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Total number of printed pages – 3

MBA
MBA 406 B

Fourth Semester Regular Examination – 2014
FINANCIAL INSTITUTES AND FINANCIAL MARKETS

BRANCH : MBA

QUESTION CODE : F 448

Full Marks – 70

Time : 3 Hours

Answer Question No. 1 & 2 which are compulsory and any **four** from the rest.
The figures in the right-hand margin indicate marks.



1. Answer the following questions :

2×10

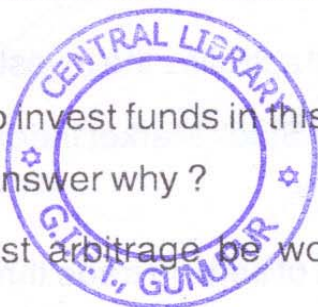
- (a) What are the different types of Financial Market ?
- (b) What are the objectives of Money Market ?
- (c) What role does Capital Market play ?
- (d) What are the characteristics on which effective integration of financial markets depend ?
- (e) Which type of financial activities the Investment companies are involved in?
- (f) For What reasons the Stock Market Index is considered to be a convenient and effective product ?
- (g) What are the benefits of settling trade through CCIL ?
- (h) Why Certificate of Deposits is issued ?
- (i) Distinguish between unsponsored ADRs and sponsored ADRs.
- (j) How Banking institutions differ from other financial institutions ?

P.T.O.

2. Apex Crop. Is a U.S based MNC that has been in international business for the last several years. It has been conducting business with all the major countries of the world. One of the countries has allowed for its currency value to be market determined. The spot rate of currency is \$.85. In addition the one year forward rate being quoted in the market is \$.82. As a step to build the economy, the country is also allowing foreign investors to make investments. Various incentives are being offered by the country to attract foreign funds. The rate of interest on one year government securities is presently 16%. This is substantially higher than the 10% rate which is presently offered on one year US government securities.

Apex Corp. has asked you, as an employee in their international money market division, to assess the feasibility of making a short term investment in this country. The amount available for making the investment for the next year is \$12 million.

The Apex Corp. has also come to know that the exchange rate in this country will be market determined for the next few years. Financial managers in Apex Corp. are hence apprehensive about the high volatility of the currency till equilibrium is reached. It is expected that the value of currency in one year will be approx. \$.85. However, there is a high degree of uncertainty attached with this value and predictions are being made that the actual value may be 30% above or below this expected value.

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- (a) Would you be willing to invest funds in this country without covering your position? If yes, then answer why?
- (b) Would covered interest arbitrage be worth considering? Show your calculations.
- (c) Are there any risks involved in using interest arbitrage? Elucidate 10

3. What is the structure of Indian Money Market? Discuss the recent developments in the Indian Money Market. 10

4. Write short notes on : 5×2
- (a) NSDL
 - (b) STCI
5. Explain the important functions of SEBI to regulate the Indian Stock Market. . 10
6. (a) What does Equity Share represent ? Explain the major features of Equity shares. 5
- (b) Why Preference Shares are called “hybrid instruments” ? Explain the major features of preference shares. 5
7. Distinguish between : 5×2
- (a) Forward contract and Futures contract
 - (b) Warrants and Convertibles
8. (a) Why State Finance Corporations (SFCs) were setup ? What are the different forms through which financial assistance is rendered by SFCs ? 5
- (b) When and Why SIDBI was established ? Discuss the major objectives and thrust areas of SIDBI. 5

