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Name:

Reg. No.....

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2019

(CUCBCSS-UG)

CC17U BC5 B11 - FUNDAMENTALS OF INVESTMENTS

(Core Course)

(2017 Admissions Regular)

Time: Three Hours

Maximum: 80 Marks

Part A

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

Choose the Correct Answer:

1. Which of the following is outside the purview of investment class?
 - a. Fixed deposit
 - b. Recurring deposits
 - c. Savings bank deposits
 - d. Current account deposits
2. The variability in a security's return resulting from changes in the level of interest rates is referred to as -----
 - a. Market risk
 - b. Interest rate risk
 - c. Purchasing power risk
 - d. Regulation risk
3. In fundamental analysis
 - a. Buy the security if $IV > MP$
 - b. Buy the security if $IV = MP$
 - c. Buy the security if $IV < MP$
 - d. None of these
4. A resistance level is the price range at which technical analysts would expect the
 - a. Demand of a stock to decrease substantially
 - b. Demand of a stock to increase substantially
 - c. Supply of a stock to increase substantially
 - d. Supply of a stock to decrease substantially
5. The process of periodically monitoring portfolio is called
 - a. Portfolio Execution
 - b. Portfolio revision
 - c. Portfolio performance
 - d. None of the above

Fill in the blanks:

6. ----- is the degree of uncertainty about expected return from an investment.
7. ----- Instruments are those instruments, which have a maturity period of less than one year.

- 8. P/E ratio means -----
- 9. ----- portfolio is suitable for investors who are risk averse.
- 10. Risk that is unique to a firm or an industry is called -----

(10 x 1 = 10 Marks)

Part II

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

- 11. What is financial intermediation?
- 12. What is a mutual fund?
- 13. What is inflation risk?
- 14. What is insider trading?
- 15. What do you mean by bond duration?
- 16. Write about investor awareness.
- 17. Write about EPS
- 18. What is an aggressive portfolio?
- 19. What is Beta?
- 20. What you mean by bond valuation?

(8 x 2 = 16 Marks)

Part III

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

- 21. What are unsystematic risks? Give examples.
- 22. Explain the process of investment decision process.
- 23. A six-year bond with a coupon payment of ` 51 and the maturity value of ` 180 is currently selling at ` 150. The yield to maturity is 10%. Advice the investor whether buy or not this security?
- 24. Mr. Martin expects to get a dividend of ` 3, ` 4 and ` 5 from a share during the next three years and hopes to sell it at ` 80 at the end of the third year. The required rate of return is 20%. What will be the present value of share to the investor?
- 25. Write different forms of market efficiency.
- 26. Explain Markowitz model
- 27. What do you mean by investor activism? Write its advantages and drawbacks.
- 28. What are the basic types of portfolios?

(6 x 4 = 24 Marks)

Part IV

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

- 29. Stock Tim and Tam display the following returns over the past three years.

Year	Rates	
	Tim	Tam
2010	14	12
2011	16	18
2012	20	15

- a) What is the expected return on portfolio made up of 40% of Tim and 60% of Tam
- b) What is the standard deviation of each stock?
- c) Determine the correlation coefficient of stock X and Y
- d) What is the portfolio risk if the portfolio is made up of 40% Tim and 60% Tam?
- 30. What do you mean by technical analysis? Explain about the chart patterns that are used in technical analysis.
- 31. Sreedhar wants to buy a company's stock and hold on it for 5 years. He estimates that ` 3.44 dividend would be paid by the company continuously for the next five years. He hopes to sell the shares at ` 60 at the end of the fifth year. The expected required rate of return is 10%. What is the present value of a share?

(2 x 15 = 30 Marks)
