

Time: 2:30 hours

Marks: 75

- N.B. :** (1) Attempt all the questions.
(2) Figures to the right indicate full marks.

1. (A) Multiple Choice question (Any Eight)**8**

1. The _____ was introduced by the Bombay Stock Exchange on January 1, 1986.
(Nifty, Sensex, BSE-30)
2. CRR stands for _____.
(Current rate of return, Cash reserve Ratio, Current reserve ratio)
3. _____ is the price that the issuing company pays to the investor at the time of maturity.
(Intrinsic Value, Redemption Value, Market Value)
4. Bonds issued by corporations for relatively longer term are classified as _____.
(short term bonds, corporate bonds, Federal Reserve bond)
5. _____ have residual claim in case of liquidation.
(Equity shares, Preference shares, Debentures)
6. When intrinsic value is lower than the market value, the share are _____.
(Over Priced, Under Priced, Fairly Priced)
7. The rate at which banks lend to RBI is _____.
(Reverse Repo rate, Repo rate, Current rate)
8. Credit rating is an expression through the use of _____ symbols.
(Alpha, Numeric, Alpha numeric)
9. Issuer of a Bond may be unable to make timely payment of interest or principal on a debt security is known as _____ risk.
(Interest rate, Default, Inflation)
10. FPO means _____.
(Fixed price offer, Floating price offer, Follow on public offer)

1. (B) State whether True or False : (any seven)**7**

1. A primary dealer is a person who buys government securities from the government with the intention to sell it in the market.
2. If the share is under priced, investor should sell the share/security.
3. YTM is the rate which discount all the future cash flow of that bond which equates its current market price.
4. Preference shareholders have voting rights.
5. The rate of interest for bonds is fixed.
6. IPO is the process of selling the shares in the primary market.
7. Merchant bankers also do underwriting.
8. Money market instruments are mainly used to raise short term capital.

9. In debt security investment, the returns are guaranteed. 7
 10. Debenture holders are creditors of the company. 8

2. (A) What is IPO. Explain the steps of IPO process. 7
 (B) Define money market and explain types of money market instruments. 8

OR

- (C) Write a short note on equity shares. 7
 (B) Explain the Meaning of Merchant Banker. Explain the various services offered by Merchant Bankers 8

3. (A) Explain the meaning of Equity culture. Why Equity culture in India is weak 7
 (B) What do you mean by Stock Exchange? Explain the functions of Stock Exchange. 8

OR

- (C) Explain the difference between corporate bonds & government bonds? 7
 (D) What is primary market? Explain the features and functions of Primary Market. 8

4. (A) What are Primary dealers. Explain their core activities. 7
 (B) Explain the meaning of Bond and types of Bond. 8

OR

(C) REC Ltd. is expecting a dividend for next year of Rs. 1.80 per share. Dividends are expected to grow at a rate of 12% for indefinite future. The required rate of return and the current market price are 14% and Rs. 100 respectively.

- a) Calculate Intrinsic Value per share. 5
 b) Is the share fairly priced? 1
 c) Will you buy this security at current market price? 1

(D) Suresh wants to invest in one of the following bonds having face value Rs. 100 maturing at par:

Bond	Coupon Rate	Maturity	Market Price
Bond P	14% p.a.	8 years	Rs. 80/-
Bond Q	12% p.a.	6 years	Rs. 50/-

- Find YTM of each bond. 7
 Recommend which bond should be purchased. 1

5. (A) A bond with face value Rs. 10,000 and a coupon rate of 7% matures after 5 years at par. The required rate of return is 8% and current market price of bond is Rs. 96000. Find the present value of Bond. Will you buy the bond at current market price? 7

Year	PV @ 8%
1	0.93
2	0.86
3	0.79
4	0.74
5	0.68

(B) The following data pertain to the value of underlying factors of ABC Ltd's and PQR Ltd's shares.

	PQR Ltd.
Risk-free rate	6%
Market Rate of return	12%
Beta	1.5
Expected growth rate in Dividend	10%
Previous dividend	Rs.2
Current Market Price	Rs. 40

Calculate Ke by using CAPM approach and using it calculate intrinsic value of share using dividend model.

Would you advise the investor to buy the share?

8

OR

5. Write Short Notes (Any 3)

- a) Equity Market vs Debt Market
- b) ESOP
- c) NSE
- d) Book Building
- e) Stock indices in India

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