



Date : 15th Dec 2023

General Knowledge - Money Market

English

Q:1 In Notice Money Market, the tenor of the transactions is from _____.

1. 2-7 days
2. 2-14 days
3. 2-21 days
4. 2-28 days

Q:2 Money market is a market for short term financial requirements. Which of the following are used as instruments in money market?

1. Call money
2. Treasury bills
3. Certificate of deposits
4. All the above

Q:3 The Board for Financial Supervision (BFS) was constituted in which year to supervise the money market institutions in the country?

1. 1984
2. 1982
3. 1996
4. 1994

Q:4 Which Committee was established for the Working Group on the Money Market?

1. Chakravarty Committee
2. Vaghul Committee
3. Narasimham Committee
4. Sivaraman Committee

Q:5 Which of the following are the features of Call Money?

1. Call money is a financial arrangement between commercial banks and so it is also known as the interbank call money market.
 2. It has a maturity period of up to 15 days.
 3. They carry low risk while providing interest rates that are higher than those provided by Treasury bills and term deposits.
 4. The interest rate paid on call money loans is known as the call rate.
1. 1, 2, 3
 2. 1, 2, 4
 3. 1, 3, 4
 4. 2, 3, 4

Q:6 Treasury bill is the type of money market instrument. What is the maximum maturity of that instrument?

1. 91 days
2. 182 days
3. 49 days
4. 364 days

Q:7 Which of the following are the characteristics of treasury bill?

It is also called zero coupon bonds as zero risk is associated.

There are 3 types of treasury bills issued by the Government of India via auctions, which are 91-day, 182-day and 364-day treasury bills.

Maturity periods: 3-month, 6-month and 1 year. Issued in denominations of Rs.5 lakh or multiples thereof.

1. 1, 2, 3
2. 1, 2, 4
3. 1, 3, 4
4. 2, 3, 4

Q:8 Who issued the Treasury bills via auctions?

1. SBI
2. NABARD
3. RBI
4. Canara Bank

Q:9 Commercial Papers are issued in the multiples of _____ lakh.

1. 2
2. 1
3. 3
4. 4

Q:10 Who among the following is/are eligible to issue Commercial Papers (CPs)?

1. Corporate
2. Primary Dealers
3. All India Financial Institutions
4. All of the above

Answer Key

1. (2)	2. (4)	3. (4)	4. (2)	5. (2)
6. (4)	7. (1)	8. (3)	9. (5)	10. (4)

Answers and Solutions

Q:1 The correct answer is **Option 2** i.e. **2-14 days**
'Call Money' is the borrowing or lending of funds for 1 day. Where money is borrowed or lend for period between 2 days and 14 days it is known as 'Notice Money'. And 'Term Money' refers to borrowing/lending of funds for period exceeding 14 days.

The money market is a component of the economy that provides short-term funds. The money market deals in short-term loans, generally for a period of a year or less.

Q:2 The correct answer is **Option 4** i.e. **All the above**.

It's a market for short-term financial requirements, such as working capital.

The Reserve Bank of India (RBI), commercial banks, and financial organisations such as LIC, among others, are the main players.

Treasury bills, commercial papers, certificate of deposits, and call money are the most common money market instruments.

Q:3 The correct answer is **option 4** i.e. **1994**.

Board for Financial Supervision (BFS)

BFS was constituted in 1994

The main objective is to undertake consolidated supervision of the financial sector comprising Scheduled Commercial and Co-operative Banks etc.

The Board is required to meet normally once every month

BFS review overseas operations of Indian banks, consolidated supervision of banks;

Q:4 The correct answer is **Option 2** i.e. **Vaghul Committee**.

The committee submitted a report in 1987.

The committee recommended that the Call money market should be purely an inter-bank market.

It also recommended the establishment of a

Finance House of India as an autonomous public limited company to deal with short-term money market instruments.

Narayanan Vaghul was awarded Padma Bhushan in the Trade and Industry category in 2010.

He was awarded the Business Man of the Year Award in 1991 by 'Business India'.

Q:5 The correct answer is **option 2** i.e. **1, 2, 4**.

The followings are the features of Call Money-
Call money is a financial arrangement between the commercial banks and so it is also known as the interbank call money market.

It has a maturity period of up to 15 days.

Call money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio (CRR).

The interest rate paid on call money loans is known as the call rate.

It is a highly volatile rate that varies from day to day and sometimes even from hour to hour.

There are three different terms used when money is lent for different periods which are:

Call Money: When money is lent for one day in the market.

Term Money: When money is lent for more than 1 day but less than 15 days in the market.

Notice Money: When money is lent for 15 days or more than that, in the market.

Q:6 The correct answer is **Option 4** i.e. **364 days**

What is Treasury bill

- They are issued by the government of India when it needs money for a short amount of time.

- four types of it are as follows :

- 91 days treasury bill

- 182 days treasury bill

- 364 days treasury bill

- 14 days treasury bill (not issued these days)

- They have high liquidity, are safe and are issued at discount.

What is the money market instrument•When in a market we trade financial assets for time not exceeding one year then it is called as money market instrument.



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Q:7 The correct answer is **Option 1** i.e. **1, 2, 3**

The followings are the characteristics of treasury bills–

Issued by: Central Government

It is also called zero coupon bond as zero risk is associated with it.

Maturity periods: 3-month, 6-month and 1 year

Circulated by primary and secondary markets.

Issued at a lesser price than their face value.

There are 4 types of treasury bills issued by the Government of India via auctions, which are 91-day, 182-day and 364-day treasury bills.

These are considered as one of the safest money market instruments available.

Treasury bills are available for a minimum amount of ₹25,000 and in multiples thereof.

Q:8 The correct answer is **Option 3** i.e. **RBI**

T-bills are short-term borrowing instruments issued by **RBI** on behalf of the central government to meet its short-term fund requirements.

Treasury bills are issued in the form of a promissory note.

They are highly liquid and have assured yield and negligible risk of default.

They are issued at a price less than their face value and redeemed at par.

The difference between the price at which the treasury bills are issued and their redemption value is the interest receivable on them and is called a discount.

Q:9 The correct answer is **Option 5** i.e. **5**

CP can be issued in denominations of Rs. 5 lakh or multiples thereof. The aggregate amount to be raised by issuance of CP by a corporate should not exceed the working capital (fund-based) limit sanctioned to it by bank/banks.

Q:10 The correct Answer is **Option 4** i.e. **All of the above**

Corporates, Primary Dealers and All India Financial Institutions (FIs) are eligible to issue Commercial Papers.

Commercial paper is an unsecured form of promissory note that pays a fixed rate of interest. It is typically issued by large banks or corporations to cover short-term receivables and meet short-term financial obligations, such as funding for a

new project.