2018

M. Phil.

1st Semester Examination

COMMERCE

PAPER—COM-113

Full Marks : 50

Time : 2 Hour

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

RECENT ADVANCES IN FINANCE

1. Answer any *four* questions :   4×5

   (a) How perception affects behavioral decision making in finance ?

   (b) How capital budgeting decision is vulnerable to behavioral issues ?

(c) Discus (i) bias and (ii) herding behaviour in relation to behaviour finance.

(d) Briefly explain the scope of Financial Engineering.

(e) Show the relationship between a convertible debenture's market value, its investment value and its conversion value.

(f) Describe the nature of the following :

    (i) Junk Bonds;

    (ii) Inverse Floaters.

(g) Discuss the steps in Securitization.

(h) Describe exponentially weighted moving average model for volatility measure.

2. Answer any *two* questions :   2×10

(a) What do you mean by financial market anomaly ? What are the different types and sub-types of anomaly that exist in stock market ? Discuss each of these anomaly in brief ?   2+2+6

(b) What is market bubble ? What are the behavioral reasons for forming a bubble in stock market ? How housing bubble is created and burst in US ?

2+3+5

(c) (i) State the important properties of duration.

(ii) The following data is available for a bond.

Face value   Rs. 100

Coupon (interest rate)   12 percent payable
                           annually

Years to maturity   6 years

Current market price   Rs. 110

What is the duration of the bond ? Use the approximate formula for calculating the yield to maturity.

(Turn Over)

(d) (i) What is the purpose of hedging ?

(ii) On November 20, the spot price of jute is INR 2,198 per 100 kg and the price of December jute futures with expiry on December 15 is INR 2,276. The standard deviation of the spot price change is estimated as INR 260, and the standard deviation of the futures price change is estimated as INR 248. The correlation coefficient between the spot price change and the futures price change is estimated to be 0·99. What is the hedge ratio and the hedging effectiveness ?

[Internal Assessment : 10 Marks]