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Examination**

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Question: 1

Section A (1 Mark)

According to the _____ if irrational traders cause deviations from fundamental value, rational traders will often be powerless to do anything about it.

- A. Theory of Limited Arbitrage
- B. Equity premium puzzle
- C. Present-biased preferences
- D. Inter Temporal Consumption

Answer: A

Question: 2

Section C (4 Mark)

Suppose you have a two-security portfolio containing Bonds A and B. The market value of Bond A is Rs. 6,000, and the market value of Bond B is Rs4,000. The duration of Bond A is 8.5, and the duration of Bond B is 4.0. Calculate the duration of the portfolio.

- A. 5.3
- B. 8.2
- C. 6.7
- D. 3.56

Answer: C

Question: 3

Section B (2 Mark)

Which of the following statements is/are true?

| | |
|------|--|
| I. | The OECD Model issued in Double Taxation Convention on Income and Capital stresses on the right of state of residence to tax |
| II. | The UN Model issued in Double Taxation Convention on Income and Capital stresses on the right of state of source to tax |
| III. | For NRIs gains resulted from the sale of shares or mutual funds held for 12 months is taxed at rate of 20%. |
| IV. | A Resident is defined as Not Ordinarily Resident is an individual who has been a non- resident in 9 out of 10 Financial Years preceding the current year” or his stay in India totals to 729 days or less in 7 financial years preceding the current year. |

- A. I, II and III
- B. I, II and IV
- C. I, III and IV
- D. II, III and IV

Answer: B

Question: 4

Section A (1 Mark)

The best way to maintain your credit rating is to:

- A. Use credit sparingly.
- B. Pay cash for your purchases.
- C. Repay your debts on time.
- D. Declare a bankruptcy.

Answer: C

Question: 5

Section B (2 Mark)

Mr. Neeraj has a portfolio consisting of two stocks A & B has a standard deviation of 5% while stock B has a standard deviation of 15%. Stock A comprises 40% of the portfolio and stock B consists of 60%. If the correlation of returns of A and B is 0.5, the variance of return on the portfolio is _____

- A. 35
- B. 85
- C. 94
- D. 103

Answer: D



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