Iqra National University
School of Management & Social Sciences
Peshawar Campus

Department of Business Administration

Course Title: Money and Capital Market.
Instructor: Sir, Naveed Azeem Khattak
Student Name & ID: Riaz UL Hassan ID-11662

Question No.	Answer.
01	Financial markets assume an essential job in the designation of assets and activity of the current economies. Financial markets make items that give an arrival to the indiduals who have abboundance reserves (investors / Loan Specialists), making these assets accessiable to the indiduals who need extra cash (borrowers). They give a market that overcomes any barrier among borrowers and loan specialist. This 'cost' set up in this market is the Pace of Premium. In financial individuals and entities can exchange money related securities, Commodoties and other fungible thinges of Significant worth a low transcript Cost and at costs that reflect gracefully and request. Protections in Corporate stocks and securities, and Products in Corporate valuable metals or agrarian merchandise that is the reason the money related market is significant for the strength of economy from various Perspectives for instance it help to create and Persuade the new thoughts of the new comers in the bussiness since bussiness is the best method to build-up the economy. Fianacial markets help to efficently direct the flow of savings and investment in the economy in ways

(Contd... P-2)

Question No	Answer
01	that facilitate the accumulation of capital and the production of gods and services..... Daily transation in the financial markets, both the money (short term, a year or less) and Capital (over a year) markets are huge thats why Financial markets play many important economic roles. They enable individuals to acheive a better balance between current and future consumptions. Financal markets also allowe efficient risk sharing amongst the investors. The ~~they~~ main finacial markets that ~~are~~ operate in an economy are the share market, the debit market, the derivatives market and the foreign exchange market.
02	Money markets Provides the following three major economic functions:, (a) Price Discovery :- Price discovery means that the interactions of ~~a~~ buyers and Sellers in a money market determine the price of the traded securits. In other words, these interactions establish the rate of return that these buyers and ~~Sel~~ Sellers desire an oder to buy the traded Securities. Money markets indicate how the funds avalible from those who want to lend or invest funds (household Sector) are allocated among those needing funds (industry or goverments).

(Contd ..... P—. 3)

Question	Answer
02	

(b) LIQUIDITY:– Money market provides a market for the investors to sell short-term debt securities and therefore offer investors liquidity for ~~their~~ Their investments. Liquidity means the presence of buyers and sellers ready to trade willingly. In absence of money markets, an investor would be forced to hold ~~onto~~ onto financial securities untile they mature i.e. the issuer is contractually obligated to pay it off. the degree of liquidity varies in different money markets for different securities.

(C) REDUCED TRANSACTION COSTS:...

The third economic function of a money market is that it reduces the cost of transacting when investor want to trade financial securities. Transaction costs can be divided ~~in~~ into two types; Search Cost in turn fall into two categories:_ explicit costs and implicit co[sts]. Explicit costs includes expensises to advertise one's intention to sell or purchase a financial security. Impli[cit] Costs includes the value of time spent in locating a Counter party i.e that is a buyer for seller or a seller for a buyer. the ~~Presen~~ Presence of money markets reduces Search cost. Information costs or those costs associated with assessing a financ[ial] instrument's investment attributes. In a price-efficent money market, prices reflect the aggregate information collected by all market Participants.

(Contd ---- Page- 4)

Q No	Answer
(3)	The function of financial markets and institutions ~~is~~ is: to create economical booms and recessions to facilitate the flow of funds through the economy. This are traded on financial markets, ~~namely~~ namely; stock shares, bonds, ~~currency~~ currencies, and the basic classes of derivatives, like forward or futures Contracts and options. after being first issued, Securities like bonds and stock shares may be exchanged among market Participants, at Prices that may depend on several underlying risk factors. since the values of these factors ~~are~~ are not known with certainty, the future ~~~~ Prices of bonds and stock Shares are random. A finacial institution, like a Pension funds, may rely on a portfolio of bonds as in asset. the stream of Cuppon Payment as used to pay Pensions. to retired workers. A non-financial firm uses machines and other equipment to produce items for sale. These items may be innovative Products Protected by a patent; the Patent is ~~~~ another asset that may be sold. ~~Shares~~ Shares of Common funds are Liquid and can be redeemed on short notice, where as shares of hedge funds may require several ~~~~ weeks to be Liquidated. Money related markets serves six fundamental Capacities.

((Cont.....P-5))

QNo(3)

~~An~~ Answer

these capacities are quickly recorded beneath:

~~a~~ 1:

Borrowing and Lending:- Financal markets ~~to~~ license the exchange of assets (Buying Power) starting with one operator then onto the next ~~for~~ for either speculation or utilization purposes.

~~2~~ 2:- Price Determination:- Financal markets give vehicles by which costs are set both for recently ~~gave~~ gave budgetary resources and for current supply of money related resources.

3:- Information Aggregation and Coordination:- ~~Financial~~ Financial markets go about as gatherers and aggregators of data about money related resources esteems and the progression of assets from banks to borrowers

4:- Risk Sharing:- Financial markets Permit an exchange of hazard from the ~~individuals~~ individuls who embrace Speculations to the individuls who give assets to those ventures.

5:- Liquidity: Financal markets furnish the holders of monetary resources with an oppertunity to exchange or sell these benefits.

6:- Efficiency:- Financal markets decrease exchange expensises and data Cost.