Q.1 A share is currently selling for Rs.65/-. The company is expected to dividend of Rs.2.50 per share at the end of the year. It is reliably estim that the share will sell for Rs.78 at the end of the year.

A. Assuming that the dividend and price forecasts are accurate, would you buy the share to hold it for one year, if your required rate of return was 12 percent? Show your working. (5-marks)

B. Given the current price of Rs.65 and the expected dividend of Rs.2.50, what would the price have to be at the end of one year to justify purchase of the share today, if your required rate of return was 15 percent? Show your working. (5-marks)

Q.2 Discuss the role of the State Bank of Pakistan in the development of capital market in the country. State any TWO initiatives undertaken by SBP in the recent past. (10-marks)

Q.3 'Stocks are considered to be risky but bonds are not.' Is this correct? Support your answer with examples from the local or global market. (10-marks)

Q.4 Discuss the role of the Securities and Exchange Commission of Pakistan in the development of capital market in the country. State any TWO initiatives undertaken by SECP in the recent past. (5-marks)

Q.5 A. What are the key differences between forwards and futures? (5-marks)

B. Explain the 'marking-to-market' feature with an example. (5-Marks)

Q.6 A. What is Stress Testing? Why is its use with VaR models recommended? (3-marks)

B. What are the different tools used for Stress Testing? (2-marks)

Q.7 What are the different types of risk diversification strategies available to portfolio managers? Explain at least THREE strategies in detail. (10-marks)