

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
PGDM (FIN) 2017-19 BATCH – IV TRIM
Financial Institutions & Markets**

Maximum Marks: 50

Date: 27/09/2018

Time : 3 Hours

Answer any five 5*10=50 Marks

Question NO:1

A bond with 10% coupon rate issued four years ago is redeemable after five years from now at a premium of 10%. The interest rate prevailing in the market currently is 14% .

i) Explain types of risk involved bonds

ii) What is duration of the bond calculate duration for the above data and interpret the number

iii) If current interest rates are below the interest rates of bond which you are holding how your bond yield is effected explain

iv) If current interest rates are above the interest rates of bond which you are holding how your bond yield is effected explain

PV factors @14% are 0.909, 0.826, 0.751, 0.683, and 0.621

Question NO:2

Historical Sensex Returns			
Year	StartValue	Endvalue	% change
2000	5005.82	3972.12	-20.65
2001	3972.12	3262.33	-17.87
2002	3262.33	3377.28	3.52
2003	3377.28	5838.96	72.89
2004	5838.96	6602.69	13.08
2005	6602.69	9397.93	42.33
2006	9397.93	13786.91	46.7
2007	13786.91	20286.99	47.15
2008	20286.99	9647.31	-52.45
2009	9647.31	17464.81	81.03
2010	17464.81	20509.09	17.43
2011	20509.09	15454.92	-24.64
2012	15454.92	19426.71	25.7

Source: www.nseindia.com

From the above diagram observe the trend and write analysis on Sensex performance with the emphasis on buying and selling sentiment in market.

Explain the calculation of Sensex by taking a hypothetical example of two companies

Questions:

1. What do you mean by a stock index? How is it calculated? Explain any one index calculation
2. What conclusions can you draw from the various movements of NSE stock indices?
3. What factors affect the movement of stock indices? Elaborate with examples
4. What relationship do you see between the movement of indices in world market and Indian stock indices?
5. Explain the impact of company specific factors on SENSEX and NIFTY with suitable examples

Question No.3

Explain Bill market in India and describe various instruments available in this market. Differentiate between Commercial paper and Certificate of Deposit.

Question No.4

i)A company is currently paying a dividend of Rs. 3.00 per share. The dividend is expected to grow at a 15% annual rate for three years, then at 10% rate for the next 3 years, after which it is expected to grow at 5% rate forever.

What is the present value of the share if the capitalization rate is 9%

If the share is held for three years, what shall be its present value?

PVIF values at 9% are 0.917,0.842,0.772,0.708,0.650,0.596

ii)Explain the relationship of Stock price, P/E, Dividend yield with company growth rate

Question No.5

Monetary Policy Committee is working on various aspects of interest rates and inflation. Write the factors that influence interest rates in India in general and then explain reasons for recent interest rate hikes in India with implications.

Question No.6

Ram invested in a mutual fund when NAV was Rs 12.65. 60 days later the Asset value per unit of the fund was Rs 12.25. In the meantime, Ram had received a cash dividend of Rs 0.50 and a capital gain distribution of Rs 0.30. Compute the monthly return.

Question No.7

Explain GSO and BRLM role in the context of IPO issues