**Financial Institution and Markets**

**April 2022 Examination**

# Q1. “A Financial System acts as an intermediary between borrowers and lenders of an economy.”

# In the light of the above statement, explain the functions and structure of the Indian Financial System. (10 Marks)

# Ans 1.

## Introduction

The economic surroundings have advanced considerably after independence, resulting in tremendous advances in a broad type of discipline. The economic system has had a stable year of growth and diversity. For India to gain the overall advantages of its growing dependence on voluntary, market-based selection-making, economic establishments should be efficient. The financial region may be the maximum essential monetary reform tool. Economic establishments must perform at their high quality to reach large country-wide desires, whether or not mobilizing

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# Q2. Rose Ltd. is a newly established company dealing in apparels. The company is currently getting good number of orders and hence is making good amount of business. To meet the expenses incurred for delivering these orders, the company is in need of short-term loans. Some financial advisors have suggested Rose Ltd. to approach Money Markets for such short-term capital requirements. In context of the above case, you are required to explain the Meaning, Features and Instruments traded in the Money Markets. (10 Marks)

# Ans 2.

## Introduction

The Reserve bank of India defines the "cash market" as a market wherein short-term financial assets are exchanged. Cash exchange within the number one and secondary markets depends on these assets in view that they are a close equal for coins. The cash marketplace is essentially a mechanism for lending and borrowing money for brief-time period finance. It includes business banks, non-banking economic organizations. Their maximum defining characteristics are money

**3.a. Pooja is a Software Engineer by profession. She possesses good knowledge about the Financial System and the various instruments traded in Financial Markets. She has been investing her savings in the various IPOs but is not very confident when it comes to Secondary Market. You are therefore required to explain to Pooja the Meaning of Secondary Market along with the Trading Mechanism in the Secondary Market. (5 Marks)**

**3.b. Mr. Damodar has recently started investing in the Financial Market as guided by one of his close friends. Since Mr. Damodar has no detailed knowledge about the Financial Market, he is unable to understand the reasons for fluctuations in the Financial Market. In the light of the above case, explain the Meaning and Types of Risks in Financial Market. (5 Marks)**

# Ans 3a.

## Introduction

The phrase "secondary market" refers to a stock change where investors buy and promote stock in various companies. These issued by the issuing enterprise are decided solely through the corporation's market performance, not through transactions between investors. So long as the issuing firm does not intrude, buyers are free to accumulate and sell shares.

**Ans 3b.**

**Introduction**

The term "economic markets" refers to any place in which securities are traded. This is a broad period. Several monetary markets are available, together with FX, money, stock, and bonds. Assets and securities in those markets may be traded on regulated exchanges or over the counter