

23-12-2015



Doon University, Dehradun
Term End Examination, 2015

School of Social Science
M.Sc V semester (Economics)

Course - SSEI-659; Financial Institutions and Market

Time Allowed : 3hrs

Maximum Marks 50

Section - A

Attempt all questions

Marks: 2x5= 10

- Q1. What is the present value of \$250 to be paid in two years if the interest rate is 15%?
- Q2. State the role of credit rating agencies in Indian financial market?
- Q3. What do you understand by financial crises?
- Q4. Briefly explain the determinants of asset demand?
- Q5. What is the real interest rate if the nominal interest rate is 8% and the expected inflation rate is 10% over the course of a year?

Section - B

Attempt all questions.

Marks: 4x4=16

- Q1. A bond provides information about its par value, coupon interest rates and maturity date. Define each of these.
- Q2. How can economies of scale help in explaining the existence of financial intermediaries?
- Q3. What steps should an international lender of last resort take to limit moral hazard?
- Q4. Briefly explain the liquidity premium theory.

Section - C

Attempt all questions

Marks: 6x4=24

- Q1. How can government fiscal imbalances lead to a financial crisis?
- Q2. Why has non-interest income been growing as a source of bank operating income?
- Q3. Why might inflation targeting increase support for the independence of the central bank to conduct the monetary policy?
- Q4. An important way in which the Federal Reserve decreases the money supply is by selling bonds to the public. Using a supply and demand analysis for bonds, show what effect this action has on interest rates?

OR

Explain the factors that affect Exchange Rates in the long run?