**Financial Institutions and Markets**

**April 2024 Examination**

**Q1. Ms. Vijaya, after completing her graduation, has recently joined a bank. With a steady income now 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. Vijaya is not at all familiar with MFs .You are required to help her with basic information on MF ,the various types of MF and why should she be investing through mutual fund? Prepare a detailed answer for her queries. (10 Marks)**

**Ans 1.**

**Introduction**

Mutual funds have emerged as a popular investment vehicle for individuals seeking to grow their savings. For Ms. Vijaya, a newcomer to the world of investing, mutual funds offer a unique opportunity to diversify her portfolio, even with limited knowledge and experience in financial markets. These funds pool money from various investors to invest in a diverse array of assets, managed by professional fund managers. The attractiveness of mutual funds lies in their ability to offer exposure to a wide range of investments, which might be difficult for an individual investor to achieve independently. Additionally, mutual funds are known for their flexibility, liquidity, and the potential for higher returns compared to traditional savings

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**Q2. Mr. Rajiv Kumar, after completing his MBA from a prestigious management institute, has joined the treasury department of a leading Indian bank in Mumbai. He is assigned to the team responsible for managing the day-to-day liquidity of the bank. Explain in detail the need for liquidity management in banks and explain any three money market instrument. (10 marks)**

**Ans 2.**

**Introduction**

Liquidity management in banks is a critical aspect of financial operations, pivotal for both the stability and functionality of the banking sector. For Mr. Rajiv Kumar, embarking on his career in the treasury department of a leading Indian bank, understanding the intricacies of liquidity management is vital. Liquidity, in banking terms, refers to the ability of a bank to meet its financial obligations as they fall due without incurring unacceptable losses. Effective liquidity management ensures that a bank can fulfill its short-term commitments, like withdrawals by depositors, while also funding its lending activities. This balance is essential

**Q.3 (a) LMH Ltd. has floated an Investment Company. You are appointed as the manager to spread the investment in secondary market. In order to initiate these investments, explain the steps that you will follow in the trading mechanism in the secondary market. (5 Marks)**

**Ans 3a.**

**Introduction**

As the newly appointed manager for LMH Ltd.'s Investment Company, focusing on investments in the secondary market, it is crucial to understand and effectively navigate the trading mechanism of this market. The secondary market is where securities are traded after being initially offered in the primary market. It plays a vital role in the capital market by providing liquidity and price discovery for financial instruments such as stocks, bonds, and

**Q.3 (b). “State intervention is vital for any economic progress of a nation” In view of the above statement highlight the importance of state intervention in Indian context. (5 marks)**

**Ans 3b.**

**Introduction**

State intervention plays a pivotal role in shaping the economic landscape of a nation, especially in a diverse and rapidly developing economy like India's. The statement "State intervention is vital for any economic progress of a nation" holds particular significance in the Indian context, where the government's role extends beyond regulation and into direct