

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2015-17) (Finance)**  
**Fifth Trimester Examination December 2016**

<b>Subject</b>	<b>Fixed Income Securities</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>1</b>	<b>Date</b>	<b>23.12.2016</b>

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

**Q1) 20 Marks (Compulsory)**

A] ABC Ltd has an equity capital of Rs.2, 00,000/- (face value per equity share Rs. 10/-) The company has also issued 1000, 10% debentures of Rs.100/- each company desires to convert its debentures in to equity shares. Market price per debenture is Rs.110/- and of equity share is Rs.40/- conversation ratio as per the terms and conditions is 5 shares for every 10 times and conditions is 5 shares for our debenture , P/E ratio before conversion is 10 times and after conversion is 1<sup>st</sup> times earnings before interest & taxes is Rs.100,000/- Tax rate is 40%

Required

- 1) Should the company convert its debenture in to shares?
  - 2) Will such conversion increase / decrease the wealth of debenture holder?
- B] What do you understand by mortgage bonds?

**Attempt Any FOUR from the Remaining SIX Questions**

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

A] Explain the following terms

- I. deep discount bonds
- II. floating rate bonds
- III. fixed income bonds

B] Distinguish between government securities bonds public sector securities unit (PSU) bonds, corporate securities bond?

C] What are government securities? Who are the participants?

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

A] What do you understand by treasury bills? What are its merits?

B] What are the types of T-bills? What are its defects?

C] What are the characteristics of T-bill and who are its participants?

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

A] What do you understand by call money markets and what we its features?

B] What are commercial papers and what are their advantages?

C] What do you understand by certificate of deposit and what are its features?

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

A] What is REPO? Who are the participants?

B] If a bank purchases a 364 day T-bill at a price a Rs.94.51 and value of Rs. Calculate the yield?

C] Differentiate between yield to maturity and current yield?

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

A] Explain the following concepts:

- i. bond and bond market
- ii. bond price
- iii. call option and put option

B] Explain the concepts of time value of money.

C] Present value of debenture of z ltd (face value of Rs. 100/-) is Rs 93.41. Debenture carries interest rate of 14% and is redeemable after six years. At what price should the debenture be redeemed after 6 years if investors expect a return of 16% on their investment?

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

A] Explain different kinds of debenture?

B] What are convertible bonds? What re its advantages and disadvantages?

C] Explain and differentiate between the concepts of compounding and discounting?