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Name:

Reg. No.....

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2018

(CUCBCSS-UG)

CC15U BC6 B15 - FUNDAMENTALS OF INVESTMENTS

Commerce-Core Course

(2015 Admission)

Time: Three Hours

Maximum: 80 Marks

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

Part I

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

A. Choose the correct answer.

1. Grey market is an

(a) official market (b) unofficial market (c) regulated market (d) none of these

2. The negotiable financial investment is different from the non negotiable financial investment in terms of

(a) maturity period (b) interest rate (c) transferability (d) face value

3. These are instruments, which give a fixed rate of interest for a fixed period of maturity.

(a) Debts (b) Equities (c) Mutual fund (d) Virtual office

4. The variability in a security's returns resulting from fluctuations in the aggregate market is known as;

(a) Market risk (b) Interest rate risk

(c) Purchasing power risk (d) Regulation risk

5. Callable bonds mean

(a) Subscriber has the right to demand money before the time

(b) Issue has the right to redeem before the time

(c) Investor can request for redemption any time

(d) None of these

B. Fill in the blanks:-

6. Technical analysis gained popularity from the writings of _____

7. _____ are the bonds issued at a discount and repaid at a face value..

8. Modern portfolio theory was introduced by _____

9. _____ option gives the holder or buyer , the right to buy specified quantity of the underlying asset at a specified price on or before a specified time.

10. Level that the technical analyst believes that a stock price will not fall below _____

(10 x 1= 10 Marks)

Part II

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

- 11. What is a Financial Derivative?
- 12. What is a portfolio?
- 13. What do you mean by insider trading?
- 14. What is efficient market hypothesis?
- 15. A Rs. 1,000 face value ABC bond has a coupon rate of 6%, with interest paid semi-annually, and matures in 5 years. If the bond is priced to yield 8%, what is the bond’s value today?
- 16. What is a bear market?
- 17. What do you mean by opening and closing price?
- 18. What is a leading indicator?
- 19. What are security market indices?
- 20. What are pennants and flags?

(8 x 2=16 Marks)

Part III

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

- 21. Shyam owns an Rs.1000 face value bond with three years maturity. Bond makes an annual coupon rate of 7.5%. The first coupon is due one year from now. Bond is selling today at Rs.975.48. If the YTM is 10%, should Shyam sell the bond or hold it?
- 22. An IT company currently pays a dividend of Rs.5 per share on its equity shares. The dividend is expected to grow at 6 % per year indefinitely. Stocks with similar risk currently are priced to provide a 12 % return. What is the intrinsic value of the stock?
- 23. Vijay enterprise has a beta of 1.5. The risk free rate is 7% and the expected return on the market portfolio is 14%. The company pays a dividend of Rs. 2.50 per share and the investor expects a growth in dividend of 12 % per annum for many years to come. Compute the required rate of return on the equity according to CAPM.
- 24. Explain the factors used in industry analysis under fundamental analysis.

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25. Discuss the different channels or alternatives available to an investor for making investment.

26. Briefly explain the objectives of portfolio analysis.

27. Discuss the functions of a stock exchange.

28. Distinguish between Forward contracts and Future contracts.

(6 x 4= 24 Marks)

Part IV

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

29. What do you mean by technical analysis? Describe the various charting methods used in technical analysis.

30. A financial analyst is analyzing two investment alternatives of A and B. the estimated rates of return are given below.

Year	Return %	
	A	B
1995	12	14
1996	18	12

- a) What is the expected return on portfolio made up of 60% of A and 40% of B?
- b) Find out the standard deviation of each stock.
- c) What is the covariance and coefficient of correlation between stock A and B?
- d) What is the portfolio risk of a portfolio made up of 60% of A and 40% of B?

31. “Investor protection is the major concern of Securities Exchange Board of India” – Explain the various steps taken by SEBI to protect investors in India.

(2 x 15= 30 Marks)

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