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

Vidyavihar, Mumbai- 400077

Program: *PGDM (FS) – 2016 – 18 II TRIM*

Subject: Financial Institutions and Markets

(End Term Examination)

Maximum Marks: 60 **Duration: 2Hrs** **Date: 31/12/2016**

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

Q1. 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	1.08	0.7	1.7	1.3
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%.

Q2. From the following information apply P/E approach of equity valuation

Firm with no growth	0%
Firm with normal growth rate	7%
Firm with super normal growth	14%

the expected earnings per share and dividend per share of each of the above firms are Rs 6.00 and Rs 5.00 respectively
The required rate of return from equity is 15%

calculate the stock price, dividend yield, capital gain yield and P/E ratio for all the above cases with the given information

Q3. 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 write the following

i) How is the interest rate in an economy determined explain with diagram

ii) Explain the impact of Federal interest rates on Indian economy in brief

Q4. Explain the role of commercial banks in Indian money market with emphasis on call money market and also explain in brief various instruments available for corporates in this market.

Q5. I) A bond with 10% 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.
PVIF factors are as below for the five year period.

0.877
0.769
0.675
0.592
0.519

ii)A person owns a Rs 1000 face value bond with five years to maturity. The bond pays coupon of 8%.The bond is currently priced at Rs960 and market interest rate is 14%. Use above PVIF values and find out investor should hold or sell the bond.

Q6. Explain the differences among OFS/IPO/FPO and explain in brief the role of BRLM in IPO process