**NMIMS**

**Financial institution and markets**

**Internal Assignment for June 2020 Examination**

**1. “Primary Market helps to facilitate capital growth by enabling individuals to convert savings into investments. Describe in details the techniques that companies uses to raise the fresh capital from the primary market**

**Answer**: Capital markets work for the creation and trading of financial assets like stocks, bonds, hybrid instruments, commodities and derivatives. A number of participants like brokers, dealers, investment bankers and financial mediators operate in capital markets. Capital market is of two types: stock markets, which trade equity instruments and the bond markets, which trade debt instruments. Examples of Capital Market in India are the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). While commodity market comprising commodity exchanges is not usually regarded a part of capital market, it is in a sense a market that operates on similar lines and we will briefly cover this topic in the end. The regulation of

**2. Explain why insurance sectors are considered as financial intermediary. Discuss any four types of insurance plans that are available in the market**.

**Answer**: Insurance is a legal agreement between two parties i.e. the insurance company (insurer) and the individual (insured). In this, the insurance company promises to make good the losses of the insured on happening of the insured contingency. The contingency is the event which causes a loss. It can be the death of the policyholder or damage/destruction of the property. It’s called a contingency because there’s an uncertainty regarding happening of the event. The insured pays a premium in return for the promise made by the insurer.

**Broad category of**

**3. Ms. Goyal, after completing her graduation, recently joined a bank. With a steady income and good growth prospects for her career, she intends to save regularly and increase the amount of savings gradually over the years. Her colleagues in the bank have advised her investing in Mutual Funds (MFs), as a suitable option for her. However, Ms. Goyal is not at all familiar with MFs. Advise Ms.Goyal with the below queries:**

**a. Explain brief on Mutual Funds and its features.**

**b. Enumerate any four types of Mutual Fund to Ms.Goyal.**

**Answer**: a) Mutual funds are a collection of stocks and bonds. It can be defined as the money that is pooled together by a large number of investors who give their money to a fund manager to invest in large portfolio of stocks or bonds for a small fee. Mutual funds are advantageous because of its cost-efficiency, risk-diversification and professional management nature. Since mutual funds involve investment in different assets, a loss experienced in one asset investment can be recovered from the gains obtained from the other asset investment.

**Characteristics of Mutual funds**

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