

**FMI 03**

Financial Markets &amp; Institutions

Roll No:-

Total No. of Questions :

Max : Marks : 60

Duration (Hrs) : 3

Total No. of Printed Page: 2

**Note:-** All Question compulsory Marks given to the right indicates in full

**Q.1 (A)** A finance company has introduced a scheme of investment of Rs. 40,000/- The returns would be Rs.8000, 9000,10,000,11,000 and 12,000 in the next five years. Indicative rate of interest is 10% compute PV of the investment and advise (5)

**(B)** Explain real and nominal rate of interest with examples (5)

**Q.2 (A)**

Particulars	Boom	Normal	Recession
Probability of occurrence	0.3	0.5	0.2
Rate of Return on Stock X (%)	25	35	45
Rate of Return on Stock Y (%)	45	35	25

Calculate expected rate of return and standard deviation of stock X and stock Y and advise (5)

**(B)** Explain securitisation of Debt. (5)

**Q.3 (A)**

Portfolio	Avg. Return	Beta	Stnd Deviation
A	20%	2	2
B	10%	1.5	3

The risk-free of return is 9% . The return on Market portfolio is 15% . Standard deviation of the market is 6% Compute (i) Treynor Index (ii) Sharpe's Index for A, B and market portfolio and evaluate the performance (5)

(B) What are mutual funds and write about its various types (5)

Q.4 Write short notes on any three (3 x 5 = 15)

A) IPO

B) Investment banking

C) Arbitrage with example

D) Covered Interest parity

Q.5 (A) A GOI Bond of Rs. 1000 has a coupon rate of 8% per annum and maturity period in 20 years. Current market price Rs. 1050/- find YTM (5)

(B) Write note on Interest Rate Determination (5)

Q.6 Write any one

(A) Equity shares of C Ltd currently sold at Rs. 125/- per share. Both call and Put option available for a strike price of Rs.135/- per share at a premium of Rs.6/- and Rs.4/- respectively . A straddle position is created. Find nett pay off at the expiration if share price on that day happens to be Rs.110/- or Rs.155/- (5)

(B) Explain money and capital Markets and advantages of the various parties involved (5)