VPM's
DR VN BRIMS, Thane
Programme: MMS (2014-16)
Second Semester Examination April 2015

Subject	Financial Markets, Products & Institutions		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	25-05-2015

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

Case Study (14 Marks)

a) Following option chain is given for Hindustan Unilever (HUL) and assuming both Cash & Future are trading at 940 then answer the following:

Strike Price	Call Option Value	Put Option Value
900	44	4
910	38	8
920	33	12
930	29	16
940	22	21
950	15	26
960	7	33

1. Classify these options as ATM, ITM & OTM.
2. Calculate the breakeven point for all of them.
3. Divide the premium as intrinsic value & time value wherever applicable.
4. Make comments based on your observations.

b) Explain the significance of following terms in brief and state their values as on today (i.e. 25th April 2015)

Repo Rate, Reverse Repo Rate, Bank Rate, CRR, SLR (6 Marks)

Attempt Any FOUR from the Remaining SIX Questions

Q2) *Any two from (a) or (b) or (c)* ————— *(5x2) = 10 Marks*

a) What should be a correct price of a 5 year bond with a semiannual coupon of Rs.20 and a par value of Rs.1000, Given the required YTM is 8%?

b) Write short note on FCCB as a fund raising instrument.

c)   As a winner of a competition, you can choose one of the following prizes,
o   Rs.4000000 Now
o   Rs. 480000 a year forever

o Rs. 720000 per year for 10 years which one will you choose provided rate of inflation in economy & prevailing interest rate both are at 8%?

Q3) Any two from (a) or (b) or (c) ——————— (5x2) = 10 Marks

a) Write a short note on duration with its significance.

b) Write a short note on rights issue as a fund raising instrument.

c) Explain the terms hedging, speculations and arbitrage with respect to derivatives.

Q4) Any two from (a) or (b) or (c) ——————— (5x2) = 10 Marks

a) a) Calculate the yield of with 92 day T-bill if it is issued at 980 and T-Bill has a FV of Rs.1000?

b) Mahesh is holding a bond with duration of 5 and its value as per the closing hours of Monday 6th April 2015 is Rs. 300. On Tuesday yields rallied by 30 bps on the rumor of central bank hiking the interest rates. However weak IIP data on Wednesday meant there might not be any rate hike in near future which resulted in yields going down by 20 bps. So what would be the likely value of the bond held by Mahesh on closing hours of Wednesday?

c) Explain the term structure of interest rates.

Q5) Any two from (a) or (b) or (c) ——————— (5x2) = 10 Marks

a) Calculate the issue price of with 164 day T-bill if the YTM is 8.5% and T-Bill has a FV of Rs.1000?

b) Write a short note on RBI and its functions.

c) Shikhar has a portfolio of 60 lacs predominantly consisting high beta Nifty stocks. Beta of his portfolio is 1.6. If he wants to hedge it using Nifty futures how should he go about it? Provided Nifty future for the current month are quoting at 8000 and lot size for Nifty 25.How will his hedge workout if Nifty goes to 8400?

Q6) Any two from (a) or (b) or (c) ——————— (5x2) = 10 Marks

a) LKM bank has 9000 Cr. Balance Sheet of which 1500 Cr. is Current Account, 3000 Cr is Saving Account @ 4% per annum & remaining 4500 Cr. are raised as fixed deposits @ 8% per annum. Bank has lent 6705 Cr. to productive sectors @ 10% per annum average. Assuming Current CRR at 4% & SLR at 21.5%. For such a bank please calculate cost of funds & the NII & NIM? (Zero NPA's)

b) Find out the value of a zero coupon bond issued for 7 years with YTM of 9%, FV=1000. (Assume annual compounding)? What will be the duration of this bond?

c) Explain the concept of mutual funds and state there advantages and disadvantages.

Q7) Any two from (a) or (b) or (c) ——————— (5x2) = 10 Marks

a) Write a short note on FPO as a funding instrument for companies.

b) Hindalco is currently trading at 130 and has a lot size of 2000. If you buy Hindalco futures what would be your exposure? If you need to maintain a margin of 20% how much money would you maintain as a margin upfront? After taking this trade if Hindalco goes to 122 same day, how much money you need to add/ you can take out from your margin account?

c) If Padmini wants to buy a House worth Rs. 90 Lacs. When she is 45 years old. Today her age is 25 then how much she should save per annum to buy that car assuming her investments fetch her 15% returns? How much she needs to save assuming her investment would fetch her 10% returns?