16U662 (Pages: 3) Name: …………..……….

Reg. No…………….………

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2019

(Regular/Supplementary/Improvement)

(CUCBCSS-UG)

CC15U BC6 B15 - FUNDAMENTALS OF INVESTMENTS

Commerce – Core Course

(2015 Admission onwards)

Time: Three Hours Maximum: 80 Marks

Part I

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

(A) Multiple choice questions:

1. The variation in bond prices caused due to the variations in interest rate is called ………….
   a. Purchasing power risk b. Interest rate risk
   c. Default risk d. Market risk
2. …………. analysis believes that the market price of a share is a reflection of its intrinsic value.
   a. Technical analysis b. Portfolio analysis
   c. Fundamental analysis d. Company analysis
3. …………. formulated the hypothesis that the stock market does not move on a random fashion but is influenced by three distinct cyclical trends that guides its direction.
   a. Markowitz b. Roberts and Fama
   c. Ralph N. Elliot d. Charles H. Dow
4. …………. is a momentum oscillator.
   a. ROC b.RSI c. EMA d. MACD
5. The cost paid by the option buyer to the seller for protecting the specific position is called ………….
   a. Margin b. Premium c. Commission d. Option fees

(B) Fill in the blanks:

6. Nominal rate of interest fixed and printed on the bond certificate is ……
7. Capital Asset Pricing Model was developed by ……
8. …… is the term used for the collection of securities with different characteristics.
9. SCORES stands for ……
10. …… is the sacrifice of certain present value for some uncertain future value.

(10 x 1 = 10 Marks)

 Turn Over

Part II

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

11. How beta is interpreted?
12. What happens to the risk of a portfolio as more and more securities are added to the portfolio?
13. What is YTM?
14. What is insider trading?
15. What are the assumptions of Markowitz Diversification model?
16. Explain multiplier approach to share valuation.
17. What do you meant by investor activism?
18. What is random walk theory?
19. A firm is considering an expenditure of Rs. 60 lakhs for expanding its operations. The relevant information is as follows

Number of existing equity shares	-	10 lakhs
Market value of existing equity share	-	Rs 60
Net earnings	-	Rs 90 lakhs

Compute the cost of existing equity share capital.

20. Antony wants to invest in XYZ Ltd. The correlation coefficient between the company's return and the return on the market is 0.935 The standard deviation of the returns on the stock is 14.96 The standard deviation of the returns on the market is 10.11 Calculate the beta value.

(8 x 2 = 16 Marks)

Part III

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

21. There is a trade off between risk and return- Explain this statement.
22. Explain the various chart patterns used for technical analysis.
23. Describe the key economic variables that an investor must monitor as part of his fundamental analysis.
24. How futures contract different from forward contract?
25. Explain the different types of fixed income securities.

26. A company is currently paying a dividend of Rs. 4.24 per share. The dividend is expected to grow at a 18% annual rate for five years and 12% thereafter. What is the present value of the share, if the capitalization rate is 14%?
27. Following data are available for a bond. Find the current price and duration of the bond. Face value - Rs 1,000 Coupon rate-6% YTM - 17% No of years to maturity – 6 Redemption is at par.
28. A stock costing Rs. 130 pays no dividends. The possible prices that the stock might sell for at the end of the year with respective probabilities are as follows

Price	120	130	140	150	160	170
Probabilities	0.1	0.1	0.2	0.3	0.2	0.1

Calculate the expected return and risk of the stock.

(6 x 4 = 24 Marks)

Part IV

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

29. Explain the measures taken by SEBI to protect the interest of investors.
30. Stocks L and M have yielded the following returns for the past two years.

Years	2015	2016
L	12	18
M	14	12

a) What is the expected return on portfolio made up of 60% of L and 40% of M?
b) Find out the standard deviation of each stock.
c) What is the co-variance and co-efficient of correlation between stock L and M?
d) What is the portfolio risk of a portfolio made up of 60% of L and 40% of M?

31. Prem is considering the purchase of a bond currently selling at Rs. 878.50. The bond has four years to maturity, face value of Rs. 1,000 and 8% coupon rate. The next annual interest payment is due after one year from today. The required rate of return is 10%.

a) Calculate the intrinsic value of the bond. Should Prem buy the bond?
b) Calculate the yield to maturity of the bond.

(2 x 15 = 30 Marks)

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