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| **Semester: Nov 2024 - Mar 2025**  **Maximum Marks: 50 Examination: ETE Exam Date: 11-04-2025**  **Duration: 2 hours** | | |
| **Programme code: 01 & 06**  **Programme: MBA, MBA HCM** | **Class:** FY | **Semester/Trimester:** II |
| **College:**  **K. J. Somaiya Institute of Management** | **Name of the department/Section/Center:**  Finance | |
| **Course Code: 317P01E205** | **Name of the Course: Financial Markets (Elective)** | |
| **Instructions:**   * **Question No.1 is compulsory; four questions are to be answered from the rest of the six questions. Each question carries 10 marks.** | | |

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| **Question No.** |  | **Max.**  **Marks** |
| **Q.1.** | **(Compulsory Question)** Mr. Rajesh Verma, a seasoned investor, has been entrusted by his high-net-worth clients to choose the best-performing mutual fund for long-term wealth creation. With several options available in the market, he has shortlisted three funds—Alpha Growth Fund, Beta Stability Fund, and Gamma Dynamic Fund. To ensure an objective evaluation, Rajesh decides to use key performance measures such as the Sharpe Ratio, Treynor Ratio and Jensen’s Alpha,  Each fund has exhibited different risk-return characteristics in the past five years. Rajesh must select the most suitable fund for his clients, balancing return potential and risk-adjusted performance.  **Funds Data:**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Fund Name** | **Average Return (%)** | **Standard Deviation (%)** | **Beta** | **Benchmark Return (%)** |  |  | | Alpha Growth Fund | 18 | 22 | 1.3 | 12 |  |  | | Beta Stability Fund | 15 | 15 | 0.9 | 12 |  |  | | Gamma Dynamic Fund | 16 | 18 | 1.1 | 12 |  |  |   The risk-free rate is assumed to be 7%. Rank the above funds based on Sharpe, Treynor and Jenson measure. | **10** |
| **Q.2.** | Ms Kamala wants to make an investment in bonds. The bond face value is Rs 500 with a coupon rate of 8% and a life of 5 years. Redemption value at par and can offer a rate of return of 10%. If interest is accrued annually, calculate the intrinsic value of the bond. | **10** |
| **Q.3.** | i)A portfolio manager buys an 182-day Treasury bill with a face value of ₹25,000 at a price of ₹24,400. The portfolio manager needs to determine the yield on this Treasury bill.  ii) Explain the features of the Treasury bills and indicate for which type of investors it is recommended. | **10** |
| **Q.4.** | X Ltd. wants to issue 1000 shares through a book building offer within a Price Band of Rs. 130 to Rs. 150. Bids are received as follows:   |  |  |  |  | | --- | --- | --- | --- | | Sr. No. | Bid Price | No. of Shares | Total Demand | | 1 | Rs. 150 | 200 | 200 | | 2 | Rs. 140 | 300 | 500 | | 3 | Rs. 138 | 500 | 1000 | | 4 | Rs. 130 | 1000 | 2000 |   What is the cut off price in this offer according to Dutch auction book building method? Justify your answer with logical reasoning. Can the company decide the cut off at a lower price at which the issue is subscribed? Can the company allot the shares to the retail investors at a price which is at a discount to the cut off price? | **10** |
| **Q.5.** | Distinguish between the Money market and the Capital market with suitable examples | **10** |
| **Q6** | Explain the salient features of the following types of Bonds with respect to the purpose of issue, interest rate, tenor, redemption and other terms and conditions:   1. Zero Coupon Bonds 2. Green Bonds 3. Convertible Bonds 4. Junk Bonds | **10** |
| **Q7** | What are Real Estate Investment Trusts (REITs)? What are the different types of REITs? Explain the advantages and limitations of REITs. | **10** |