



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions. (6x5=30)

- a) Differentiate between future contract and forward contract.
- b) What is meant by security analysis?
- c) Over the counter (OTC) market
- d) Differentiate between direct and indirect investment
- e) Explain stock market index
- f) What is the relationship among nominal return and real return?

Answer the following questions.

Q.2 Assume an initial margin requirement is 50 percent and maintenance margin requirement is 30 percent. An investor buys 200 shares of stock on margin at \$61 per share. The price of the stock subsequently drops to \$50 **(15 Marks)**

- 1. What is the actual margin at \$50?
- 2. If the price declines to \$45, is there a margin call?
- 3. Assume that the price declines to \$40. What is the amount of the margin call?

Q.3 Calculate the expected return and expected risk (standard deviation) for Shan Foods for 2018, given the following information: **(15 Marks)**

| Possible returns | Probabilities |
|------------------|---------------|
| - 0.02 | 0.10 |
| 0.07 | 0.20 |
| 0.10 | 0.30 |
| 0.15 | 0.30 |
| 0.18 | 0.10 |