

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH

MMS / PGDM (FIN) – IV TRIM

2016-18 BATCH

Financial Institutions & Markets

Maximum Marks: 50

Date: 13-09-2017

Time : 3 Hours

Note : Answer any five 5*10=50 Marks

Question NO:1

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 currently is 13% .Calculate the duration of this bond which has a face value of 100 Rs and give your analysis. Explain in detail the concept of duration and how it is useful to investors. Explain interest rate risk in detail and also explain how it can be eliminated.

PVIF factors are as below for the five year period.

0.877

0.769

0.675

0.592

0.519

Question 2.

Domestic Market				World Market			
Index	Current	Previous	Percentage Change	Index	Current	Previous	Percentage Change
S&P CNX NIFTY	3641.1	3770.55	-3.43%	NYSE COMPOSITE	8926.88	9120.93	-2.13%
CNX NIFTY JR.	6458.55	6634.85	-2.66%	NASDAQ COMPOSITE	2350.57	2402.29	-2.15%
CNX IT	5100.5	5314.05	-4.02%	DOW JONES LA	12076	12318.6	-1.97%
BANK NIFTY	5039.05	5251.55	-4.05%	S&P 500	1377.95	1406.6	-2.04%
CNX 100	3519.35	3640.35	-3.32%	NIKKIE 225	16676.9	17178.8	-2.92%

Source: www.nseindia.com

The above figures are taken from the website of National Stock Exchange of India. They illustrate the movement of NSE stock indices as well as world stock indices on a historical date.

In the backdrop of above data answer the following questions.

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

From the following information calculate Sharpe Ratio, Treynor Ratio and Jensen 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%.

Question No.4

A company is currently paying a dividend of Rs. 2.00 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

Question No.5

Recently constituted Monetary Policy Committee is working on various aspects of interest rates and inflation. Explain the role of MPC in interest rates as well as controlling inflation and also write the factors that influence interest rates in India.

Question No.6

A Mutual fund had a NAV of Rs 62 at the beginning of the year. During the year a sum of 5 Rs was distributed as dividend besides Rs 3 as capital gain distribution. At the end of the year NAV was Rs 70. Calculate total return for the year

Suppose the aforesaid mutual fund in the next year gives a dividend of Rs 5 and no capital gains distribution and NAV at the end of second year is Rs 65. What is the return for the second year.

Also compare and contrast Indexed funds Vs. Equity Funds.