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Name.....

Reg. No.....

**FIFTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2023**

B.Com.

BCM 5B 11—FINANCE SPECIALIZATION II—FUNDAMENTALS OF INVESTMENT

(2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

*This part consists of **two** bunches of questions carrying equal mark 1.*

*Each bunch consists of **five** objective type questions.*

*Answer **all** questions.*

(A) Fill in the blanks :

- 1 Modern portfolio theory is a contribution by _____.
- 2 The highly liquid Security is _____.
- 3 A bond that has no collateral is called _____.
- 4 The market price of a bond depends on _____.
- 5 A risk associated with project and way considered by a well-diversified stockholder is classified as _____.

(B) Choose the correct answer from the bracket :

- 6 The advocates of the Efficient-market hypothesis (EMH) theory contend that securities markets are :
 - (a) Perfect.
 - (b) Imperfect.
 - (c) Monopolistic.
 - (d) Perfect or at least not too imperfect.
- 7 The regulatory agency which oversees the functioning of stock markets, which is located in Mumbai is :
 - (a) NSE.
 - (b) BSE.
 - (c) SEBI.
 - (d) OTCEI.

Turn over

- 8 A set of securities held by an individual investor is called _____.
- (a) Portfolio. (b) Group.
(c) Collection. (d) Bundle.
- 9 Markowitz efficient hypothesis initiated in _____.
- (a) 1958. (b) 1959.
(c) 1961. (d) 1960.
- 10 In capital Market Line every investment is _____.
- (a) Finitely divisible. (b) Infinitely divisible.
(c) Both (a) and (b). (d) None of the above.

(10 × 1 = 10 marks)

Part B

Answer any **eight** questions in one or two sentences each.

Each question carries 2 marks.

- 11 What is the expected return to an investor ?
- 12 What is risk return tradeoff ?
- 13 What do you mean by coupon rate ?
- 14 Define price-earnings ratio ?
- 15 What are the objectives of SEBI ?
- 16 What is book building method ?
- 17 What is BSE ?
- 18 Explain OTCEI ?
- 19 If a bond of face value Rs. 100 and a coupon rate of 12 %, is selling for Rs. 800. What is the current yield of the bond ?
- 20 Who is Broker ?

(8 × 2 = 16 marks)

Part C

*Answer any six questions.
Each question carries 4 marks.*

- 21 What is a Bond ? Discuss different types of bond and their features ?
- 22 What is market interest rate ? Do you think that bond price moves inversely to changes in market interest rate ? Justify your answer ?
- 23 Distinguish between technical analysis and fundamental analysis ?
- 24 Discuss constant growth model used valuation of share. Also discuss the advantages of this model.
- 25 A portfolio with 20 percent invested in Stock X, 45 percent in Stock Y, and 35 percent in Stock Z. The expected returns on these three stocks are 10 percent, 14 percent, and 16 percent, respectively. What is the expected return on the portfolio ?
- 26 What is a stock exchange ? Briefly discuss the functions of the stock exchange ?
- 27 What is investors' grievance ? Discuss common investor's grievances in the security market ?
- 28 Anand owns Rs. 1000 face value of bond with five years to Maturity. The bond has annual coupon rate of Rs. 75. The bond has currently priced at Rs. 970. Give an appropriate discount rate of 10 %. Should Anand hold or sell the bond ?

(6 × 4 = 24 marks)

Part D

*Answer any two questions.
Each question carries 15 marks.*

- 29 What is meant by technical analysis ? Discuss various methods of technical analysis ?
- 30 The return and the probability distribution of investment in two companies A and B is given below. Calculate expected rate of return and standard deviation of both of these companies and comment on it :

Company A		Company B	
Return	Probability	Return	Probability
6	0.10	4	0.10
7	0.25	6	0.20
8	0.30	8	0.40
9	0.25	10	0.20
10	0.10	12	0.10

31. Briefly explain the recent developments in Indian Money Market ?

(2 × 15 = 30 marks)