

VPM's
DR VN BRIMS, Thane
Programme: MMS (2022-24)
Third Semester Regular Examination January - February 2024

Course Name:	Financial Markets and Institutions	Course Code	F 304
Roll No.		Marks	60
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	3	Date	31-01-2024

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: -

Q. No 1 (All Questions are Compulsory)

Instructions: -		Marks	BL	CO
Q. No.	Questions			
Q. 1	Case/Case-let Study (500-800 words)			
a.	<p>General Motors India Private Limited is a wholly owned subsidiary of the GM Motor Company in India. The vehicles and engines use as an integral parts import from General Motors Company of US Ltd. And G.M. Motors Company of US Ltd. invoiced the sales to the Indian subsidiary company, the payment being due three months from the date of invoice. The invoice amount is \$12,500 and at today's spot rate of \$0.015 per `1, is equivalent to `8,33,334.</p> <p>It is anticipated that the exchange rate will decline by 15 % over the three months period and in order to protect the dollar proceeds, the importer proposes to take appropriate action through foreign exchange market.</p> <p>The three months forward rate is quoted as \$0.0145 per `1. You are required to evaluate the find the possibilities of forward contract and calculate the expected loss and to show, how it can be hedged by forward contract.</p>	6	Level 4	CO4

	<p>b. Mr Parekh decides to invest INR 5500 per month for a year in Mutual Funds with SIP Plans</p> <table border="1" data-bbox="339 286 892 600"> <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. Parekh will be able to buy if he invests INR 5500 every month, Evaluate both the options of Monthly SIP or lump sum investment of Rs 30,000/ in January and suggest better plan for Mr.Parekh in Mutual Fund .Use market scenario of mutual fund industry for supporting your decision</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 5	CO5
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Q. 2	Answer Any one from the following.																															
	<p>a. Analyse the given data and evaluate the option of swap arrangement of Forex between both the companies</p> <p>MJ limited is an Indian company having a subsidiary in US and is looking to raise dollar to 2lakh for funding its subsidy It can borrow at the following rates \$-10 % and Rs- 14%</p> <p>CB limited is US company having subsidiary in India and is looking today Rs 60 lacs for funding its subsidy it can borrow at the following fix rates \$- 8% and Rs- 17%</p> <p>The current rate for dollar one equal to rupees 83 show how a currency swap would work in the circumstances described above assuming the swap is only for 1 year and that interest is spread at the end of the year</p>	6	Level 5	CO5																												
	<p>b. You are considering an investment in one of the following bonds What is YTM of each bond? Analyse and evaluate the given data and suggest Which bond would you recommend and why</p> <table border="1" data-bbox="339 1697 979 1982"> <thead> <tr> <th>Bond</th> <th>Maturity</th> <th>Coupon Rate</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>Bond A</td> <td>RS1100</td> <td>13 %</td> <td>6 Years</td> </tr> <tr> <td>Bond B</td> <td>Rs800</td> <td>11 %</td> <td>4 years</td> </tr> </tbody> </table>	Bond	Maturity	Coupon Rate	Duration	Bond A	RS1100	13 %	6 Years	Bond B	Rs800	11 %	4 years	6	Level 5	CO5																
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Q. 3	Answer Any one from the following.																	
	a.	You have 10-year, 8% coupon bond & current market rate of coupon is 7.25%. This bond will have duration of 7.32 years if interest rate falls by 80 basis points. What change will happen to bond price? Explain the concept of convexity.	6	Level 4	CO4													
	b.	Evaluate the Macaulay duration of the bond by analysing the 3 Bond structures by explaining Macaulay duration and modified duration.	6	Level 4	CO4													
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Q. 4	Answer Any two from the following.																	
	a.	From the term structure of the bonds mentioned below and apply these conditions and compute forward rates for next F (1,2) , f (1,3) f(2,3) years for decision making to bond holders.	6	Level 3	CO3													
		<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>8.50 %</td> </tr> <tr> <td>Bond B</td> <td>2</td> <td>9.60 %</td> </tr> <tr> <td>Bond C</td> <td>3</td> <td>10.17 %</td> </tr> </tbody> </table>	Bond	Maturity	Spot Rate	Bond A	1	8.50 %	Bond B	2	9.60 %	Bond C	3	10.17 %				
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	b.	Differentiate between Split shares and right 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 In capital market meaning of Speculators, Arbitrators, and Hedgers and Market Makers	6	Level 2	CO2													
	b.	Explain the concepts of Masala Bonds, Sharia Banking, and crowdfunding	6	Level 2	CO2													
Q. 6	Answer Any two from the following.																	
	a.	What do you understand by CRR and SLR? What's current CRR AND SLR?	6	Level 1	CO1													
	b.	What do you understand by terms short selling, and cartel	6	Level 1	CO1													
	c.	Who are participants of Forex market?	6	Level 1	CO1													