

Unit 11 - Week 9

Course outline

How does an NPTEL online course work?

- Week 0
- Week 1
- Week 2
- Week 3
- Week 4
- Week 5
- Week 6
- Week 7
- Week 8
- Week 9
 - Lecture 41 : Management Investment Portfolios - I
 - Lecture 42 : Management Investment Portfolios - II
 - Lecture 43 : Management Investment Portfolios - III
 - Lecture 44 : Management Investment Portfolios - IV
 - Lecture 45 : Management Investment Portfolios - V
 - Lecture materials
 - Quiz : Assignment 9**
 - Feedback Form
- Week 10
- Week 11
- Week 12

details Solution

DOWNLOAD VIDEOS

Live Interactive Session

Text Transcripts

Assignment 9

The due date for submitting this assignment has passed. **Due on 2020-04-01, 23:59 IST.**
 As per our records you have not submitted this assignment.

- Banks generally hold securities investment portfolio for longer periods of time than trading account securities.
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- Which of the following is NOT a general objectives to be met for a bank's investment portfolio:
 - a. Default risk diversification
 - b. Help in managing interest rate risk exposure
 - c. Assistance in meeting pledging requirements
 - d. Safety or preservation of capital

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- _____ securities are purchased with the intent to be held to final maturity. It is carried at amortized cost on the balance sheet; unrealized gains and losses have no income statement impact
 - a. Available-for-Sale (AFS)
 - b. Held-to-Maturity (HTM)
 - c. Trading
 - d. Held-for-Sale (HFS)

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- Treasury notes and bonds are a part of the money market.
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- Long term debt securities issued by corporations are usually corporate bonds when they mature within 5 years or corporate notes, when they carry longer maturities.
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- Interest on majority of municipal notes and bond is exempted from federal income tax provided they are issued to fund public, rather than private projects
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- In a tax swap, the lending institution sells high-yielding securities at a profit in order to reduce its current taxable income, while simultaneously purchasing new securities in order to boost future returns.
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- Which of the following is NOT an example of money market instruments?
 - a. Large negotiable CDs and Eurodollars
 - b. Bankers acceptances
 - c. Municipal bonds
 - d. Commercial paper

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- Which of the following is true with respect to Bond swap:
 - a. Bond swap is an active investment portfolio management strategy
 - b. The main purpose of the bond swap is portfolio improvement
 - c. Tax swap is a kind of Bond swap
 - d. All of the above

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- _____ involves swapping out of a low-coupon bond into a comparable higher coupon bond to realize an automatic and instantaneous increase in current yield and yield to maturity
 - a. Interest rate swap
 - b. Pure Yield Pickup Swap
 - c. Substitution Swap
 - d. Tax Swap

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- Which of the following statement(s) is/are true with respect to bankers' acceptance:

Statement I	From an investor's perspective, a banker's acceptance is a short-term interest-bearing time draft created by a high-quality bank
Statement II	Because credit risk is relatively low, the promised rate is only slightly above the rate on a comparable maturity T-bill

 - a. Only I
 - b. Only II
 - c. Both I and II
 - d. Neither I nor II

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- "Yield curve contains an implicit forecast of future interest rate changes- their shapes have critical implications for investment decision". In the context of yield curve as a maturity management tool, which of the following is/are true?
 - a. Reading the yield curve is a part of active strategies for managing investment portfolios
 - b. Positive sloped yield curves reflect the average expectation in the market that future short-term interest rates will be higher than they are today; upward interest rate movement expected
 - c. The yield curve provides information about under and overpriced securities
 - d. All of the above

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: d
- When a bond's duration is equal to the liability's duration, the direct interest-on-interest effect and the inverse price effect exactly offset each other.
 - a. True
 - b. False

a
 b

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- _____ is a form of risk specific to asset-backed securities. This form of risk arises because the realized interest and principal payments from a pool of securitized loans may be quite different from the cash flows expected originally.
 - a. Default Risk
 - b. Prepayment Risk
 - c. Inflation Risk
 - d. Call Risk

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- _____ is a particular type of Finance Bill or Promissory note put out by the Govt. of the country to meet the needs of supplementary short-term Finance. They are zero coupon securities and pay no interest, are issued at discount and redeemed at par
 - a. Repurchase Agreement
 - b. Treasury Bills
 - c. Certificate of Deposit
 - d. Eurodollars

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- _____ is a particular type of Finance Bill or Promissory note put out by the Govt. They are issued at discount and redeemed at par.
 - a. Repurchase Agreement
 - b. Treasury Bills
 - c. Certificate of Deposit
 - d. Commercial Papers

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- _____ refers to unsecured promissory notes issued by corporations that use the proceeds to finance short-term working capital needs. It is rated by different rating agencies to help investors gauge default risk. It can be issued on discount to face value basis or on a fixed interest basis. It is unsecured, negotiable by endorsement and normally have a buy-back facility.
 - a. Certificate of Deposit
 - b. Commercial Papers
 - c. Repurchase Agreement
 - d. Eurodollars

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: b
- A 9% T-note with par value of INR 1000 is currently trading at INR 850 was sold at the end of two years for 950. Its holding period yield is closest to _____% [Use ARTM formula]
 - a. 10.74
 - b. 11.51
 - c. 15.56
 - d. 17.84

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c
- Aaa-rated corporate bonds are carrying an average gross YTM of 10% and Aaa-rated municipal bonds have a 4% gross. TYM. Marginal income tax rate= 35%.The tax equivalent yield of the Aaa-rated corporate bond is _____
 - a. 6.154
 - b. 7.595
 - c. 14.000
 - d. 15.385

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: a
- The components of business risk are:
 - a. Capital risk and Income risk
 - b. Credit risk and Default risk
 - c. Internal risk and External risk
 - d. Price risk and Reinvestment risk

a
 b
 c
 d

No, the answer is incorrect.
 Score: 0
 Accepted Answers: c