

Sem V IA 03.01.22.

Attempt any six

(1X6)

(i) What is meant by 7-10 rule?

(ii) What is an ideal bank?

(iii) What is quarterly compounding of interest rate?

(iv) How do you define the effective rate of interest?

(v) State the Second Theorem on bond pricing.

(vi) What is a deferred annuity?

(vii) What are call and put options?

(viii) What is meant by a preferential share?

1A Sem V  
Answer any 2:  $(2 \times 2) = 4$

(i) What are uses of futures for hedging?

(ii) Consider the flow of a deferred annuity of ₹ 2000 for 5 yrs. Calculate the present value of this flow stream when the interest rate is 8%.

(iii) What are the three specific reasons for differences in time value of money?

(iv) What is liquidity risk?