



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2022

Course: Fixed Income Securities

Program: BBA-FAS

Course Code: FINC3039

Semester : V

Time : 03 hrs.

Max. Marks: 100

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Equity shareholders are paid after paying a. Debenture holders b. Preference shareholders c. Both a and b d. None of these	2	CO1
Q 2 are the creditors of a company a. Debenture holders b. Equity shareholders c. Preference shareholders d. None of these.	2	CO1
Q 3	Which of the following methods are not used in equity valuation a. Dividend Based Valuation b. Earnings Based Valuation c. Cash Flow Based Valuation d. Book Value Based Valuation	2	CO1
Q 4	When the shares are redeemed at a premium it is a for the company which issued shares. a. Loss b. Profit c. Neither profit nor loss d. None of these	2	CO1
Q 5	Which among the following does not fall under the category of government securities? a. Dated securities b. Treasury bills c. State Development Loans	2	CO1

	d. Certificate of Deposits		
Q 6	Identify the correct purpose behind issuing the government securities? a. To finance the government expenditure and managing cash mismatch of the government b. To decrease the fiscal deficit of government c. To improve cash flow in market d. None of the Above	2	CO1
Q 7	When the debentures are issued at less than the face value they are deemed to be issued at a a. Discount b. Premium c. Par d. None of the above	2	CO1
Q 8	What is the minimum amount with which retail investor can participate in government securities auction? a. Rs 5000 b. Rs 10000 c. Rs 20000 d. Rs 25000	2	CO1
Q 9	CAPM stands for: a) Capital assessment pricing model. b) Capital asset pricing model. c) Capital asset placement model. d) None of these.	2	CO1
Q10 is the amount left over after individual consumption: a) Investment b) Saving c) Surplus d) Money	2	CO1
SECTION B 4Qx5M= 20 Marks			
Q 11	Define the term: a) Internal Rate of Return b) Equity Risk Premium	5	CO2

Q 12	Discuss the advantages and disadvantages of Fixed Income Securities.	5	CO2
Q 13	Define Real Cash Flow and Nominal Cash Flow.	5	CO2
Q 14	Describe about Fixed Income and also briefly describe the different asset classes in the market.	5	CO2

SECTION-C
3Qx10M=30 Marks

Q 15	Critically examine the features of Government Bond and briefly explain the following Government Bonds: a) Floating Rate Bond b) Inflation Indexed Bond	10	CO3																					
Q 16	Analyze whether Saving Bonds are also Government Securities. Does the G-Securities Act apply to them as well.	10	CO3																					
Q 17	Z Ltd. is foreseeing a growth rate of 12% per annum in the next 2 years. The growth rate is likely to fall to 10% for the third year and fourth year. After that the growth rate is expected to stabilize at 8% per annum. If the last dividend paid was `1.50 per share and the investors' required rate of return is 16%, find out the intrinsic value per share of Z Ltd. as of date. You may use the following table: <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Years</td> <td>0</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>Discounting Factor</td> <td>1</td> <td>0.86</td> <td>0.74</td> <td>0.64</td> <td>0.55</td> <td>0.48</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	Years	0	1	2	3	4	5	Discounting Factor	1	0.86	0.74	0.64	0.55	0.48								10	CO3
Years	0	1	2	3	4	5																		
Discounting Factor	1	0.86	0.74	0.64	0.55	0.48																		

SECTION-D
2Qx15M= 30 Marks

	Attempt any two questions from this section:		
Q 18	X Limited, just declared a dividend of Rs 14.00 per share. Mr. B is planning to purchase the share of X Limited, anticipating increase in growth rate from 8% to 9%, which will continue for three years. He also expects the market price of this share to be Rs.360 after three years. You are required to determine: (i) The maximum amount Mr. B should pay for shares, if he requires a rate of return of 13% per annum. (ii) The maximum price Mr. B will be willing to pay for share, if he is of the opinion that the 9% growth can be maintained indefinitely and require 13% rate of return per annum. (iii) The price of share at the end of three years, if 9% growth rate is achieved and assuming other conditions remaining same as in (i) above.	15	CO4
Q 19	Investment in Bond provides a fixed income source to investor. You are required to explain the different types of bond available in the market to make investment and also how can the valuation of bond can be done to determine its fair value.	15	CO4

Q 20	<p>The ELU co. is contemplating a debenture issue on the following terms: Face Value Rs.100 per debentures Terms to maturity 7 years Coupon rate Year 1-2 8% Year 3-4 12% Year 5-7 15%</p> <p>The current market rate of interest in similar debentures is 15% p.a. The company proposes to price the issue so as to yield a (compounded) return of 16% p.a. to the investors. Determine the issue price. Assume the redemption of debenture at a premium of 5%.</p>	15	C04
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