

(6 pages)

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M.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2017.

Third Semester

Economics

FINANCIAL ECONOMICS

(For those who joined in July 2016 and afterwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. _____ is created and issued by the state.

- (a) convertible paper money
- (b) inconvertible paper money
- (c) fiat money
- (d) representative paper money

2. _____ facilitate buying and selling of financial claims, assets, services and securities.

- (a) financial services
- (b) financial markets
- (c) financial instruments
- (d) financial system

3. Keynesian liquidity preference theory that determines the interest rate by the demand for and supply of money is a _____.

- (a) classical theory
- (b) modern theory
- (c) stock theory
- (d) quantity theory

4. Securing profit from knowing better than the market what the future will bring forth is termed as _____.

- (a) precautionary motive
- (b) speculative motive
- (c) transaction motive
- (d) all the above

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5. The working and operations of Non-banking Financial Companies (NBFCs) are regulated by the _____.
- (a) Central Government
(b) State Government
(c) Reserve Bank of India
(d) Commercial Banks
6. Non-bank financial intermediaries is divided into _____ types.
- (a) three (b) four
(c) two (d) six
7. _____ is a market which deals with long-term loans.
- (a) capital market (b) money market
(c) debt market (d) equity market
8. _____ are the main instruments of short term borrowing by the government to meet temporary need for funds.
- (a) commercial bills (b) treasury bills
(c) long term bills (d) commercial paper

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9. The international finance corporation was established in the year
- (a) 1958 (b) 1956
(c) 2000 (d) 2004
10. _____ is one in which the foreign exchange rate is predominantly determined by the market forces of supply and demand.
- (a) fixed exchange rate
(b) flexible exchange rate
(c) both (a) and (b)
(d) none of the above

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Write a note on 'Near money'.
- Or
- (b) What are the role of financial intermediaries in economic growth?
12. (a) Write a short note on the loanable funds theory of interest.
- Or
- (b) What is demand for money according to Keynes?

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13. (a) What is organized non-bank financial intermediaries?

Or

- (b) What are the difference between banks and non-bank financial intermediaries?

14. (a) Explain the role of IRDA in India.

Or

- (b) State the difference between money and capital markets.

15. (a) Mention the objectives of international development association.

Or

- (b) Write a note on international finance corporation.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Describe the constituents of financial system.

Or

- (b) Explain financial markets in detail.

17. (a) Explain the determination of Keynes's liquidity preference theory of interest.

Or

- (b) What is term structure of interest rates? Explain the factors determining the term structure of interest rates.

18. (a) Explain the working of non-bank financial companies in India.

Or

- (b) Analyse the role of non-bank financial intermediaries.

19. (a) Describe the role and achievements of SEBI.

Or

- (b) Explain government securities market.

20. (a) What are the functions of World Bank? Explain its working contribution to India so far.

Or

- (b) Examine the origin and growth of Euro-dollar market.

