Q70

With reference to the Indian economy, consider the following statements: 1. 'Commercial Paper' is a short-term unsecured promissory note. 2. 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation. 3. 'Call Money' is a short-term finance used for interbank transactions. 4. 'Zero-Coupon Bonds' are the interest-bearing short-term bonds issued by the Scheduled Commercial Banks to corporations. Which of the statements given above is/are correct? (a) 1 and 2 only (b) 4 only (c) 1 and 3 only (d) 2, 3 and 4 only Official key: C.

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Explanation

(a)

1 and 2 only. CDs are short-term bank instruments, not long-term RBI paper to corporates.

(b)

4 only. Zero-coupon as 'interest-bearing ST bank bonds to corporates' is the usual false limb.

(c) Official key

1 and 3 only. Commercial paper is a short unsecured promissory note; call money is interbank overnight money. CD and the ZCB wording fail.

(d)

3 and 4 only. Drops CP; keeps a bad ZCB line.

Summary

- **Official key is (c) 1 and 3 only. CP:** short-term unsecured corporate paper. Call money: overnight interbank. Certificates of Deposit are short-term bank deposits, not long RBI-to-corporate bonds. The zero-coupon statement as framed is not keyed.

Related possible facts

These can be asked in a future Prelims paper.

CP

Up to 365 days; unsecured; corporates/NBFCs.

Call/notice money

RBI's money-market window among banks.