D4AEC2302 **(3 Pages)** **Name............................**
Reg.No..........................

FOURTH SEMESTER M.A. DEGREE EXAMINATION, APRIL 2025
(Regular/Improvement/Supplementary)

ECONOMICS
FECO4C13 - FINANCIAL MARKETS

Time: 3 Hours **Maximum Weightage: 30**

Part A: Multiple choice questions. Answer *all* questions. Each carries $^1/_5$ weightage.

1. The bull market refers to …
   a) Declining stock price. b) Rising stock price.
   c) Market with high trading turnover. d) Market with low trading turnover.
2. Demat account means:
   a) A bank account for stock trading. b) An account where shares are held electronically.
   c) A stock with high growth potential. d) A company that specialises in stock trading.
3. Which of the following is NOT a participant in financial markets?
   a) Households b) Governments c) Non-profit organizations d) Businesses
4. Give an example of a capital market instrument.
   a) Treasury bills b) Commercial paper
   c) Corporate bonds d) Repurchase agreements
5. Financial inclusion contributes to inclusive growth by ………..
   a) reducing poverty and inequality. b) increasing unemployment.
   c) increasing inflation. d) decreasing economic growth.
6. Commercial Bills are issued by………
   a) Government.
   b) Commercial banks.
   c) Corporations to cover short-term liquidity needs.
   d) Central bank.
7. Short-term loans secured by government securities are ………..
   a) Repos b) Commercial paper
   c) Commercial bill market d) Certificates of deposit
8. The price paid to acquire an option is called the ………..
   a) Strike price b) Premium c) Exercise price d) Expiration date
9. Speculators in the futures market aim to …………..
   a) reduce risk. b) profit from price fluctuations.
   c) lock in future prices. d) maintain a stable portfolio.

(P.T.O.)

10. Stock Index Futures contracts track the performance of:

a) Individual stocks
b) An index-tracking portfolio of stocks
c) Commodities like gold and oil
d) Foreign currencies

11. Which type of futures contract is used to hedge against fluctuations in interest rates?

a) Currency Futures
b) Interest Rate Futures
c) Commodity Futures
d) Equity Futures

12. Where are options contracts traded?

a) Stock exchanges
b) OTC
c) cryptocurrency exchanges
d) commodity exchanges

13. GDRs are issued in:

a) US dollars only
b) Any freely convertible currency
c) The currency of the issuer
d) The currency of the investor's country

14. Eurodollars are:

a) US dollars deposited in banks outside the United States.
b) Dollars issued by the European Central Bank.
c) Dollars traded on the Eurozone stock exchanges.
d) Dollars used for transactions within the Eurozone.

15. Excess reserves lent by one bank to another is known as …………

a) Commercial Paper
b) Ferdal Fund
c) Certificate of Deposit
d) Treasury Bills

(15 × $^{1}/_{5}$= 3 weightage)

Part B: Answer any *five* questions. Each carries *one* weightage.

16. What is the demutualization of stock exchanges?
17. Give examples of stock index futures traded in India.
18. What is insider trading?
19. Define 'dematerialization' in the context of the stock market.
20. What are External Commercial Borrowings?
21. Mention features of a developed money market.
22. What do you mean by option expiration and option premium?
23. List the participants in the Global financial market.

(5 × 1 = 5 weightage)

Part C: Answer any *seven* questions. Each carries *two* weightage.

24. Analyze the functions of the secondary market.
25. Discuss the advantages and disadvantages of Participatory Notes.
26. Briefly explain the role of credit rating agencies in the capital market.
27. Mention the significant difference between ADR and GDR.
28. Outline the features of foreign institutional investment.

29. Examine the impact of money market reforms in India since 1991.
30. Differentiate between options and futures contracts.
31. Explain the role of financial intermediaries in the financial market.
32. Evaluate the significance and types of depositories in the Indian capital market.
33. Describe the features of Foreign Currency Convertible Bonds.

(7 × 2 = 14 weightage)

Part D: Answer any *two* questions. Each carries *four* weightage.

34. Explain the functions and powers of SEBI.
35. Analyze the significant reasons for the growth and effects of the Eurocurrency market in the global financial system.
36. Discuss the role of financial innovation in promoting financial inclusion.
37. Critically analyze the structure of the Indian money market.

(2 × 4 = 8 weightage)