



# UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program /Eighth Semester – 2019

Paper: Financial Institutions & Services

Course Code: BBA-412 Part – I (Compulsory)

Time: 15 Min. Marks: 10

Roll No. in Fig. ....

Roll No. in Words. ....

Signature of Supdt.: .....

**ATTEMPT THIS PAPER ON THIS QUESTION SHEET ONLY.**

**Division of marks is given in front of each question.**

**This Paper will be collected back after expiry of time limit mentioned above.**

**Q.1. Encircle the correct option.**

**(10x1=10)**

1. Contemporary Risk refers to
  - a) Uncertainty of capital market
  - b) Fluctuation in risk volume
  - c) Nonperformance of trading partner
  - d) High leverage of borrower
  
2. The economic function of financial market consist of
  - a) Reduction of transaction cost
  - b) Market volatility measure
  - c) Predicting future price.
  
3. Asset Transformation provides function of
  - a) Hedging
  - b) Value at risk
  - c) Cost reduction via diversification
  - d) Return on investment
  
4. Liquidity Premium Theory refers to the concept of
  - a) interest rates tend to decrease during recessionary periods
  - b) relationship between yield and liquidity of the securities
  - c) There is little risk of capital loss arising from interest rate changes.
  - d) Some investors may prefer to own shorter rather than longer term securities
  
5. Which of these is not a characteristics of money market instruments
  - a) short-term nature
  - b) low risk
  - c) high liquidity
  - d) Low priced
  
6. Certificate of deposit (CD) states that:
  - a) A deposit has been made with a bank for a flexible period of time, at the end of which it will be repaid with no interest.
  - b) A deposit has been made with a bank for a fixed period of time, at the end of which it will be repaid with no interest.
  - c) A deposit has been made with a bank for a unlimited period of time, at the end of which it will be repaid with perpetual interest.
  - d) A deposit has been made with a bank for a fixed period of time, at the end of which it will be repaid with interest.

**P.T.O.**

7. Convexity is:
- a) a measure of the change in duration with respect to changes in interest rates
  - b) the yield coverage to the redemption period
  - c) volatility of interest rate during the holding period
  - d) the relation of short term borrowing with high interest rate
8. Circuit breakers are
- a) The limit to the interbank lending
  - b) The maximum risk investor is willing to take
  - c) The amount of stock investment in certain portfolio
  - d) Triggered upon the attainment of certain stipulated price moves.
9. Straddle are
- a) two puts and one call with the same expiry date; again strike prices might be the same or different
  - b) a call and a put for the same expiry date but at different strike prices
  - c) a call and a put for the different expiry date but at same strike prices
  - d) a call and a put at the same strike price and expiry date
10. Discriminatory price auction is :
- a) Auction not open to all
  - b) Auction with extremely low bidding
  - c) Auction with extremely high bidding
  - d) An auction, in which each bidder pays the bid price.



**ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED**

**Q.2.**

**Questions with short questions**

**Give Short Answer of the Following Questions**

**(10X2=20)**

1. Define Financial Asset?
2. What is Asset Specificity?
3. Define Market segmentation theory?
4. What are the basis points?
5. How is interbank interest rate determined?
6. How do money markets differ from capital markets?
7. Explain the term clean price with reference to debt market?
8. What is the role of Lead underwriter?
9. What is a Long hedge?
10. Describe Ras ul Mall in context of Mudaraba Financing?

**Q.3.**

**BRIEF QUESTIONS**

**(10X3=30)**

1. What are the functions of a financial system? (10 Marks)
2. What is the role of the investment bank that serves the underwriter in an IPO & how can it ensure, that the firm does not issue too much shares? (10 Marks)
3. Write a brief note on Musharaka as a Mode of Islamic Finance? (10 Marks)