

Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examinations-2082
Bachelor of Business Studies (BBS)
Semester - VII

Subject: Financial Institutions and Markets

Course Code: FIN 475

Full Marks: 60 Pass Marks: 30

Time: 3: 00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: VERY SHORT ANSWER QUESTIONS (10 X 1 = 10 MARKS)

Answer **ALL** the questions.

1. What is Asset Securitization?
2. Mention the main features of financial markets.
3. List out the major financial institutions of Nepal.
4. What are the major functions of World Bank?
5. What are the fees associated with the mutual fund?
6. An open-end fund has a net assets value of Rs 12.50 per share. It is sold with a front-end load of 5 percent. What is the offering price?
7. What do you mean by underwriting?
8. Mention the roles of investment banking.
9. What is commercial paper?
10. Write the major importance of money market.

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any **THREE** questions.

11. Define financial market. Briefly explain the role of financial market. [3+5]
12. Briefly describe about Nepal Rastra Bank and explain its functions. [3+5]
13. Mr. Sherma invested Rs 550,000 in a close-end fund. The share were trading at Rs 440 per share and the stock broker charged a 2 percent commission. At the end on one year, the investor received Rs 12 per share dividends and sold the shares at a price of Rs 480 per share before the brokerage commission.
 - a. Calculate the HPR considering the brokerage commission. [4]
 - b. Assume that there are no brokerage commission, calculate HPR. [4]
14. Assume that an investor is trying to decide between investing in a no load fund with 12b-1 plan or a fund with a front-end load.

	Laxmi Fund	Nabil Fund
Nature	No load fund	Load fund
Load fee (Front end loan)	0%	5%
Annual 12b-1 charge or operating expenses	2%	0%
Annual HPR before load fee and 12b-1 charge	14%	14%

Assume the investor has Rs 55,000 to invest in either fund.

- a. Calculate the anticipated rupee values of each investment after 4 years holding period. Which fund appears to the better alternative? [2]
 - b. Answer part (a) assuming 8 years holding period [2]
 - c. Calculate the length of holding periods that would make the investor indifferent between the two funds. [4]
15. Write short notes on: [4+4]
- a. Financial Innovation
 - b. Stock Market

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any **TWO** questions.

16. What is commercial bank? Explain the major functions of commercial banks. [5+8]
17. Write the meaning of capital market. Explain the functions of capital market. [5+8]
18. NEPSE started index construction since February 12, 1994. Suppose, Q, R, S, and T companies are listed in NEPSE with the following number of shares and closing prices:

Company	No. of share	Closing price as of 1994		
		February 12	February 13	February 14
Q	300	Rs 150	Rs 180	Rs 185
R	250	280	265	330
S	500	440	455	480
T	700	185	220	295

- a. Calculate the base NEPSE index (index on February 12, 1994). [2]
b. Calculate the NEPSE index as of February 13, 1994. [3]
c. Calculate the NEPSE index as of February 14, 1994. [3]
d. Suppose a fourth company called W appeared into the listing of NEPSE as on February 14, 1994. It is listed with 300 shares of common stock of Rs 100 per share. Calculate (i) Adjusted base value and (ii) NEPSE index at February 14, 1994 after the new listing of W company's share. [5]

THE END