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Name:

Reg. No.....

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2021

(CUCBCSS-UG)

CC15U BC6 B15/CC16U BC6 B15 - FUNDAMENTALS OF INVESTMENTS

(Commerce – Core Course)

(2015, 2016 Admissions - Supplementary)

Time: Three Hours

Maximum: 80 Marks

PART 1

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

Choose the correct answer:

1. Measurement of systematic risk is -----
a) Beta b) Standard deviation c) Variance d) Correlation
2. NSE was established in the year -----
a) 1998 b) 1992 c) 1990 d) 1996
3. What type of relationship exists between bond price and interest rate?
a) Direct b) Indirect c) Inverse d) None of these
4. Oscillatos show the share price movement as
a) over a reference point b) below a reference point
c) through a reference point d) b and c
5. Which of the following portfolio provides the highest returns at a given level of risk?
a) Patient portfolio b) Aggressive portfolio
c) Efficient portfolio d) None of the above

Fill in the blanks:

6. ----- relates the annual coupon interest to the market price.
7. ----- is the founder of Dow theory.
8. The excess return that an investor can expect from the overall market above a risk free return is called -----.
9. The level that the technical analyst believes a stock price will not go beyond a particular limit is called -----.
10. If a director of company uses unpublished price sensitive information for making profit from the market, it is -----.

(10 × 1 = 10 Marks)

(1)

Turn Over

PART II

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

- 11. What are the objectives of investment?
- 12. Explain the risk return trade-off.
- 13. What do you mean by YTM?
- 14. State the assumptions of CAPM.
- 15. Write a short note on Investor Activism.
- 16. What is credit rating? Mention any two credit rating agencies in India.
- 17. What do you mean by derivatives?
- 18. What is random walk theory?
- 19. What is portfolio diversification?
- 20. Antique Arts Company would pay Rs. 2.50 as dividend per share for the next year and expected to grow indefinitely at 12%. What would be the equity value if the investor requires 20%?

(8 × 2 = 16 Marks)

PART III

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

- 21. Explain the different types of bonds.
- 22. Briefly explain indicators.
- 23. Explain EMH.
- 24. Explain the difference between forwards and futures.
- 25. What is NSE? Explain the objectives of NSE.
- 26. What are the steps taken by SEBI to redress the investor’s complaints?
- 27. A bond with a face value of Rs. 1,000 is currently available at Rs.800. The coupon rate of interest is 9%. The bond will mature after 8 years. Calculate the YTM of the bond.
- 28. K Ltd. shares give a return of 20% and L Ltd. shares give a return of 32% return. If you have invested 25% of your money available for investment in K Ltd. and remaining in L Ltd., what would be the expected return on portfolio?

(6 × 4 = 24 Marks)

PART IV

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

- 29. Briefly explain different avenues of investment.
- 30. ABC Ltd. foresees a growth rate of 12% per annum in the next 2 years. The growth rate is likely to fall 10% for the third year and fourth year. After that the growth rate is expected to stabilize at 8% per annum.If the last dividend paid was Rs. 1.50 per share and the investor’s required rate of return is 16% and find out the intrinsic value per share of ABC Ltd.
- 31. Probability distribution of the rates of return of two companies belonging to two entirely different sectors is given. Calculate standard deviation.

State of the economy	Probability of occurrence	Rate of return (%)	
		Kohinoor foods	Bharath Shipping
Boom	0.30	16	40
Normal	0.50	11	10
Recession	0.20	6	-20

(2 × 15 = 30 Marks)
