

**School of Finance and Commerce**  
**Master of Business Administration in Financial Management**  
**Semester End Examination - May 2024**

Duration : 180 Minutes

Max Marks : 100

**Sem IV - MBAF1001 - Fixed Income Securities and Treasury Management**

*General 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) Define bond yield. What is the bond yield, vis-à-vis the coupon rate, that is expected if the bond is selling at a premium? K1 (2)
- 2) What is a bond? Is it same as a debenture? What are the features of a bond? K2 (4)
- 3) How is holding period return calculated? K2 (6)
- 4) You have just bought a 10 per cent, Rs.1000 bond with 7-year maturity. The interest is payable annually. How much should you pay for the bond if your required rate of return is (a) 12 per cent; (b) 9 per cent? K3 (9)
- 5) Differentiate between the valuation of a bond and of a preference share. Illustrate. K3 (9)
- 6) Evaluate the Altman Z-score of calculating credit score for particular bond. K5 (10)
- 7) A Rs.100 perpetual bond is currently selling for Rs.95. The coupon rate of interest is 13.5 per cent and the appropriate discount rate is 15 per cent. Calculate the value of the bond. Should it be bought? What is its yield at maturity? K4 (12)
- 8) A bond of Rs 1000 bearing a coupon rate of 10% is payable half yearly. There is maturity period of 5 years left. What is the value of the bond? Compare it with the situation if the interest is payable on annual basis. The required rate of return is 12% K5 (15)
- 9) Two bonds have face value of Rs.1,000, coupon rate of 12 per cent and maturity of 5 years. One pays interest annually & one pays interest half-yearly. Calculate the prices of bonds if the required rate of return is 10 per cent. K5 (15)
- 10) The Nutmate Limited has a ten-year debenture that pays Rs.140 annual interest. Rs.1,000 will be paid on maturity. What will be the value of the debenture if the required rate of interest is (a) 12 per cent, (b) 14 per cent and (c) 16 per cent? K6 (18)