



GL BAJAJ

Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No.....

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)–201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2019-21)

MID TERM EXAMINATIONS (TERM -VI)

Academic Session- 2020-21

Subject Name : Fixed Income Security

Time: 01.30 hrs

Sub. Code: PGF-09

Max Marks: 20

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

SECTION – A

04+04 = 08 Marks

Q. 1: Case Study:

Bond of Zello Corporation with a par value of Rs 1000 sell for Rs 950, mature in 6 years, and have a 8% annual coupon rate paid semiannually. Calculate

- i) Current yield and Yield to maturity
- ii) Realized compound yield for an investor with a 4 years holding period and a reinvestment rate of 10% over the period. At the end of three years the 8% coupon bonds with 1 years remaining will sell to yield 12%.

SECTION – B

02×03 = 06 Marks

Q. 2: A zero coupon bond with a par value of \$100,000 due in two years from now is selling today for \$97,000. What is the yield to maturity?

Q. 3: Calculate the price of the 25 years, 8% coupon bond for a market interest rate of 3% per half year.

Q. 4: What will be the relationship among coupon rate, current yield and yield to maturity for a bond selling at discount from par?

SECTION – C

03×02 = 06 Marks

Q.5. Suppose that Verizon issues two bonds with identical coupon rates and maturity date. One bond is callable, however, whereas the other is not. Which bond will sell at higher price and why?

Q. 6. Why do bond prices go down when interest rate goes up? Don't lenders like higher interest rate?

Mapping of Questions with Course Learning Outcome

COs	Question Number(s)	Total Marks Allocated to the CO
CO1	Q.4	02
CO2	Q.1 (A), (B), Q.2, Q.3,	12
CO3	Q.5, Q.6	06