

SEMESTER EXAMINATION-2021

**CLASS – MBF SUBJECT – FINANCIAL SYSTEM AND FINANCIAL SERVICES
PAPER CODE MBF-E 313: PAPER TITLE FINANCIAL SYSTEM AND FINANCIAL SERVICES**

Time: 3 hour

Max. Marks: 70

Min. Pass: 40%

Note: Question Paper is divided into two sections: **A and B**. Attempt both the sections as per given instructions.

SECTION-A (SHORT ANSWER TYPE QUESTIONS)

Instructions: Answer any five questions in about 150 words each. Each question carries six marks. (5 X 6 = 30 Marks)

Q1. Explain the following Money Market Instruments:

- a. Treasury Bills
- b. Call Money

Q2. What role does a financial system play in reference to the development of an economy.

Q3. Differentiate between Money Market and Capital Market.

Q4. Write a short note on the following:

- a. Leasing
- b. Hire Purchase

Q5. What are the major criticisms of credit agency in reference to 2008 Financial Crisis.

Q6. Explain the following derivatives contract with a suitable example:

- a. Forward
- b. Options

Q7. What is the role of IBRD in development of an economy. How does IBRD function differ from that of IMF.

Q8. Distinguish between Factoring, Forfeiting and Bill Discounting.

Q9. How does Inflation Rate of a country affect its currency exchange rate.

Q10. "Venture Capitalists in the current scenario are majorly providing funding to fintech and edutech startups". Do you agree with the statement. Give Reasons.

SECTION-B (LONG ANSWER TYPE QUESTIONS)

Instructions: Answer any FOUR questions in detail. Each question carries 10 marks. (4 X 10 = 40 Marks)

Q1. Describe in detail the different components of Indian Financial System. What are the major limitation that exist in the Indian Financial System.

Q2. Define Merchant Banking. Discuss the importance of Merchant Banking in terms of the services provided by Merchant Bankers.

Q3. What are the distinct characteristics that are required to be fulfilled by an institution to get the status of NBFC. Briefly discuss the different types of NBFCs that can be incorporated in India.

Q4. What is Forex Market and Exchange Rate. Explain the various types of risk that are associated with Forex Market and briefly state the different types of exchange rate system.

Q5. Discuss in detail the different types of financial securities that exist in an Indian Financial System.

Q6. WRV Pvt. Ltd. has a total sale of Rs. 500 lakh, of which 75 % is on credit. The average collection period is 60 days. The past experience indicates that bad debts losses are around 2.5% of the credit sales. The firm spends about Rs. 250000 p.a. to administer its credit sales. These are avoidable as a factor is prepared to buy the firm receivables. He will charge 2.5 % commission. He will also pay advance against receivables to the firm at an interest rate of 18% after withholding 10% as a reserve. (Assume 360 day year)

As per the above stated situation answer the following question.

- a. What is the total credit sale of WRV Pvt. Ltd.
- b. What are the average receivables.
- c. What is the factor commission payable per cycle.
- d. What is the disburseable amount to the firm by the factor.
- e. What is the total interest chargeable by the factor
- f. What is the effective cost of factoring.

Q7. S&P, Moody's and Fitch Ratings are often considered to be the biggest credit agency in the world. Do you agree with the statement. In light of this explain the benefits of getting an instrument rated by a Credit Agency.

Q8. Critically evaluate the role of Financial Institutions in the Financial System of an economy.