

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH/APRIL 2018

(CUCBCSS—UG)

BCM 6B 15—FUNDAMENTALS OF INVESTMENT

Time : Three Hours

Maximum : 80 Marks

Part I

*Answer all questions.**Each question carries 1 mark.*

(A) Multiple Choice Questions :

1. Inflation risk is also known as _____.
 - (a) Market risk.
 - (b) Interest rate.
 - (c) Purchasing power.
 - (d) Regulation risk.
2. Which of the following is a price at which investor willing to sell?
 - (a) Bid Price.
 - (b) Ask price.
 - (c) Auction price.
 - (d) None of the above.
3. Which of the following financial Market is dealing in long term funds ?
 - (a) Money Market.
 - (b) Capital Market.
 - (c) Commodity Market.
 - (d) None of the above.
4. Which of the following contracts are standardised and traded in stock exchanges ?
 - (a) Forward contract.
 - (b) Future contract.
 - (c) Option.
 - (d) None of the above.
5. Which of the following bonds are issued at discount and repaid at face value ?
 - (a) Convertible bond.
 - (b) Zero coupon bond.
 - (c) Foreign bond.
 - (d) Junk bond.

(B) Fill in the blank :

6. CAPM stands for _____.
7. _____ is an apex body of the asset management companies.
8. Public debt Market is also known as _____.

9. BSE established in the Year _____.
10. A _____ is a collection of securities.

(10 × 1 = 10 marks)

Part II

*Answer any eight questions.
Each question carries 2 marks.*

11. What do you mean by Swap ?
12. What is Dividend Payout ratio ?
13. What is Market risk ?
14. What are the financial investments ?
15. What do you mean by Credit Rating ?
16. If the price of a share at the end was Rs. 280 and the holder received a dividend of Rs.25 per share. Calculate the rate of return.
17. What do you mean by Speculation ?
18. What is Trend ?
19. Define Expected Return.
20. Mr. A considering investing in V Ltd. The correlation co-efficient between the company's market risk and return is 0.876. The standard deviation of the return on the stock is 18.68. The standard deviation of the returns on the Market is 10.11. Calculate the beta value.

(8 × 2 = 16 marks)

Part III

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

21. Define investment. Explain the objectives of investment.
22. What are the factors to be considered for economic analysis ?
23. An investor would like to get a dividend of 25 paisa 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 15% what will be the present value of this share ?
24. Mention the differences between forward contract and future contract.
25. Explain the important types of Bonds.
26. Discuss Random Walk theory.

27. The details of two portfolios A and B is given in the table below :

| Fund | Return | Beta | Rs. |
|------|--------|------|-----|
| A | 30 | 0.8 | 10 |
| B | 34 | 1.0 | 10 |

Evaluate which portfolio performs better.

28. An investment provides a return of 10%, 20%, 30% and 40% with probabilities of 25%, 30%, 15% and 30%. Calculate expected return.

(6 x 4 = 24 marks)

Part IV

Answer any two questions.

Each question carries 15 marks.

29. What is the role of SEBI for investor's protection in India ?
30. Briefly explain Portfolio Management process ?
31. The return and the probability distribution of investment in two companies A and B are given below. Calculate expected 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 |

(2 x 15 = 30 marks)