

## ISQ Examination (Winter-2012) Capital Markets – Associateship

- Q. a. Describe the key determinants of interest rates.
- Q. b. What is the relationship between?  
 i) Interest rates and inflation  
 ii) Interest rate and monetary policy  
 iii) Interest rate and fiscal policy
- Q. a. Describe at least FIVE types of money market instruments in Pakistan.
- Q. b. Sukuk is the major component of the Islamic Financial System. Explain how sukuk benefits to both issuers and investors. Give examples to support your answer.
- Q. "Portfolio evaluation essentially comprises two functions: performance measurement and performance evaluation." Discuss.
- Q. The following data is available to you as a professional investment manager:

Security	Estimated Return (%)	Beta	Standard Deviation (%)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10.0	0.5	20
Market Index	15	1.0	18
Govt. Security	7	0	0

In terms of the security market line, which of the securities listed above are underpriced?

Q. Write short notes on:

- A. Coupon rate
- B. Yield to call
- C. Zero coupon bond
- D. Default risk of a bond

Q. What are the main features of a long term debt? Should a corporate prefer to borrow long term finance or should opt for a long term debt capital market product?

-----