Roll No…………

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

POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)
MID TERM QUIZ EXAMINATION (TERM -V)

Subject Name: Fixed Income Securities	Time: 30 minutes
Sub. Code: PGF-53	Max Marks: **20**

Note:
1. Writing anything except Roll Number on Quiz paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. There is no negative marking for wrong answers.
3. Tick marks the correct answer.

Attempt all questions. All questions are compulsory. **40×0.5 = 20 Marks**

Q.1. Which risk arises when an investor must reinvest periodic coupon payments at a rate lower than the original YTM?
a) Interest Rate Risk
b) Reinvestment Risk
c) Credit Risk
d) Volatility Risk
Ans: b) Reinvestment Risk

Q.2. A "Call Provision" in a bond indenture is primarily beneficial to which party?
a) The Bondholder
b) The Issuer
c) The Underwriter
d) The Trustee
Ans: b) The Issuer

Q.3. Which of the following best describes "Inflation Risk"?
a) The risk that the issuer will default.
b) The risk that the real value of cash flows will decrease.
c) The risk that the bond's price will fall due to rate hikes.
d) The risk that the bond cannot be sold quickly.
Ans: b) The risk that the real value of cash flows will decrease

Q.4. G-Secs (Government Securities) are generally considered to have negligible:
a) Interest Rate Risk
b) Default Risk
c) Reinvestment Risk
d) Inflation Risk
Ans: b) Default Risk

Q.5. If a bond has a "Put" feature, the investor has the right to:
a) Convert the bond into equity.
b) Sell the bond back to the issuer at a specified price.
c) Receive a variable interest rate.
d) Extend the maturity of the bond.
Ans: b) Sell the bond back to the issuer at a specified price

Q.6. "Liquidity Risk" refers to the possibility that:
a) The issuer will run out of cash.
b) The bond must be sold at a deep discount to its fair value due to lack of buyers.
c) Interest rates will become stagnant.
d) The bond's coupon is not paid on time.
Ans: b) The bond must be sold at a deep discount to its fair value due to lack of buyers

Q.7. Which of the following is a "Market Participant" that typically issues bonds to fund infrastructure projects?
a) Retail Investors
b) Municipalities/Governments
c) Commercial Banks
d) Mutual Funds
Ans: b) Municipalities/Governments

Q.8. A zero-coupon bond is issued at a:
a) Premium
b) Par Value
c) Deep Discount
d) Variable Price
Ans: c) Deep Discount

Q.9. When market interest rates rise, the price of existing bonds will:
a) Increase
b) Decrease
c) Remain the same
d) Become equal to the coupon rate
Ans: b) Decrease

Q.10. "Volatility Risk" is specifically associated with bonds that have:
a) No coupons
b) Embedded options
c) Short maturities
d) Sovereign guarantees
Ans: b) Embedded options

Q.11. Which type of bond allows the interest rate to be reset periodically based on a benchmark?
a) Fixed Rate Bond
b) Floating Rate Bond
c) Zero-Coupon Bond
d) Step-up Bond
Ans: b) Floating Rate Bond
Q.12. Credit risk consists of two components: default risk and:
a) Interest rate risk
b) Credit spread risk
c) Liquidity risk
d) Reinvestment risk
Ans: b) Credit spread risk

Q.13. An investor in a US Dollar-denominated bond living in India faces:
a) Only interest rate risk
b) Exchange-rate risk
c) Only credit risk
d) No risk if held to maturity
Ans: b) Exchange-rate risk

Q.14. A bond's "Tenor" refers to its:
a) Coupon frequency
b) Time remaining until maturity
c) Credit rating
d) Issue price
Ans: b) Time remaining until maturity

Q.15. Which risk is also known as "Purchasing Power Risk"?
a) Credit Risk
b) Inflation Risk
c) Volatility Risk
d) Interest Rate Risk
Ans: b) Inflation Risk

Q.16. In the Indian market, the 'Retail Direct' portal allows retail investors to buy:
a) Corporate Bonds
b) G-Secs
c) Mutual Funds
d) Equity Shares
Ans: b) G-Secs

Q.17. Which feature protects the investor against a decline in credit quality?
a) Call provision
b) Covenants
c) Put provision
d) Convertible feature
Ans: b) Covenants

Q.18. The "Coupon Rate" of a bond is:
a) The market interest rate.
b) The stated annual rate of interest paid on the par value.
c) The yield to maturity.
d) The discount rate used for pricing.
Ans: b) The stated annual rate of interest paid on the par value

19. Which bond type has a coupon rate that increases over time?
a) Zero-Coupon Bond
b) Step-up Bond
c) Floating Rate Bond
d) Perpetual Bond
Ans: b) Step-up Bond

