1. It refers to a set of activities, which facilitate transfer of resources from savers to borrowers.
2. It is a market for financial assets which have a long or indefinite maturity. It is a market where buyers and sellers engage in trade of financial securities like bonds, stocks etc.
3. It is an unsecured promissory note issued by public or private sector companies with a fixed maturity period which varies from 3 to 12 months. They are used to meet the floatation cost.
4. A. To protect the interest of investors in securities

B. To promote the development of securities market

C. Regulate the securities market

D. To provide for the matters connected with , or incidental to,the aforesaid purpose.

1. Savings refer to the money put aside for future use rather than spending it immediately. Investment is the employment of funds with the aim of achieving additional income or growth in value.
2. This is the market in which participants are able to buy, sell, exchange and speculate on currencies. In short it is a a global decentralised market for the trading of currencies.

|  |  |  |
| --- | --- | --- |
| Basis | Capital market | Money market |
| Maturity period | Instruments with a maturity period of more than one year is traded | Instruments with a maturity period of less than one year is traded |
| Instruments | Equity shares, preference shares, debentures etc | Call money, commercial paper, commercial bills, Tbills etc |
| Liquidity | Less liquid | More Liquid |
| Institutions | Stock exchanges, commercial banks, other financial institutions etc | commercial banks, other financial institutions, government |
| Purpose of loan | For meeting capital needs | For meeting working capital requirements |
| risk | Higher risk | Less risky |
| return | More returns | Less returns |
| redemption | Redemption after one year. sometimes at the time of liquidation of company | Redemption of instruments within one year. |

1. Commercial bills or trade bills are bill of exchange drawn by one business firm to another. They are common instruments in credit purchase and sales with a maturity period of 30 days to 120 days. They can be discounted with the bank even before the maturity period. The various types of bills include;

* Demand bill; This bills are payable on demand
* Time bill; they are payable at a specified future date
* Clean bill; these bills does not require any supporting documents.
* Documentary bills; it needs supporting documents like bill of lading, railway receipts etc
* Inland bill; bills drawn upon Indian residents and payable in india
* Foreign bill; bills drawn outside India, but payable either inside or outside India.
* Accommodation bill; when two parties draw bill on each other purely for the purpose of mutual financial accommodation.

1. Capital market has four major components;

* Primary market; it deals with the issue of new securities. It is the market for fresh capital
* Secondary market ;it is the market for the sale and purchase of previously issued or second hand securities
* Government securities market; it is the market for the issue of government securities like bonds, tbills etc
* Financial institutions; they are institutions which provide finance to business community

1. types of derivatives can be classified into two;

* on the basis of underlying asset;
* commodity derivatives; in commodity derivatives, the underlying asset will be a commodity like gold, agricultural products, oil etc.
* Financial derivatives; In a financial derivative , the underlying asset will be shares, currencies etc
* On the basis of operational structure;
* Forward contracts; arrangement to sell something at a future date
* Future contracts; it is a standardized forward contract
* Option; it gives the buyer an option to buy or sell an underlying asset at a predetermined price
* Swaps; it is an exchange of one financial instrument for another between the parties concerned.

1. The major changes that happened in Indian financial system includes;

* Withdrawal of legal tender of currency
* Setting up of MPC
* Passing GST bill
* Passing of the insolvency and bankruptency code
* Digital payment system
* License to private banks
* Introduction of MUDRA scheme
* Introduction of payment banks like paytm, phonepe etc.

1. The various measures adopted by RBI in controlling money supply are;

* Repo rate; rate at which RBI lends short term funds to the commercial banks against government securities.
* Reverse repo rate; interest rate that banks receive when they deposit their excess funds with RBI.
* Cash Reserve Ratio; every commercial bank has to keep certain minimum cash reserve with RBI. It can vary from 3% to15%
* Statutory liquidity ratio; In addition to CRR, Commercial banks have to maintain a certain percentage of their total demand and time deposits with RBI in the form of liquid assets like gold, cash and other securities.
* Bank rate; rate at which the commercial banks borrow money from RBI and lending it to the public.

1. Types of preference shares;

* Redeemable preference shares
* Irredeemable preference shares
* Convertible preference shares
* Participating preference shares
* Cumulative preference shares
* Preference shares with warrants.

Types of debentures;

* Secured debentures
* Unsecured debentures
* Bearer debentures
* Registered debentures
* Redeemable debentures
* Convertible debentures

1. Capital market is the market for long term securities and money market is the market for short term securities. The major money market instruments are; the major money market instruments are;

* Call and short notice money; money borrowed or lent on demand for a short period which is generally one day is called call money.money lend for more than one day and upto 14 days is known as short notice money.
* Commercial bills; they are bill of exchange drawn by one business firm on another. The different types of bills are demand bill, time bill, clean bill, documentary bill, inland bill, foreign bill accommodation bill etc
* Commercial paper; it is an unsecured promissory note issued by public or private sector companies with a fixed maturity period which varies from 3 to 12 months. It is used to meet the floatation cost.
* Treasury bills; they are issued by RBI on behalf of government of India .it enable government to get short term borrowings.
* Certificate of deposit; they are issued by commercial banks at a discount on face value.

Capital market instruments consist of equity shares, preference shares, debentures, bonds etc.



