

VPM's
DR VN BRIMS, Thane
Programme: MMS (2015-17)
Second Semester (Finance) Examination April 2016

Subject	Financial Markets, Products & Institutions		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	25.04.2016

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

Q1) 20 Marks (Compulsory)

- a) Explain the significance of following terms in brief and state their values as on today. (i.e. 25th April 2016)

Repo Rate, Reverse Repo Rate, Marginal Standing Facility Rate, Bank Rate, CRR, SLR **(10 Marks)**

- b) Explain As a winner of a competition, you can choose one of the following prizes,
Rs.5000000 Now
Rs. 600000 a year forever
Rs. 15000000 at the end of 10 years from now.
Rs. 900000 per year for 10 years which one will you choose provided rate of inflation in economy & prevailing interest rate both are at 10%? **(10 Marks)**

Attempt Any FOUR from the Remaining SIX Questions

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

a) Write a short note on private equity as a fund raising instrument.

b) Axis bank is currently trading at 450 and Axis Bank 460 put is trading at 15 Rs. If you sell it what would be your breakeven point? Classify the option as ITM/OTM/ATM and find out intrinsic and Time Value? What would be your profit /loss if Axis contract expires at a) 425 b) 470?

c) If Mayuresh wants to buy a Car worth Rs. 35 Lacs. When he is 45 years old. Today his age is 25 then how much he should save per annum to buy that car assuming his investments fetch his 12% returns? How much he needs to save assuming his investment would fetch him 8% returns?

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

a) Ramesh is holding a bond with duration of 5 and its value as per the closing hours of Monday 11th April 2016 is Rs. 300. On Tuesday yields cooled off by 25 bps on the rumor of central bank reducing the interest rates. However good economic data on Wednesday meant there might not be any rate hike in near future which resulted in yields going up by

15 bps. So what would be the likely value of the bond held by Ramesh on closing hours of Wednesday?

b) Find out the value of a zero coupon bond issued for 10 years with YTM of 7%, FV=1000. (Assume annual compounding)? What will be the duration of this bond?

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

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

a) Explain the concept of duration with its significance.

b) Ajay has a portfolio of 300 lacs predominantly consisting of low beta Nifty stocks. Beta of his portfolio is 0.75. 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 7500 and lot size for Nifty 75. How will his hedge workout if Nifty goes to 8000? Assume only 50% hedge is required.

c) ABC bank has 6000 Cr. Balance Sheet of which 1000 Cr. is Current Account, 2000 Cr is Saving Account @ 4% per annum & remaining 3000 Cr. are raised as fixed deposits @ 8% per annum. Bank has lent 4470 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)

Q5) 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.40 and a par value of Rs.1000, Given the required YTM is 9%?

b) Write a short note on IPO and FPO as fund raising instruments.

c) ITC is currently trading at 320 and ITC 330 Call is trading at 5 Rs. If you sell it what would be your breakeven point? What would be your profit /loss if ITC contract expires at a) 310 b) 350.

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

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) Calculate the issue price of with 164 day T-bill if the YTM is 7% and T-Bill has a FV of Rs.1000?

c) Write a short note on term structure of interest rates.

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

a) Differentiate between forward and future contract.

b).What are mutual funds? What are their advantages and disadvantages?

c) Write a short note on QIP as a fund raising instrument.