



ADMISSION NUMBER

School of Finance and Commerce

**Master of Business Administration in Financial Management
Semester End Examination - Aug 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) | What is a redeemable bond? | K1(2) |
| 2) | What is a yield curve? What is an inverted yield curve? | K2(4) |
| 3) | Discuss the recent development in fixed income securities market. | K2(6) |
| 4) | A 10 per cent, Rs.1000 bond is selling for Rs.900. It has a remaining life of 8 years. What is the bond's yield-to-maturity? | K3(9) |
| 5) | Discuss the passive bond portfolio management strategy. | K3(9) |
| 6) | The market price of a Rs. 1,000 par value bond carrying a coupon rate of 14% and maturing after 5 years is Rs. 1050. What is the Yield to Maturity (YTM) on this bond? What is the approximate YTM? | K5(10) |
| 7) | A bond with face value of Rs 100 is currently available at Rs 97 in the market. The coupon rate is 12% p.a.. The maturity time is 5 years and interest is paid semi-annually. Compute the semi-annual yield to maturity of the bond. What would be your answer if the current selling price is Rs 110 instead of Rs 97. | K4(12) |
| 8) | A bond having face value of Rs 1000 is available in the market for Rs 850. It has a coupon rate of 8% and maturity period is 6 years. Compute YTM of the bond. If the required rate of return of the investor is 10%, should he purchase the bond? Use approximate method to find YTM. | K5(15) |
| 9) | You are considering bonds of two companies. Taxco's bond pays interest at 12 per cent and Maxco's at 6 per cent per year. Both have face value of `1,000 and maturity of three years. (a) What will be the values of bonds if the market interest rate is 9 per cent? (b) What will be the values of the bonds if the market interest rate increases to 12 per cent? | K5(15) |
| 10) | On 31 March 2003, Hind Tobacco Company issued Rs 1,000 face value bonds due on 31 March 2013. The company will not pay any interest on the bond until 31 March 2008. The half-yearly interest is payable from 31 December 2008; the annual rate of interest will be 12 per cent. The bonds will be redeemed at 5 per cent premium on maturity. What is the value of the bond if the required rate of return is 14 per cent? | K6(18) |