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**UNIVERSITY OF PETROLEUM
AND ENERGY STUDIES**



End Semester Examination – April, 2017

Program/course: BBA - FSM
Subject: Fixed Income securities
Code : BBCF 138
No. of page/s: 3

Semester – VI
Max. Marks : 100
Duration : 3 Hrs.

Section - A 5x2 = 10 Marks

1. If coupon rate is equal to rate of interest in prevailing in the market then bond will be sold
 - A. At par value
 - B. Below its par value
 - C. More than its par value
 - D. None of the above

2. Issuing process of treasury bills is classified as
 - A. Treasury trading auction
 - B. Treasury fund auction
 - C. Treasury bills auction
 - D. Treasury bills transfer

3. Funds transferred usually for a day between financial institutions are classified as
 - A. Federal funds
 - B. Bankers funds
 - C. Debt funds
 - D. Secured funds

4. Promissory notes issued by company for short term fund raising and are unsecured are classified as
 - A. Certificate of deposits
 - B. Debt paper
 - C. Banker acceptance
 - D. Commercial paper

5. If a bond pays 12% coupon on face value of Rs500 and trading at Rs485 what would be the current yield

- A. 4.169 %
- B. 2.223 %
- C. 2.742 %
- D. 3.258 %

Section - B 4x10 = 40 Marks

1. What is money market and explain its functions, benefits and participants of money market?
2. Explain instruments traded under money market and types of treasury bills?
3. What is credit rating explain its criteria and suggest rating benefits for issuer and owner?
4. A Finance corporation is planning to sell a 8 years bond for 2000 @ 3% rate of interest semiannually and required rate of return from this bond is 12% find the value of bond.

Section – C 50 Marks

1. 8% coupon bond was issued by Honeywell with a 6-year maturity and \$2300 principal after 6 years redeemable @ 4% suggest suitable discount rate for the investor.(10 marks)
2. Calculate expected risk and return for following: (10 marks)

		Rate of return %	
Condition	Probability	X company	Y company
Good	45%	15	16
Average	40%	8	9
Bad	15%	-11	-13

3. a) The price of a bond is 3000 which has coupon rate of 11% and available in the market @ 2500 at the end of 9 year find the yield to maturity. (5 marks)
 b) 7 yeas maturity 13% planned yield of deep discount bond which has face value of 30000 find the yield to maturity and if issue price is 8000 & 9000 what would be the yield. (10 marks)
4. 9 year 15% bond. Face value of the bond is Rs.2100 reinvestment rate is 8% which prevailing in market is 1900. Find the realized yield? (15 marks)

Present value Table

Periods (<i>n</i>)	Interest rates (<i>r</i>)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149

Periods (<i>n</i>)	Interest rates (<i>r</i>)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.079	0.065
16	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
17	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045
18	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038
19	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031
20	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026