

Principles of Banking (E.M) - ICOM Part 2 Principles of Banking Chapter 13 Short Questions Preparation

Q1. Write down the names of the institutions of money market in Pakistan.

Ans 1: 1- Central Bank 2- Commercial Bank
3- Specialized credit institutions.

Ans 2: 4- Non-banking financial intermediaries.

Ans 3: 5- Bill Brokers and discount houses 6- Acceptance Houses.

Q2. Define Capital market.

Ans 1: It is market for medium and long term loans. It deals in shares, debentures, common stock, Bonds and securities, Capital market is usually formed by finance houses, investment trusts, insurance companies etc.

Q3. Give four names of specialized credit institutions working in Pakistan.

Ans 1: 1- ZTBL 2- ICP 3- BEL 4- NIT

Q4. Describe the function of near money in money market.

Ans 1: As the money market deals in near money assets, it helps in economizing the use of cash. It thus provides safe and convenient method of transferring funds from one place to another place.

Q5. What is the importance of money market.

Ans 1: 1- It brings a link between the savers and investors.

Ans 2: 2- It helps in minimizing speculative activities

Ans 3: 3- It diverts resources from the unproductive channels to the productive one.

Q6. Define Money Market

Ans 1: It is a market for short term loans. It deals in marketable debt instruments such as bills of exchange, Treasury bills, Promissory note etc. The period of borrowing and lending in the money market one or less. Money market is usually formed by commercial banks, bill brokers, discount houses, etc.

Q7. What is the role of discount houses and bill brokers in money market.

Ans 1: In developed money markets private companies operate discount houses where as bill brokers operate in under developed money markets. Both this act as intermediaries between borrowers and the lenders by discounting bills of exchange at a nominal commission.

Q8. What are the Characteristics of money market.

Ans 1: 1- Powerful central bank to control the banking system and the supply of money

Ans 2: 2- Coordination between various financial institutions regarding lending and borrowing.

Ans 3: 3- Mobilization of funds from one place to another place.

Ans 4: 4- Uniform interest rate in all the financial institutions.

Ans 5: 5- Good link with other developed money market.

Q9. Define Treasury bill.

Ans 1: Treasury bill is the instrument for short term borrowing by the Government. It especially provides the govt. With a highly flexible and relatively cheaper means of borrowing money to meet its fluctuating needs for cash.

Q10. Define Stock certificate.

Ans 1: A document, issued under the seal of company, showing the ownership of share in the company.
