C 20465 (Pages : 3) Name..

Reg. No.....................................

SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2022

(CBCSS—UG)

B.Com.

BCM 6B 14—FUNDAMENTALS OF INVESTMENTS (FINANCE SPECIALISATION)

(2019 Admissions)

Time : Two Hours and a Half Maximum : 80 Marks

Section A

Answer at least **ten** *questions.*
Each question carries 3 *marks.*
All questions can be attended.
Overall Ceiling 30.

1. What is Fixed Income Securities ?
2. What is Portfolio Analysis ?
3. What is Fundamental analysis ?
4. What do you mean by Candle Stick ?
5. What is Dividend Yield method ?
6. What is financial System ?
7. What is leading and lagging indicators ?
8. What is NIFTY index ?
9. Difference between primary market and Secondary Markets.
10. What is Insider trading ?
11. Distinguish Bonds and Shares.
12. What is Systematic risk ?
13. What is Yield to maturity (YTM) ?
14. What is risk in Investment ?
15. What is P/E ratio ?

(10 × 3 = 30 marks)

Turn over

Section B

Answer at least **five** *questions.*
Each question carries 6 *marks.*
All questions can be attended.
Overall Ceiling 30.

16. What are the risks of investing in a bond ?
17. Discuss the steps in the investment decision process.
18. Explain EIC analysis.
19. What is Securitisation of debt ?
20. Stock A and B generate the following sets of returns, standard deviations and correlation co-efficient :

	A	B
Return	20%	30%
SD	15	30

Correlation co-efficient of A and B 0.60

A portfolio constructed with 40% of funds invested in A and the remaining 60%in B. Calculate SD of the portfolio.

21. What are Shares ? Explain the merits and demerits of different types of shares.
22. Given the following example find out the expected risk of the portfolio :

Security	Expected return (%)	Proportion of investment	SD
ACC	10	40	0.2
DCM	15	60	0.3

Correlation co-efficient between these two securities is 0.5.

23. An investor owns the share of a company whose current cash dividend is Rs. 3. The constant growth rate of dividend is 16% per year and the required rate of return is 20%. What is the value of the share of the company.

(5 × 6 = 30 marks)

Section C

Answer any **two** *questions.*
Each question carries 10 *marks.*

24. Explain the principles of technical analysis.
25. What are the functions of SEBI as an investment protector ?

26. What is Portfolio diversification ? Explain the need for portfolio diversification.

27. Rohan Ltd has declared dividends during the past 5 years as follows :

Year	:	2016	2017	2018	2019	2020
Rate of dividend %	:	13	12	15	11	16

The ARR prevailing in the same industry is 13%. Calculate the value per share of Rs.10 of Rohan Ltd. based on the dividend yield method.

($2 \times 10 = 20$ marks)

C 20465-A **(Pages : 4)** **Name.......................................**

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BCM 6B 14—FUNDAMENTALS OF INVESTMENTS (FINANCE SPECIALISATION)

(2019 Admissions)

(Multiple Choice Questions for SDE Candidates)

Time : 15 Minutes	**Total No. of Questions : 20**	**Maximum : 20 Marks**

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

BCM 6B 14—FUNDAMENTALS OF INVESTMENTS (FINANCE SPECIALISATION)

(Multiple Choice Questions for SDE Candidates)

