

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,

Vidyavihar, Mumbai- 400077

Subject: Financial Institutions and Markets

(End Term Examination)

Maximum Marks: 50

Time : 3 Hours

Date: 16th Sept, 2019

Duration: 3Hrs

Instructions: Answer any five questions 5*10 =50 Marks

Q1: a) A Rs 100 par value bond bearing a coupon rate of 12 percent will mature after 5 years.

What is the value of the bond, if the discount rate is 15%

b)The market price of a Rs 1000 par value bond carrying a coupon rate of 14% and maturing after 5 years is Rs 1050.what is the yield to maturity on this bond if required rate us 12%?

Q2. From the following information calculate Sharpe Ratio, Treynor Ratio and Jenson Ratio and comment on portfolio performance. Give the ranking to portfolios according to all the ratios.

PORTFOLIOS

	A	B	C	D
Beta	1.10	0.8	1.8	1.4
Return (%)	14.5	11.25	19.75	18.5
S.D(%)	20.0	17.5	26.3	24.5

Risk free rate of return is 6% and Market return is 12%.

Q3. Varma Ltd earnings and dividends have been growing at a rate of 18% per annum. This growth rate is expected to continue for 4 years. After that the growth rate will fall to 12% for the next 4 years. Thereafter, the growth rate is expected to be 6% forever. If the last dividend per share was Rs 2 and the investor's required rate of return is 15%, what is the intrinsic value of the share?

Q4: The interest rate is an effective weapon of the RBI. The level of existing interest rates is of pivotal importance to the economy. Interest rates are employed to influence the overall economic Activity.

In this background, you are required to discuss the following

- i) Explain factors impacting interest rates in an economy
- ii) Differentiate between nominal and real interest rates with suitable examples

Q5: Explain the role of money market in Indian economy and explain the features of Certificate of Deposits and Commercial Paper in Money market.

Q6: A bond with 11% coupon rate issued three years ago is redeemable after five years from now at a premium of 5%. The interest rate prevailing in the market currency is 13% at a premium of 5%. The interest rate prevailing in the market is 14%. Calculate the duration of this bond and give your analysis.

- Q7.a)** Explain the process of IPO issue in India
- b) Explain the role of BRLM in IPO issue

-----End of the Paper-----

PDGM(Fin) and MMS(Fin), Trimester-iv , End d term Examination ,Subject: Financial Institutions and Markets