which “among” the following is one of the “types” of “financial market” where the “financial assets” are traded for a comparatively “short period of time”?

a) Capital Market	c) Euro Dollar Market
b) Stock Exchange Market	d) Money Market
6. Which of the following have “increased” in number after the “financial sector reforms” have taken place in India?

a) Private Banks	c) Foreign Banks
b) Public Banks	d) Local Banks
7. Which of the following “words” is “not” related to the term “finance”?

a) Funds	c) Cash
b) Money	d) Services
8. What is the “full form” of “SEBI”?
 - a) Securities and Exchange Board of India
 - b) Small Enterprise Bank of India
 - c) Saving Establishment Business of India
 - d) Safety Exchange Bank Industry
9. Which one of the following is “not” the examples of the “financial instruments”?

a) Shares	c) Bonds
b) Debentures	d) Prices
10. What happens to the “return” (income) received by the “risk-taking people” who “invest” money in those “financial instruments” (example-shares) which involve “higher level of risk”?

a) Lower return received	c) No return received
b) Higher return received	d) None of the above
11. “Time value of Money” indicates that
 - a) A unit of money obtained today is worth more than the unit of money obtained in the future
 - b) A unit of money obtained today is worth less than a unit of money obtained in the future
 - c) There is no difference in the value of money obtained today and tomorrow (in the future)
 - d) None of the above

12. Which of the following is the “characteristic” of the “people” who are called as the “risk-takers”?

- a) People who don't prefer to take risk
- b) People who invest in assets which don't involve any risk
- c) People who like to take risks
- d) People who receive a stable income due to not taking any risk

13. Which “one” among the following is the “full form” of “FDI”?

- a) Foreign Domestic Industry
- b) Foreign Direct Investment
- c) Fund District Intake
- d) Foreign Domain Income

14. Which “one” among the following is the “type” of “foreign exchange rates” where the “exchange rate” is “not” decided immediately but instead is “fixed” after a “short period of time”(after some days)?

- a) Forward Exchange Rate
- b) Spot Exchange Rate
- c) Arbitrage Exchange Rate
- d) None of the above

15. What does “currency convertibility” involve?

- a) Conversion of one commodity into another
- b) Conversion of one currency into another to exchange financial assets
- c) Conversion of one service into another service
- d) No conversion

16. Which among the following is the “foreign exchange system” in which the “exchange rate” is decided well in advance and “cannot” be changed as per the “demand” and “supply” of the “currencies”?

- a) Flexible System
- b) Fixed System
- c) Trade System
- d) Tax System

B. Terms/ Short notes/ Case study/ Charts/ Graphs/ Tables, etc. (Each of 01 mark)

(07)

1. Define the term “credit”.
2. What do we understand by “Monetary Policy”? State it.
3. Define the term “SEBI”.
4. What do we mean by the word “Risk”?
5. Give any one example of an “financial instrument”.
6. State the meaning of “spot exchange rate”.
7. What do we mean by “Foreign Exchange Market”?

Q.2 Answer the following.

- A. The banks perform various functions. Explain the main “functions” of the “banks”. **(04)**
 - B. There are some distinct differences between the two types of Financial Markets- “Money Market” and “Capital Market”. Explain the main “differences” between both these types of financial markets.(2 for each) **(04)**
 - C. Describe the main features of the “Arbitrage Pricing Theory”. **(04)**
- OR**
- C. Elaborate on the “characteristics” related to the concept of “Hedging” as part of an “activity” done in the foreign exchange market. **(04)**

Q.3 Answer the following.

- A. Describe the “features” of the theory of “Time Value of Money”. **(05)**
- B. Explain the process of “credit creation” performed by the “banks” of a country. **(05)**
- C. “Foreign Direct Investment” is one of the “activities” done by many investors. Describe the “role of the Foreign Direct Investment” done by the investors of a country. **(05)**

OR

- C. Describe the “features” of “Mutual Funds” as one of the financial assets exchanged by the investors in the financial markets. **(05)**

Q.4 Answer the following.

- A. Describe the “features” of “Treasury Bills” and Commercial Bills used by the investors. (3 for each) **(06)**
- B. Explain the “salient characteristics” of “Liabilities” and “Assets” of the Banks with any one example of each of them. (3 for each) **(06)**
- C. A certain “relationship” exists between the “risk” and “return” with respect the various financial assets that are traded by the investors. Describe the “relationship” between the “risk” and “return” of the “financial assets”. **(06)**

OR

- C. “Euro-Dollar Market” is one of the forms of the market. Describe the “role” and “significance” of this market. **(06)**