Unit 11 - Week 10

Course outline

Assignment 10

The due date for submitting this assignment has passed.

As per our records you have not submitted this assignment.

Due on 2020-04-08, 23:59 IST.

1) What is the most important reason for an investor to prefer a bank deposit to a Mutual fund?   **1 point**

- Zero risk and fixed return on money invested
- Because the bank does not invest in the securities
- That the bank offers a guarantee
- Substantial return on money invested

No, the answer is incorrect.
Score: 0

Accepted Answers:
Zero risk and fixed return on money invested

2) The net asset value of the mutual fund of fire securities with the following information is   **1 point**

Security	No. Shares	Share Price (Rs.)	Liabilities (Rs.)	Cash (Rs.)	Outstanding Shares
A	337000	10			
B	250000	15			
C	118500	25.50	538000	444500	500000
D	120095	31.95			
E	85000	23			

- Rs. 31.68
- Rs. 32.05
- Rs. 31.37
- Rs. 33.28

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 31.68

3) If the net asset value of a mutual fund is Rs. 31.75, the front-end load is 5%, and the back-end load is 5.5 %, the purchase and sale price is   **1 point**

- Rs. 30.00, Rs. 33.42
- Rs. 33.60, Rs. 30.16
- Rs. 30.16, Rs. 33.60
- Rs. 33.42, Rs. 30.00

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 33.42, Rs. 30.00

4) Suppose that the market systematic risk (β) is 1.05, and the mutual fund return is 6% but the risk-free return in the market is 4.5%. The Treynor's index for the fund is   **1 point**

- 1.32%
- 1.23%
- 1.35%
- 1.43%

No, the answer is incorrect.
Score: 0

Accepted Answers:
1.43%

5) The strike price of a call option is Rs. 75.00 with 6-month maturity and the market price of the underlying stock is Rs. 88.00 with a standard deviation of returns of 2.34. If the risk-free rate is 6%, then the vertical and horizontal value is   **0 points**

- 1.23, 1.77
- 1.77, 1.23
- 2.00, 1.50
- 1.50, 2.00

No, the answer is incorrect.
Score: 0

Accepted Answers:
1.77, 1.23

6) For a financial operation involving selling bonds at a 10% discount with a flotation cost of 3%, if the par value of the coupon is Rs. 2000 at a coupon rate of 7% and a redemption period is 15 years, the before-tax costs of capital would be   **1 point**

- 7.38%
- 8.38%
- 9.38%
- 10.38%

No, the answer is incorrect.
Score: 0

Accepted Answers:
8.38%

7) The market price of the underlying stock is Rs. 37.50 per share, up from Rs. 34.00 three months ago. The intrinsic value of a call for both the buyer and writer is   **1 point**

- Rs.0,Rs.0
- Rs.-3,Rs.3
- Rs.3.50,Rs.-3.50
- Rs.-3.50,Rs.3.50

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs.3.50,Rs.-3.50

8) A company invested Rs. 2500000 in purchasing 600 shares of a mutual fund at Rs. 1050 a share. After a year, this price increased to Rs. 1250 and the company gave out Rs 0.30 in dividends and Rs 0.25 in capital gain. The rate of return would be   **1 point**

- 6.55%
- 3.55%
- 5.85%
- 4.81%

No, the answer is incorrect.
Score: 0

Accepted Answers:
4.81%

9) If the delta ratio is less than 1, it means that   **1 point**

- The option price follows the market price.
- The option price would respond faster to the change in market price.
- The option price would lag behind the change in market price.
- It cannot predict the relationship between the option price and the market price.

No, the answer is incorrect.
Score: 0

Accepted Answers:
The option price would lag behind the change in market price.

10) The intrinsic value of an option if the time value of an option is Rs. 5.50, and the cost of 200 shares is Rs. 650 would be   **1 point**

- Rs.-3.25
- Rs.-2.25
- Rs.2.25
- Rs.3.25

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs.-2.25