

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Summer-2011)
CAPITAL MARKETS
Associateship

- Q.1** Please write the alphabet of the selected choice in the answer column:
- Q.2** State True or False in the answer column. Give brief reason for your selection at the space provided below the question:
- Q.3** Fill in the blanks:
- Q.4** The following table gives an analyst's expected return on two stocks for particular market returns:

Market Return	Aggressive Stock	Defensive Stock
6 %	2 %	8 %
20 %	30 %	16 %

- A) What are the betas of two stocks?
 - B) What is the expected return on each stock if the market return is equally likely to be 6 % or 20 % ?
 - C) If the risk-free return is 7 % and the market price return is equally likely to be 6 % or 20 % what is SML ?
 - D) What are the alphas of the two stocks?
- Q.5** Critically assess the economic functions served by derivatives.
 - Q.6** When you buy a share in a company, you become a part owner of that company. Under company law, this ownership entitles you to certain rights. Briefly discuss these rights of a shareholder.
 - Q.7** Briefly explain the assumptions of the Capital Market Theory.
 - Q.8** Explain the meaning of the term 'default risk'. What factors appear to have the most influence upon the degree of default risk displayed by a financial asset?

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