



**MBA IV Semester Degree Examination, October - 2023**  
**Fixed Income Securities, Structured Finance and Alternative**  
**Investment**  
**(NEP)**

Time : 3 Hours

Maximum Marks : 70

**Note :** Answer **any five** of the following questions with Question No.1 (Q1) **Compulsory**, each question carries **equal** marks.

1. Define Debt. Discuss the different types of debt markets and their significance. **14**
2. (a) Explain the relationship between market interest rate and bond prices. **7**  
(b) Central Bank issues 182 day T-bills with a face value of Rs. 12,00,000. The quoted yield of the T-bill is 7%. Calculate the price of the T-bill in INR. **7**
3. Why is credit risk modeling intricate rather than interest rate modeling ? **14**
4. "A bullet portfolio will always outperform a barbell portfolio". Explain why you agree or disagree with this statement. **14**
5. Consider a 2 year binomial model. The short riskless interest rate starts at 50% and moves up or down by 25% each year (i.e., up to 75% or down to 25% at the first change). The probability of each of the 2 states at any node is 4. Construct a portfolio that replicate the bond value and calculate the price at each node, of a call option on the discount bond with face value of \$ 95 maturing two periods from the start with a strike price of \$ 55 and maturity 1 year from now. **14**
6. Explain the factors that determine the shape of the yield curve. **14**
7. Describe the role of Asset-Liability Management in fixed income securities. **14**
8. (a) What is the default risk ? How can it be measured ? **5**  
(b) Write a note on notching. **5**  
(c) Write a note on ladder. **4**

