1 S3906

Solution Set3

Q1A. Match the following (8)

Column A	Column B
1. NABARD	a. 1982
2. UTI	b. Unit trust of India
3. Money market	c. Shorter tenor market
4. Corporate bonds	d. Issued by private sector
5. CRA's	e. Evaluate creditworthiness of issuers
6. Primary dealers	f. Underwriters
7. MUC	g. Minimum underwriting commission
8. FIMMDA	h. Represents market players
9. Unsecured bonds	i. Not backed by collateral
10. Perpetual bonds	j. No maturity bonds

Q1B. True or false

True, True, False, True, True, True, False, True, True,False

Q2 A, B, C, D marks to be given if reasonable, relevant points to be covered.

Q3 A, B, C, D marks to be given if reasonable, relevant points to be covered.

Q4 A, B, marks to be given if reasonable, relevant points to be covered.

Q4C. Present value of cash flow = I(PVAF, 8%, 5 yrs)+F(DF)

= 60(3.9927) + 1050(0.6805)

= Rs.958.08

Present value of Cash outflow = Rs.930

Since PV of inflows is more than PV of outflows, investor should invest in 6% bonds at the current market price of Rs. 930

Q4D.

YTM = (FV-PP/Yield to maturity + coupon)/ (PP+FV/2)

After putting values and the formula and solving the equation

Final answer = **0.090 i.s 9%**

Q5 A, B, marks to be given if reasonable, relevant points to be covered.

Q5 C short notes as per the concept elaborated