

Name:	 UPES UNIVERSITY WITH A PURPOSE
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2019

Course: Fixed Income securities
Programme: BBA FAS –2017
Time: 03 Hours

Semester: V
Course code: FINC3002
Max. Marks: 100

Instructions: Attempt all the Questions

SECTION A	(20 Marks)
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Q1.	What is clean price of the bond	1(CO1)
	What is first stage of treasury auction	1(CO2)
	What is the goal of monetary policy	1(CO4)
	How does credit risk of swaps managed	1(CO1)
	What is the difference between CLN and CDS	1(CO2)
	Debenture can be defined as.	1(CO4)
	What is callable bond	1(CO2)
	What term refers to , when lender of cash is willing to accept any security within a class of securities	1(CO2)
	What is the difference between the actual inflation rate and the expected rate of inflation	1(CO3)
	Long period of bond maturity leads to a)more price change b)stable prices c)standing prices d)mature prices	1(CO2)
	Second mortgages pledged against bond's security are referred as a)loan mortgages b)medium mortgages c)senior mortgages d)junior mortgages	1(CO2)
	If coupon rate is equal to going rate of interest then bond will be sold a)at par value b)below its par value c)more than its par value d)seasoned par value	1(CO2)
	Bonds issued by corporations and exposed to default risk are classified as_____	1(CO2)
	What function is to be done by dealer during underwriting debt instrument?	1(CO4)
	Who of the following is an intermediary a)Commercial banks b)Asset Management firms c)Pension fund d)Mutual fund	1(CO3)
	What is not used to determine the rate of prepayment in the context of mortgage backed securities	1(CO3)
	If the intrinsic value of a stock is greater than its market value, which of the following is a reasonable conclusion? a) The stock has a low level of risk b) The stock offers a high dividend payout ratio c) The market is undervaluing the stock d) The market is overvaluing the stock	1(CO2)
	If an investor may have to sell a bond prior to maturity and interest rates have risen since the bond was purchased, the investor is exposed to_____.	1(CO1)
	When the market's required rate of return for a particular bond is much less than its	1(CO2)

	coupon rate, the bond is selling at _____	
	The expected rate of return on a bond if bought at its current market price and held to maturity is _____	1(CO1)
SECTION B (20 Marks)		
Q2	A 3-year bond with principal of Rs 1,000 and annual coupon payment of 5%. Draw a cash flow for the case and calculate the value at the maturity.	5(CO2)
Q3	What are the different types of fixed income instruments available to an investor?	5(CO3)
Q4	What is government bond? In what type G- Bonds are classified.	5(CO2)
Q5	Name and explain any two fixed income securities.	5(CO1)
SECTION-C (30 Marks)		
Q6	“Investors in India have better investment opportunities to invest” – Do you agree with this statement. Substantiate your views.	10(CO4)
Q7	“Understanding Indian Debt Capital Market is a likely project “Explain.	10(CO3)
Q8	Write a note on G-Sec Act 2006.	10(CO2)
SECTION-D (30 Marks)		
Q9	What is the motivation behind the use of ZCYC for valuation of fixed income instruments? How is this different from valuation using Yield to Maturity (YTM)?	15(CO3)
Q10	“Yield-to-maturity of a bond, denoted by y , is given by $B = \sum_{t=1}^T C_t (1+y)^{-t} + P (1+y)^{-T}$ “Explain with a practical example. Justify the formula.	15(CO4)