1. ———— is based on tips, rumours and hunches, unplanned and without knowledge of the exact nature of risk.
   - (A) Investment.
   - (B) Speculation.
   - (C) Gambling.
   - (D) Arbitrage.
2. ———— risks cover the risk of market, interest rate risk and purchasing power risk.
   - (A) Systematic.
   - (B) Unsystematic risk.
   - (C) Financial.
   - (D) Business.
3. ———— risk can be identified through rise and decline of total revenues as indicated in the firm's earnings before interest and taxes.
   - (A) Internal business risk.
   - (B) External business risk.
   - (C) Market risk.
   - (D) Interest rate risk.
4. Markowitz model presumed generally investors are :
   - (A) Risk averse.
   - (B) Risk natural.
   - (C) Risk seekers.
   - (D) Risk moderate.
5. The process by which one choose the securities, derivatives and other assets include in a portfolio is known as ————.
   - (A) Portfolio selection.
   - (B) Portfolio Revision.
   - (C) Portfolio diversification.
   - (D) None of these.
6. The random walk hypothesis is most related to the :
   - (A) Weak-form EMH.
   - (B) Semistrong-form EMH.
   - (C) Semiweak-form EMH.
   - (D) Strong-form EMH.
7. Which of the following is not a basic assumption of the Dow Theory ?
   - (A) No additional information is needed for the stock market outside of data on stock indexes.
   - (B) The financial market has three distinct types of movements: the primary trend, the intermediate trend, and short-term trends.
   - (C) There is usually a positive relationship between a trend and the volume of shares traded.
   - (D) A bear market is established when the Dow Jones Industrial Average is moving down.

8. Level that the technical analyst believes a stock price will not exceed :

   (A) Support level.
   (B) Resistance level.
   (C) Maximum level.
   (D) None of these.

9. Covariance is a measurement of :

   (A) The co-movement between two variables.
   (B) The link between the variability of returns in two independent securities.
   (C) Both (A) and (B).
   (D) None of the above.

10. Systematic Risk is ————.

   (A) Uncontrollable.
   (B) Controllable.
   (C) Avoidable.
   (D) Voidable.

11. According to Dow Jones theory, share prices demonstrate a pattern over 4 to 5 years. These patterns can be divided into three distinct cyclical trends ————.

   (A) Preliminary, primary and secondary trends.
   (B) Preliminary, bullish and bearish trends.
   (C) Primary, secondary and minor trends.
   (D) Primary, secondary and major trends.

12. When was SEBI constituted ?

   (A) April, 1988.
   (B) March, 1982.
   (C) July, 1992.
   (D) December, 1974.

13. SCORES Stands for :

   (A) SEBI Complementary Reporting System.
   (B) SEBI Comprehensive Redressal System.
   (C) SEBI Complaints Redressal System.
   (D) SEBI Contingent Reporting System.

14. What does the market price of a bond depend on?

   (A) The coupon rate and terms of the indenture.
   (B) The coupon rate and maturity date.
   (C) The terms of the indenture, and maturity date.
   (D) The coupon rate, terms of the contract, and maturity date.

15. Which of the following theory analyzes how wealth can be optimally invested in portfolios that are made up of assets whose expected returns and risks are different ?

    (A) G.D. Gordon's approach. (B) Modigliani miller approach.

    (C) Markowitz Model. (D) Traditional Theory.

16. ———— represents the tradeoff between risk & expected return faced by an investor when forming this portfolio.

    (A) Efficient Set. (B) Attainable Set.

    (C) Efficient Frontier. (D) Risk Diversification.

17. Positive Covariance indicates that :

    (A) Returns on two assets bear a tendency to offset each other ie. if the return on A is above par, the return on B is likely to be below par. If the return on A is below par, the return on B is likely to be above par.

    (B) There is no distinct relationship between the movements in returns of two securities.

    (C) Returns on two assets tend to go together, ie. if the return on A is above par, the return on B is also likely to be above par.

    (D) Higher discount rate should be used in capital budgeting to discount the cash flow.

18. Liquidity risk :

    (A) Is risk investments bankers face.

    (B) Is lower for small companies.

    (C) Is the risk associated with secondary market transactions.

    (D) Increases whenever interest rates increase.

19. Which is not a constituent of capital market ?

    (A) Public finance institution. (B) Stock exchange.

    (C) Commercial bank. (D) Unit trust of India.

20. Boom period means :

    (A) High demand for products and services.

    (B) Demand for products steady.

    (C) Demand for services okay.

    (D) None of these.