

Theme - 5

Everything about Bonds



With reference to 'IFC Masala Bonds', sometimes seen in the news, which of the statements given below is/are correct?

- 1. The International Finance Corporation, which offers these bonds, is an arm of the world bank.**
- 2. They are the rupee denominated bonds and are a source of debt financing for the public and private sector.**

Select the correct answer using the code given below.

- | | |
|------------------|---------------------------|
| a. 1 only | c. Both 1 and 2 |
| b. 2 only | d. Neither 1 nor 2 |



Indian Government Bond Yields are influenced by which of the following?

- 1. Actions of the United States Federal Reserve**
- 2. Actions of the Reserve Bank of India**
- 3. Inflation and short-term interest rates**

Select the correct answer using the code given below.

- | | |
|------------------------|----------------------|
| a. 1 and 2 only | c. 3 only |
| b. 2 only | d. 1, 2 and 3 |



Consider the following?

- 1. Foreign currency convertible bonds**
- 2. Foreign institutional investment with certain conditions**
- 3. Global depository receipts**
- 4. Non - resident external deposits**

Which of the above can be included in Foreign Direct Investment?

- | | |
|----------------------|-------------------|
| a. 1, 2 and 3 | c. 2 and 4 |
| b. 3 only | d. 1 and 4 |



With reference to the Indian economy, what are the advantages of “Inflation – Indexed Bonds”(IIBs)?

1. Government can reduce the coupon rates on its borrowing by way of IIBs
2. IIBs provide protection to the investors from uncertainty regarding inflation.
3. The interest received as well as capital gains on IIBs are not taxable.

Which of the statements given above are correct?

- | | |
|-----------------|-----------------|
| a. 1 and 2 only | c. 1 and 3 only |
| b. 2 and 3 only | d. 1, 2 and 3 |



With reference to Convertible Bonds, consider the following statements?

1. As there is an option to exchange the bond for equity, convertible bonds pay a lower rate of interest.
2. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices.

Which of the statements given above is/are correct?

- | | |
|-----------|--------------------|
| a. 1 only | c. Both 1 and 2 |
| b. 2 only | d. Neither 1 nor 2 |

