

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

**MFM – III Sem.(2017-20 Batch)**  
**Sub: Financial Institutions and Markets**  
**(End Term Exam)**

**Maximum Marks: 50**

**Duration: 3 Hrs**

**20/11/2018**

**Answer any five questions each carrying 10 marks -10\*5=50Marks**

**Question:1**

What is GSO in IPO process explain with a hypothetical example

**Question 2:**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 0.877,0.769,0.675,0.592,0.519**

**Question 3:**

A mutual fund made an issue of 10, 00,000 units of Rs 10 each on 1/10/16.No entry load was charged. It made the following investments.

50000 equity shares of Rs 100 each @ Rs 160-----Rs 8000000

7% Govt. securities-----Rs 800000

9% Debentures (unlisted) -----Rs 500000

10% Debentures (Listed) -----Rs 500000

Total -----Rs 9800000

During the year, dividends of Rs 12 lakhs were received on equity shares. Accrued expenses during the year amounted to Rs 25000. Interest on all types of debt securities was received as and when due unlisted debentures promised semiannual interest payments. At the end of the year equity shares and 10% debentures are quoted at 175% and 90% respectively. Other investments are quoted at par.Find out the NAV per unit given that the operating expenses during the year amounted to Rs 500000.also find out the NAV, if the mutual fund had distributed a dividend of 0.90 per unit during the year to the unit holders.

**Question No:4**

X company Ltd is a leading manufacturer of plastic products. Currently it requires short term funds and has approached you for advice. You assume the role of financial advisor and suggest ways in which they can raise funds and also suggest if they can come up with commercial paper. What are the requirements that they have to fulfill and state benefits of using commercial paper route.

**Question NO:5**

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:6**

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:7**

Explain the from the below list, roles played by regulatory bodies in Indian Financial System

i) SEBI    ii) IRDA

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