



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions: (6x5=30)

1. What are the characteristics of financial repression in an institutional environment?
2. Explain Gordon Growth Model? What are its basic assumptions?
3. What is a yield curve and why it slopes upward? If yield curve suddenly became steeper, how would you revise your predictions of interest rates in future?
4. An efficient market is one in which no one ever profits from having better information than the rest of the market participants.” Is this statement true, false, or uncertain? Explain your answer
5. What is meant by off-balance sheet exposure in a bank? Name and define some off-balance sheet products
6. How changes in interest rates affect the assets in three financial markets: stock market, bond market and foreign exchange market

Q.2. Answer the following questions. (3x10=30)

1. What are financial regulations and why these are important? Elaborate five major Types of Financial Regulations and explain the economic rationale for each.
2. Identify the ways in which banks can manage their assets and liabilities to maximize profit. Elaborate the ways in which banks deal with credit risk.
3. Explain the main functions of State Bank of Pakistan?