

Time: 3 hours

Max marks: 100

- Note: 1.All questions are compulsory.  
2. Figures to the right indicate full marks  
3. Use of simple calculator is allowed.

1. Attempt any two of the following (20)
- Explain the meaning of Time value of money.
    - Find the present Value of Rs.1000 receivable at the end of 4 years, if the rate of discount is 10% compounded annually. (PVIF 10%, 4 years= 0.565)
  - Distinguish between NPV and IRR.
  - Explain the term structure of interest.
2. Attempt any two of the following (20)
- Explain the concept of Capital Market Line.
  - Calculate Beta of an asset from the following information

Year	Return on security %	Return on market portfolio %
1	10	12
2	12	11
3	15	14
4	10	12
5	8	11

c. Calculate expected return of security A using CAPM, whose Beta is 0.89. The risk free return is 10% and market rate of return is 12%. Give your observation on the result.

3. Attempt any two of the following (20)
- Discuss the functions of the derivatives market.
  - Explain call and put options.
  - Distinguish between forward and future contracts.
4. Attempt any two of the following (20)
- Explain equities as source of corporate financing.
  - State the traditional position on the relationship between dividend policy and share valuation.
  - Discuss the factors affecting the capital structure.
5. Short notes (Any two) (20)
- Fixed income securities
  - Security Market Line
  - Principle of arbitrage
  - Modigliani Miller theorem

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