

BACHELOR OF ARTS EXAMINATION, 2022

(3rd Year, 6th Semester)

ECONOMICS DEPARTMENT

MONEY AND FINANCIAL MARKETS

Time : Two hours

Full Marks : 30

Answer question number 1 and any two questions from the rest:

1. Answer any five

5X2

(a) Name the alternative sources of short term finance for a commercial bank.

(b) Can there be a relation between RBI repo rate and call money rate? If the answer is yes, then explain the relation.

(c) Explain how the following monetary aggregates are related:

M_0 & M_3 ; L_3 & NM_2 ; NM_3 & M_3 ; M_0 & NM_1 .

(d) Classify the following in common equity tier I capital, additional tier I capital and tier II capital: Statutory reserve, share premium reserve, general provision and loss reserve, Non-cumulative preference shares.

(e) Calculate the NAV of a mutual fund unit given the following data (Rs lakhs) : Equity shares at market value : 54; Fixed income securities at market value : 5.6 ; liabilities & expenses : 9.05; Unlisted bonds and debentures at book value: 5.36; listed bonds and debentures at market value: 10.78; interest accrued: 0.64; dividend accrued: 0.55. Units issued: 1, 55,000.

(f) Briefly discuss the different sources of equity finance.

2. Compare and contrast between the functions of scheduled commercial banks, small finance banks and payment banks. 10

3. (a) Using a suitable structure explain how a narrow bank can convert itself to a commercial bank involved in borrowing and lending if it adopts fractional reserve system. Also explain how the fraction reserve system can give rise to a bank run in the same frame work. 5+5

(b) What are the risks that an insurance company faces in the process of providing insurance? 7+3

4. (a) Explain clearly how the money supply is affected by the following changes:

(i) An increase in central bank credit to the government

(ii) A decrease in the foreign exchange reserve

How can the Central bank use the Central bank REPO & Reverse REPO market to reverse the above two effects? 5+5