

C 60010

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2019
(CUCBCSS)

B.Com.

BCM 6B 15—FUNDAMENTALS OF INVESTMENT
(Finance Specialisation)

Maximum : 80 Marks

Time : Three Hours

Answers may be written **either** in English **or** in Malayalam.

Part I

Answer **all** questions.

Each question carries 1 mark.

(A) Multiple Choice Questions :

1/ Which of the following financial market is dealing in short term funds ?

- (a) Money Market. (b) Capital Market.
(c) Commodity Market. (d) None of the above.

2/ This option gives the holder or buyer the right to buy the specified quantity of the underlying asset at a specified price on or before a specified time.

- (a) Call Option. (b) Put Option.
(c) Swap option. (d) None of the above.

3/ Which of the following is a market place for trading unlisted financial instruments ?

- (a) OTC Market. (b) EFT Market.
(c) Swap Market. (d) None of the above.

4/ Which of the following is the most common method of using employees as a source of equity financing ?

- (a) IPO. (b) EPSO.
(c) ESOP. (d) None of the above.

Turn over

5 Which of the following shares have a Priority to get dividend and the return of capital at the time of winding up of the company ?

- (a) Preference share. (b) Equity share.
(c) Bonus share. (d) Swap.

(B) Fill in the blanks :

- 6 IPO stands for _____.
7 Which is the apex body of stock market in India ?
8 _____ was the father of technical analysis.
9 The risk of doing business in a particular industry or environment is called _____ risk.
10 Aggressive portfolio consists of bonds and stocks in the ratio of _____.

(10 × 1 = 10 marks)

Part II

Answer any **eight** questions.

Each question carries 2 marks.

11 What is Portfolio ?

12 What is Systematic Risk ?

13 State the difference between "Top-down" and "Bottom-up" forecasting approach ?

14 What is Candlestick chart ?

15 What is Short Selling ?

16 Define Investment.

17 Assume Mr. John investing in Y Ltd. The correlation co-efficient between the company's risk and the return on the market is 0.875. The standard deviation of the return on the stock is 20.42. The standard deviation of the returns on the market is 14.84. Calculate the beta value.

18 What is Put Option ?

- 19 What is Security Market Line ?
- 20 If the price of an equity share at the beginning is Rs. 240, the price at the end is Rs. 320 and the holder receives a dividend of Rs. 30 per share, calculate the rate of return.

(8 × 2 = 16 marks)

Part III

Answer any **six** questions.

Each question carries 4 marks.

21. Briefly discuss the factors that should be considered for portfolio selection ?
22. Stock Y and Z have the following parameters :

	Stock Y	Stock Z
Expected Return	20	30
Expected Variance	16	25
Covariance YZ	20	

Is there any advantage of holding a combination of Y and Z ?

- 23 An investor would like to get a dividend of 30 paise from a share and want to sell it next year for Rs. 60 after keeping it for one year. The required rate of return is 20 %. What will be the present value of this share ?
- 24 What are the differences between option and swap ?
- 25 What is Dow Theory ?
- 26 The details of two portfolios M and N is given in the table below :

Fund	Return	Beta	Rr
M	30	0.4	15
N	30	0.8	15

Evaluate which portfolio performs better ?

- 27 What are the benefits of investment ?
- 28 Write a short note on NSE.

(6 × 4 = 24 marks)

Turn over

Part IV

Answer any **two** questions.

Each question carries 15 marks.

29 Explain the steps in buying and selling of shares ?

30 Stock H and M have the following returns for the past two years :

Stocks	Returns (%)	
	2009	2010
H ...	12	18
M ...	14	12

(a) What is the expected return on portfolio made up of 60 % of H and 40 % of M ?

(b) Find out standard deviation of each stock.

(c) What is Co-variance and Co-efficient of correlation between stock H and M ?

31 What is Fundamental Analysis? State the important tools of Fundamental Analysis.

(2 × 15 = 30 marks)