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School of Finance and Commerce

Master of Business Administration in Financial Management

Mid Term Examination - Mar 2024

Duration : 90 Minutes

Max Marks : 50

Sem IV - MBAF1001 - Fixed Income Securities and Treasury ManagementGeneral Instructions*Answer to the specific question asked**Draw neat, labelled diagrams wherever necessary**Approved data hand books are allowed subject to verification by the Invigilator*

- 1) What is a perpetual bond? How is it valued? K2 (2)
- 2) What is interest rate risk? K1 (3)
- 3) Define investment grade and junk bonds. K2 (4)
- 4) What are financial derivatives ? Explain their utility in securities market. K2 (6)
- 5) Describe the factors which causes risk in securities market ? K3 (6)
- 6) A zero-interest bond of Rs.1000 will pay Rs.2,500 after seven years. What is the bond's yield? K3 (9)
- 7) Briefly explain the expectation theory, the liquidity premium theory and the segmented markets theory. K4 (8)
- 8) A Co. issue 12% bond with 3 years maturity. Bond is redeemable at par at Rs 1000. What would be the value of this bond assuming interest is paid (i) Annually (ii) Semi-annually. K4 (12)

OR

A company contemplates to issue a bond (face value Rs 100) with 7 years of life. The bond is to be redeemed at 10% premium; the coupon rate for the first two years is 12%, for next two years it is 15% and 18% for the rest of its life. Compute 1) The value of the bond when the desired rate of return by the bondholders is 15%. 2) Suppose the bond is currently selling at Rs 100 in the market, what would be its yield to maturity? K4 (12)