

**MEC**

**MASTER OF ARTS  
(ECONOMICS)**

**ASSIGNMENTS 2025-26**

**Second Year Courses**

**(For the students who took admission in second year prior to January 2024 or in  
January 2024)**

**SCHOOL OF SOCIAL SCIENCES  
INDIRA GANDHI NATIONAL OPEN UNIVERSITY,  
MAIDAN GARHI-110068**



## Master of Arts (Economics)(TMA)

(2025-26)

Dear Student,

As explained in the Programme guide for MEC, assignments carry 30 per cent weightage in a course and it is mandatory that you have to secure at least 40 per cent marks in assignments to complete a course successfully. Note that you have to submit the assignments before appearing in Term End Examination of a course.

Before attempting the assignments, please read the instructions provided in the Programme guide sent to you separately. In this booklet we have included the assignments for all the courses pertaining to the second year. In each course there is a Tutor Marked Assignment (TMA). You have to do the assignment for those courses for which you have registered. Do remember that you have to prepare and submit the assignments separately for each course. Make sure that you submit the assignments well in time for those courses in which you plan to appear in the Term End Examination.

It is important that you write the answers to all the TMA questions in your own words. Your answers should be within the approximate range of the word-limit set for a particular section.

As mentioned in the Programme Guide, you need to submit all the assignments within the stipulated time for being eligible to appear in the term-end examination to the **Coordinator of your study centre**.

**The assignments should be submitted to the Coordinator of your Study Centre:**

1. **By 31<sup>st</sup> March 2026**, for the students willing to appear in June 2026 term end examination.
2. **By 30<sup>th</sup> September 2026**, for the students willing to appear in December 2026 term end examination.

**You must obtain a receipt from the Study Centre for the assignments submitted and retain it. If possible, keep a xerox copy of the assignments with you.**

The Study Centre will have to return the assignments to you after they are evaluated. Please insist on this. The Study Centre has to send the marks to the Student Evaluation Division at IGNOU, New Delhi.

We expect you to answer each question as per guidelines for each category as mentioned in the assignment. You will find it useful to keep the following points in mind:

- **Planning:** Read the assignments carefully, go through the Units on which they are based. Make some points regarding each question and then rearrange them in a logical order.
- **Organisation:** Be a little selective and analytic before drawing up a rough outline of your answer. Give adequate attention to your introduction and conclusion. Make sure that your answer:
  - is logical and coherent;
  - has clear connections between sentences and paragraphs, and
  - is written correctly giving adequate consideration to your expression, style and presentation.
- **Presentation:** Once you are satisfied with your answer, you can write down the final version for submission, writing each answer neatly and underlining the points you wish to emphasize. Make sure that the answer is within the stipulated word limit.

**MECE-004: FINANCIAL INSTITUTIONS AND MARKETS**  
**Tutor Marked Assignment**

**Course Code: MECE-004**  
**Asst. Code: MECE-004 / AST-1/2025-2026**  
**Total Marks: 100**

**Note: Answer all the questions.**

**Section A**

**Answer the following questions in about 700 words each. Each question carries 20 marks.**  
**2X20=40**

- 1) Discuss the role of a financial system in a modern economy. What functions do financial institutions, markets and instruments perform? Explain the concept of flow-of-funds in macroeconomy.
- 2) Discuss the Markowitz theory of efficient portfolio selection. How does the Capital Asset Pricing Theory (CAPM) theory build on it?

**Section B**

**Answer the following questions in about 400 words each. Each question carries 12marks.**  
**5X12=60**

- 3) Critically examine the major theories that have been put forward to explain the term structure of interest rates.
- 4) Discuss the Black-Scholes formula on derivative pricing.
- 5) Discuss the concept of leverage for a firm. Discuss the important financial and leverage ratios used. Explain the Merton-Miller theorem.
- 6) Explain the need for and role of depository systems in secondary markets. Explain the concept of custodial services.
- 7) Suppose there are two large economies. One has fixed exchange-rate system. The other has flexible exchange rate system. Compare monetary policy in both.