Q.20. A bond issued by a company in a foreign country but denominated in the currency of the investor's country is a:
a) Eurobond
b) Foreign Bond
c) Domestic Bond
d) Global Bond
Ans: b) Foreign Bond

Q.21. Calculate the price of a 1-year Zero-Coupon Bond with a Face Value of ₹1,000 and a required yield of 8%.
a) ₹920.00
b) ₹925.93
c) ₹1,080.00
d) ₹1,000.00
Ans: b) ₹925.93 (Calculation: $1000 / 1.08$)

Q.22. When a bond is trading at a "Premium," its:
a) Coupon Rate > YTM
b) Coupon Rate < YTM
c) Coupon Rate = YTM
d) Price < Par Value
Ans: a) Coupon Rate > YTM

Q.23. Using DCF, the value of a bond is the present value of its:
a) Future coupons only
b) Final principal payment only
c) Future coupons and principal payment
d) Initial investment
Ans: c) Future coupons and principal payment

Q.24. If a bond has a semi-annual coupon, the discount rate used in the pricing formula should be:
a) Annual Yield
b) Annual Yield / 2
c) Annual Yield × 2
d) Annual Yield + 2
Ans: b) Annual Yield / 2
Q.25. What is the current yield of a bond with a 10% coupon, ₹1,000 par value, and a market price of ₹900?
a) 10%
b) 11.11%
c) 9%
d) 12%
Ans: b) 11.11% (Calculation: $100 / 900$)
Q.26. The "Inverse Relationship" means that as yields decrease:
a) Bond prices decrease.
b) Bond prices increase.
c) Coupons decrease.
d) Maturity decreases.
Ans: b) Bond prices increase

Q.27. Find the price of a 2-year Zero-Coupon Bond (FV = ₹100) if the yield is 10% compounded annually.
a) ₹80.00
b) ₹82.64
c) ₹90.91
d) ₹121.00
Ans: b) ₹82.64 (Calculation: $100 / (1.10)^2$)

Q.28. Yield to Maturity (YTM) is the internal rate of return that equates: (L-2)
a) Coupon to Price.
b) Price to the present value of all future cash flows.
c) Par value to Price.
d) Current yield to Coupon.
Ans: b) Price to the present value of all future cash flows
Q.29. A bond with a 12% coupon and 10% YTM will sell at a:
a) Discount
b) Premium
c) Par Value
d) Deep Discount
Ans: b) Premium
Q.30. In Excel, which function is typically used to find the periodic interest payment?
a) PV
b) PMT
c) RATE
d) NPER
Ans: b) PMT

Q.31. As a bond approaches maturity, its price moves toward:
a) Zero
b) Par Value
c) Its highest historical price
d) The total sum of remaining coupons
Ans: b) Par Value

Q.32. Calculate the price of a bond if the PV of coupons is ₹400 and the PV of par value is ₹600.
a) ₹200
b) ₹1,000
c) ₹1,200
d) ₹400
Ans: b) ₹1,000

Q.33. Yield to Call (YTC) is calculated assuming the bond is:
a) Held until maturity.
b) Retired by the issuer at the first call date.
c) Sold in the secondary market after 1 year.
d) Converted to equity.
Ans: b) Retired by the issuer at the first call date
Q.34. The "Time Value of Money" principle implies that a rupee received today is worth:
a) Less than a rupee tomorrow.
b) More than a rupee tomorrow.
c) The same as a rupee tomorrow.
d) Zero tomorrow.
Ans: b) More than a rupee tomorrow

Q.35. For a semi-annual bond with 5 years to maturity, the number of periods (N) used in pricing is:
a) 5
b) 10
c) 2.5
d) 1
Ans: b) 10
Q.36. Which yield measure is most useful for comparing bonds with different coupon rates and prices?
a) Current Yield
b) Yield to Maturity (YTM)
c) Coupon Rate
d) Nominal Yield
Ans: b) Yield to Maturity (YTM)

Q.37. If a bond's YTM increases, its "Present Value" will:
a) Increase
b) Decrease
c) Stay constant
d) Equal its FV
Ans: b) Decrease

Q.38. "Pricing a bond" basically means calculating its:
a) Future Value
b) Present Value
c) Coupon Rate
d) Maturity Date
Ans: b) Present Value
Q.39. A ₹1,000 par bond with an 8% coupon pays how much interest annually?
a) ₹8
b) ₹80
c) ₹800
d) ₹1,080
Ans: b) ₹80
Q.40. In a "Price-Yield" graph, the curve is:
a) Upward sloping
b) Downward sloping and convex
c) A straight horizontal line
d) A straight vertical line
Ans: b) Downward sloping and convex

Mapping of Questions with Course Learning Outcome

Question Number	**COs**	**Marks Allocated**
Q. 1 to Q-20	**CO-1**	10
Q. 21 to Q 40	**CO-2**	10