

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Money, Banking and Public Finance
Semester-III (Batch: 2018-23)

End Semester Examination: October-2019

Date: 22nd October, 2019

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write anything on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Part-A		Marks
Answer any four of following question. You may take aid of chart, table, diagram and / or figure to support your analysis (wherever necessary).		(4x12 =48)
Q.1	Answer any three of the following problems with illustration. (word limit 40-80 words)	(4+4+ 4=12)
(a)	You buy intra-day (short-buy) - HDFC Bank Limited with strike price (offer price) is 1200. Your stop loss sell price is 1100. You purchase 100 lot size of that stock. At the closing day, it decreases to 1150. What will be clearing settlement with regard to gain/loss for this position today?	
(b)	You buy call contract - HDFC Bank Limited with strike price (offer price) is 1200. You purchase 100 lot size of that stock. Your call premium is 10 for each stock (so total premium paid 10x100=1000). At the expiry date, it decreases to 1170. What will be clearing settlement with regard to gain/loss for this position at the expiry date?	
(c)	Samrat Wafer Pvt Ltd wants to buy 1000 kilogram potatoes on 23 December 2019. They buy the 'call contract'. The strike price (offer price) is 10 rupees per 1 kilogram. It is non-delivery-based contract. The call premium is 2 rupees per kilogram (so total premium is 2x1000=2000). At the expiry date, price of potatoes decreases to 6 rupees per 1 kilogram. What will be clearing settlement with regard to gain/loss at the expiry date?	
(d)	Mr. Ramu (Chairman, Consortium of Agri-Business) want to sell 1000 kilogram potatoes on 23 December 2019 as future/forward contract. The strike price (offer price) is 10 rupees per 1 kilogram. It is a delivery-based contract. At the expiry date, the price of potatoes increases to 13 rupees per 1 kilogram. What will be clearing settlement with regard to gain/loss at the expiry date?	
Q.2	Suppose Rs.100 tax is levied on every 1000 kilogram bag of mangoes a farmer produces and the impact of the tax is on the producer (farmer). (You are required to draw diagram / figure wherever necessary.) (word limit 40-80 words)	(4+4+ 4=12)
(a)	If the demand of mango is 'perfectly inelastic' and the supply curve is normal (unitary elastic), then: What will be the incidence of taxation on farmer (producer) and/or consumer?	

not reach the limit price and stop-loss order price, the trade will not get executed.

Describe the concepts of Limit Order, Market Order and Stop Loss Order with the help above situation.

- (c) In the simple money multiplier process, suppose you deposits 1000 rupees in SBI Bank and the required ratio is 10 % (0.10). How much amount of credit creation will be done by a bank (bank increase in money supply)? Explain the entire process of credit creation.
- (d) Describe the issuer (lenders) and purchasers (borrowers) of 'commercial papers' and 'call money market'. How do both instruments operate in the money market?

Part-B

- Q.6 In country X, suppose 100 people are living and they are producing 1 kilogram wheat grain each. Therefore, GDP (T) is 100 kilogram of wheat grain. Assume price of one kilogram wheat grain $(P) = 1$ INR; and velocity of money $(V) = 1$. Based on this information, illustrate following problem with help of Fisher's quantity theory of money. If the money supply decrease from 100 INR to 50 INR and velocity increases from 1 to 2 and GDP remaining the same, what will be impact on price level? (word limit 30-60 words) (02)
