

VPM's
DR VN BRIMS, Thane
Programme: MMS (2021-23)
Third Semester Regular Examination February 2023

Course Name: Financial Markets and Institutions		Course Code	MMS – F-304
Roll No.		Marks	60
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	3	Date	08-02-2023

Course Outcome Statements:

CO1: Define basic terminologies in relation to financial markets , monetary policies economic indicators, Fundamental analysis Bond market equity market, and Forex market.

CO 2: Explain the concepts pertaining to financial products, bond markets, forex market and stock exchanges

CO 3: Apply concept and theories of Debt, equity, forex and bond market in business context Use frameworks related to bond valuation, forex markets ,capital market theories, fundamental analysis, investment decisions related to equity bond/mutual funds and fixed income security analysis.

CO4 Analyse various types of mutual funds investments and returns for decisions about investment various types of financial results with respect to risk and return, of mutual funds,+ equity fundamental analysis, yield calculations, duration, convexity, pricing of bonds, for making relevant inferences

CO5. ASSESS financial data and information to take appropriate managerial decisions **and create** portfolio with investment in Bond market, Thematic bonds , fundamental analysis used in financial Markets for investment decisions.

Instructions: -		Marks	BL	CO																												
Q. No 1 (All Questions are Compulsory)																																
Q. No.	Questions																															
Q. 1	Case/Case-let Study (500-800 words)																															
a.	<p>Mr X decides to invest INR 1500 per month for a year in Mutual Funds with SIP Plans</p> <table border="1"> <thead> <tr> <th>Date</th> <th>NAV</th> <th>Date</th> <th>NAV</th> </tr> </thead> <tbody> <tr> <td>1-Jan</td> <td>11</td> <td>1-Jul</td> <td>12</td> </tr> <tr> <td>1-Feb</td> <td>10.5</td> <td>1 August</td> <td>10.5</td> </tr> <tr> <td>1-Mar</td> <td>10</td> <td>1 Sept</td> <td>10</td> </tr> <tr> <td>1-Apr</td> <td>9.5</td> <td>1 Oct</td> <td>9.5</td> </tr> <tr> <td>1-May</td> <td>9</td> <td>1 Nov</td> <td>10</td> </tr> <tr> <td>1-Jun</td> <td>11.5</td> <td>1 Dec</td> <td>9.5</td> </tr> </tbody> </table> <p>Within one year, how many units Mr. X will be able to buy if he invests INR 1500 every month,</p> <p>2. Suggest the best suitable schemes with reasons for investor if he would like to invest in Mutual Funds with high</p>	Date	NAV	Date	NAV	1-Jan	11	1-Jul	12	1-Feb	10.5	1 August	10.5	1-Mar	10	1 Sept	10	1-Apr	9.5	1 Oct	9.5	1-May	9	1 Nov	10	1-Jun	11.5	1 Dec	9.5	6	Level 4	CO4
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		risk and return profile and low risk profile ?																	
	b.	<table border="1"> <thead> <tr> <th>Bond</th> <th>Market Valuation</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>Bond A –</td> <td>1,00,000</td> <td>10.5 Years</td> </tr> <tr> <td>Bond B</td> <td>3,00,000</td> <td>8 Years</td> </tr> <tr> <td>Bond C</td> <td>4,00,000</td> <td>5 Years</td> </tr> </tbody> </table>	Bond	Market Valuation	Duration	Bond A –	1,00,000	10.5 Years	Bond B	3,00,000	8 Years	Bond C	4,00,000	5 Years			6	Level 5	CO5
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		Evaluate the Macaulay duration and convexity of the bond By analysing the 3 Bond structures																	
Q. 2		Answer Any one from the following.																	
	a.	<p>Analyse the given data and evaluate the swap arrangement between both the companies</p> <p>Company A is a US-based company that is planning to expand its operations in Europe.</p> <p>Company A requires €850,000 to finance its European expansion. Company B is a German company that operates in the United States. Company B wants to acquire a company in the United States to diversify its business. The acquisition deal requires US\$1 million in financing.</p> <p>Neither Company A nor Company B holds enough cash to finance their respective projects. Thus, both companies will seek to obtain the necessary funds through debt financing. Company A and Company B will prefer to borrow in their domestic currencies (that can be borrowed at a lower interest rate) and then enter into the currency swap agreement with each other.</p>				6	Level 5	CO5											
	b.	<table border="1"> <thead> <tr> <th>Bond</th> <th>Maturity</th> <th>Spot Rate</th> </tr> </thead> <tbody> <tr> <td>Bond A</td> <td>1</td> <td>9.29 %</td> </tr> <tr> <td>Bond B</td> <td>2</td> <td>10.96 %</td> </tr> <tr> <td>Bond C</td> <td>3</td> <td>10.97 %</td> </tr> </tbody> </table>	Bond	Maturity	Spot Rate	Bond A	1	9.29 %	Bond B	2	10.96 %	Bond C	3	10.97 %			6	Level 5	CO5
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Bond A	1	9.29 %																	
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Bond C	3	10.97 %																	
		From the term structure of the bonds mentioned above apply these conditions and evaluate forward rates for next F																	

		(1,2) , f(1,3) f(2,3) years for decision making to bond holders.			
Q. 3		Answer Any one from the following.			
	a.	Analyse various reasons for sharp fell in Adani Group shares on stock market?	6	Level 4	CO4
	b.	A zero coupon bond has a face value of Rs 1000 and maturity period of five years. If the issue price of the bond is Rs 519.37, what is the spot interest rate? 2) face value (FV)= 1000 , N= 5 ,PV= 519.37 A bond of face value Rs 1000 and a coupon rate of 15% is currently available at Rs 900. Five years remain to maturity and bond is redeemable at par. Evaluate YTM by comparing coupon rates	6	Level 4	CO4
Q. 4		Answer Any two from the following.			
	a.	Differentiate between futures and forward	6	Level 3	CO3
	b.	Differentiate between right issue and bonus issue	6	Level 3	CO3
	c.	Differentiate between Stop-Loss Limit Order and Stop-Loss market Order	6	Level 3	CO3
Q. 5		Answer Any two from the following.			
	a.	Explain evolution of Indian Financial system .	6	Level 2	CO2
	b.	Explain the concepts of crowd funding and Thematic bonds	6	Level 2	CO2
	c.	Explain following types of Bond : Callable Bond, Put able Bond , Zero coupon Bond ,Plain Vanilla Bond, and Junk bond	6	Level 2	CO2
Q. 6		Answer Any two from the following.			
	a.	What do you understand by Marginal lending facility Rate ? What's current MLFR ?	6	Level 1 Ch2	CO1
	b.	What do you understand by terms STAG speculators and LAME DUCK speculators	6	Level 1 Ch3	CO1
	c.	Define CRR and SLR	6	Level 1 Ch2	CO1