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(Pages: 3)

Name: .....

Reg. No.....

**SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2020**

(CUCBCSS-UG)

(Supplementary/Improvement)

**CC15U BC6 B15 / CC16U BC6 B15 - FUNDAMENTALS OF INVESTMENTS**

Commerce- Core Course

(2015, 2016 Admissions)

Time: Three Hours

Maximum: 80 Marks

**PART - I**

Answer *all* questions. Each question carries 1 mark

(A) Multiple Choice Questions:

1. .... option gives the buyer the right to buy specified quantity of an underlying asset at a specified price on or before a specified time.  
(a) Call option      (b) Put option      (c) Main option      (d) None of the above
2. The portfolio which consists of expensive stocks is .....  
(a) Patient Portfolio      (b) Aggressive Portfolio  
(c) Efficient Portfolio      (d) None of the above.
3. .... bonds are issued at a discount and repaid at face value.  
(a) Zero Coupon Bond      (b) Convertible bond  
(c) Callable bond      (d) Foreign bond.
4. .... risk is also known as purchasing power risk.  
(a) Market risk      (b) Interest rate risk      (c) Inflation risk      (d) Regulation risk.
5. The stock valuation method that uses financial data to predict price movements is known as .....  
(a) Fundamental analysis      (b) Technical analysis  
(c) Company analysis      (d) Credit analysis.

(B) Fill in the blanks:

6. The change in the direction of trend is known as .....
7. .... portfolio is suitable for investors who are risk averse.
8. Gilt-edged securities are issued by .....
9. The variability in returns on securities caused by currency fluctuations is called ..... risk.
10. The financial instruments whose values are linked to the price of an underlying instrument in the stock market is .....

**(10 x 1 = 10 Marks)**

(1)

**Turn Over**

**PART - II**

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

11. What is candle stick chart?
12. What is conservative portfolio?
13. Define a swap.
14. Who is a hedger?
15. What is speculation?
16. What is insider trading?
17. What do you mean by diversification?
18. Give a brief account of SENSEX.
19. A share is currently selling at ₹ 50. It is expected that a dividend of ₹ 2 per share would be paid during the year and the share could be sold at ₹ 54 at the end of the year. Calculate the expected return from the share.
20. What is yield to maturity?

**(8 x 2 = 16 Marks)**

**PART – III**

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

21. What are the different types of bonds?
22. Discuss the dividend growth models of equity valuation.
23. Explain Dow Theory.
24. Give an account of different types of Portfolio.
25. A portfolio is constituted with four securities having the following characteristics

Security	Return (%)	Proportion of Investment
P	17.5	0.15
Q	24.8	0.25
R	15.7	0.45
S	21.3	0.15

Calculate the expected return of the portfolio.

26. Explain Elliot wave theory.
27. A company paid dividends amounting to ₹ 0.75 per share during the last year. The company is expected to pay ₹ 2 per share during the next year. Investors forecast a dividend of ₹ 3 per share in the year after that. Thereafter, it is expected that dividends will grow at 10% per year into an indefinite future. Would you buy/ sell the share if the current price of the share is ₹ 54? Investor's required rate of return is 15%.

(2)

28. A person owns a ₹ 1000 face value bond with five years to maturity. The bond makes annual interest payments of ₹ 80. The bond is currently priced at ₹ 960. Given that the market interest rate is 10%, should the investor hold or sell the bond?

**(6 x 4 = 24 Marks)**

**PART - IV**

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

29. Calculate the expected return and the standard deviation of returns for a stock having the following probability distribution of returns.

Possible returns (%)	-25	-10	0	15	20	30	35
Probability of Occurrence	0.05	0.10	0.10	0.15	0.25	0.20	0.15

30. Explain the concept risk. What are the different types of risk in investment of securities?
31. Describe the key economic, industry and company variables that an investor must monitor as part of fundamental analysis.

**(2 x 15 = 30 Marks)**

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(3)