

PQ 10 AGR

3/10/16

Time : 2.5 hrs.



Marks: 75

**Q1 (A) State whether the following are true or false. (any 8) (8)**

1. T bill is a promissory note or a finance bill issued by the government.
2. Bonds are issued by private companies.
3. Premium bonds are priced lower than their face value.
4. CAPM was developed by William Sharpe.
5. Investment in T bills is very liquid.
6. Call money market is completely an inter bank market.
7. CODs are more risky than T bills.
8. In debt market, retail participation is more.
9. IFCI was set up in 1950.
10. Fixed income bonds yield fixed periodic returns.

**Q1 (B) Fill in the Blanks. (any 7) (7)**

1. \_\_\_\_ have a maturity period of 91 or 182 or 364 days.
2. Development banks were set up to provide credit to \_\_\_\_.
3. Debentures are issued by \_\_\_\_.
4. \_\_\_\_ ratio refers to the number of shares debenture holder will get against each debenture.
5. \_\_\_\_ bonds have changing interest rates.
6. CARE refers to \_\_\_\_.
7. RRBs refer to \_\_\_\_.
8. YTM means \_\_\_\_.
9. PSUs stand for \_\_\_\_.
10. NABARD was set up in the year \_\_\_\_.

**Q2A Explain various kinds of debentures (8)**

**B What are the stages in development of Indian Financial System (7)**

**OR**

**Q2C What are the components of financial system? (8)**

**D What is a debenture? Explain various kinds of debentures. (7)**

**Q3A Explain deep discount bonds and fixed income bonds. (8)**

**B Explain in brief provisions of government regulations 2007.. (7)**

**OR**

**Q3 C What is financial engineering? What are the factors contributing to it? (8)**

**D** C ltd. has 2000 debentures of Rs. 100 each. The current market price of Each debenture is Rs. 125. One debenture will be converted for 10 shares. Number of equity shares before redemption were 15000. The PE ratio Before redemption was 12 and anticipated ratio after redemption is 16. EBIT was Rs. 200000. Tax rate is 35%. Is the conversion beneficial to the

**Q4 A** From the following particulars determine the IRR of the debenture.

Face value : Rs. 100

Interest rate : 11%

Market price: Rs. 96

Maturity 4 years

Redemption amount : Rs 109

(8)

**B** A Government of India bond of Rs. 100 each has a coupon rate of 7 % p.a.

Maturity period is 15 years. If the current market price is 121, calculate the YTM of the bond.

(7)

**OR**

**Q4 C** You are given the following information . Determine the expected rate of return each security using CAPM. (Assume risk free rate to be 12%)

(8)

Particulars	Initial price	Dividends	Market price	Beta
X	80	5	106	0.8
Y	75	6	112	0.6
Z	96	7	128	0.7

**D** Z ltd. Issued 12000, 7% debentures of face value Rs. 100 at par redeemable at a premium of 6 % after 6 years. If the required rate of return is 12%, what is the present value of the debentures?

(7)

**Q5** Write short notes on (any three)

(15)

1. Benefits of credit rating
2. Difference between primary and secondary market.
3. Features of treasury bills
4. Assumptions of CAPM
5. Commercial paper.