

# END TERM EXAMINATION

FIFTH SEMESTER [BCOM(HONS)] JANUARY 2024

Paper Code: BCOM-305 Subject: Valuation of Fixed Income Securities

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions.

- Q1. 'Stocks are considered to be risky, but bonds are not.' This is not fully correct. Elucidate along with the different types of bonds in detail. (15)
- Q2. What are the implications of Malkiel's bond price theorems to bond investors? Which two bond variables are of major importance in assessing bond price changes? (15)
- Q3. Discuss the term 'structure of interest rates'. How do theories explain structure of interest rates? (15)
- Q4. What is a yield curve? Why does the Riding the Yield Curve Strategy work profitably When a yield curve is upward sloping? (15)
- Q5. (a) State how Yield to Maturity is calculated and why is YTM important? (7.5)
- (b) (i) Determine the price of Rs.1,000 zero coupon bond with yield to maturity (YTM) of 18 per cent and 10 years to maturity. (4)
- (ii) What is the YTM of this bond if its price is Rs.220? (3.5)
- Q6. Explain the concepts of Duration, Modified Duration and Basis Point Value? Also explain how duration can be used for hedging a bond position. (15)
- Q7. Write a brief note on Credit Rating in India. Also explain the different safety ratios used by the rating agencies? (15)
- Q8. Write short notes on the following: (5x3=15)
- a) Securitization in India and it's process
  - b) Basic amortization mechanism of Mortgage Loans
  - c) Asset-Backed Securities

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