

**GUJARAT NATIONAL LAW UNIVERSITY**  
**GANDHINAGAR**  
 Course: Money, Banking and Public Finance  
 Semester-III (Batch: 2019-24)

End Semester Online Examination: December 2020

Date: 26<sup>th</sup> December, 2020

Duration: 8 hours

Max. Marks: 50

Instructions:

- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.

You are required to answer the problem's as a phenomenon and substantiate additional facts and evidence from the conceptual world and measurement world. Also, support your analysis with strong arguments, reasoning, rationale and/or examples. You may take aid of chart, table, diagram and/or figure wherever necessary. (Each problem's word limit is approximately 90-180 words &  $\pm$  40 words). Marks

- Q.1 In the Money Multiplier process, C.R.R = 0.05 (5%), S.L.R. = 0.15 (15%), required reserve ratio ( $r$ ) = 0.20 (20%) (C.R.R. + S.L.R.) and currency deposit ratio ( $c$ ) = 0.25 (25%) (3x4= 12)
- Situation (1) RBI purchased 300 crores of government securities from the commercial bank.
- Situation (2) You deposit 300 crores in the commercial bank.
- a) How much of money supply will increase due to money multiplier process (credit creation process) in the both situation? Explain the entire procedure of how the bank increases money supply.
  - b) How much is regulated money supply and unregulated money supply in above case? Explain the monetary policy in practice based on above phenomenon and measurement detail.
  - c) Discuss the unconventional monetary system you propose as an alternative of 'Money as Debt'.
- Q.2 Answer the following problems with the illustration. (3x4= 12)
- a) Suppose you want to purchase shares of Axis Bank Ltd at 610, which is currently getting traded at 710 and the limit order is set at 610. This price can go either up or down but as soon as the stock trades at 610, the order is executed and you can buy at the predetermined price. Once the stock is purchased at 610 and if you decide to sell the same when once price reaches 810, a new limit order has been set. You set the trailing stop-loss order at 550. If the price falls from 610 but it is less than 550 and price increase but it is less than 810, the order is not active and the new target price has to be set. It should also be noted that if price of the stock does not reach the limit price and stop-loss order price, the trade will not get executed.

Describe the different types of relevant concepts of trading with the help of above situation.

- b) You buy intra-day sell (short-sell) - State Bank of India with strike price (offer price) = 270, lot size = 1000 and margin requirement = 27000 (10 % of total outstanding). Your stop loss buy price is 300. At the closing day, it increases to 298.

What will be clearing settlement with regard to gain/loss for this position today? What is importance of margin money in trading and how is it measured for different type of stocks/scripts? Explain.

- c) Havmor Ice Cream wants to 'buy' 5000-kilogram sugar as future/forward contract on 20 December 2020. The strike price (offer price) is 40 rupees per 1 kilogram. You set the stop-loss price at 30. It is non-delivery-based contract. At the expiry date, the sugar price decreases to 20 rupees per 1 kilogram.

What will be the clearing settlement with regards to gain/loss at the expiry date? Discuss the relevant concepts of derivate instruments based on the above example.

Q.3 In the following research studies:

(2x6=12)

'Efficacy of Debt Recovery Legislations: Indian Experience' (Artha Vijnana) & 'Legislative Framework to Tackle Non-Performing Assets (NPAs) in India: Law and Economic Analysis' (International Journal of Economic Policy in Emerging Economies).

- Describe briefly the phenomenon world, conceptual world and measurement world based on the above research studies.
- Suppose you want to propose research study in broad theme of 'Finance & Regulation'. What will be the specific title of your study? Discuss in detail phenomenon world, conceptual world and measurement world of your research study.

Q.4 Answer the following problems with the illustration.

(5+5+4=14)

- a) Special Drawing Rights (SDRs) quotes determined major decision of IMF's function and governance.

How do influential countries or/and groups of countries take the decision in matters pertaining to simple majority and special majority in IMF's function and governance? What structural reforms you proposed in SDRs quotes and voting rights for inclusive International Economic Law? (5 Marks)

- Discuss the trade-off between soft law versus hard law in the Global Financial Regulatory System (GFRS). Explain the various strategy/plan you propose to enforce/implement micro and macro prudential regulations in the GFRS. (5 Marks)
- 'Indian Federalism is moving from quasi-federal to federal state with regards to financial aspect and fiscal aspect' Discuss. What do you propose to further enhance autonomy of state and to achieve competitive fiscal federalism? (4 Marks)

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