

19U637

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Name:

Reg. No:

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2022

(CBCSS - UG)

CC19U BCM6 B14 - FUNDAMENTALS OF INVESTMENT

(Commerce - Core Course)

(2019 Admission - Regular)

Time: 2.5 Hours

Maximum: 80 Marks

Credit: 4

Part A (Short answer questions)

Answer *all* questions. Each question carries 2 marks.

1. What is CAPM?
2. Differentiate between systematic and unsystematic risk?
3. XYZ stock returned 10%. The risk free rate on T –bill is 6%, market return is 12%. The company's beta is 1.3. What is the expected return?
4. What is R-square?
5. What are treasury bills?
6. What is convertible bond?
7. Expand ICRA.
8. What is P.E. ratio?
9. What is technical analysis?
10. What is trend?
11. What is DOW theory?
12. What do you mean by diversification?
13. State the features of portfolio management.
14. What do you mean by SCORES?
15. What is insider trading?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. What are the various objectives of investment?
17. What are the components of investment environment?
18. What are the sources of financial information?

19. A 5 year bond with a coupon payment of Rs. 11 and the maturity value of Rs. 80 is currently selling at Rs. 110. The yield to maturity is 10 %. Advise the investor whether to buy or not this security?
20. Mr. Rajesh holds shares in S.N Co. Ltd. And S.N Co. Ltd is expected to announce its dividend as Rs.4 in next year. In the ensuing years the dividend is expected to grow at 10% per year. What Rajesh should do if the required rate of return is 15% per year and current market price of the stock is Rs.90? Also recommend to the entire investors community.
21. What are the significant factors to be considered for Company Analysis?
22. Make a detailed critical evaluation of the Technical Analysis.
23. A portfolio is constituted with four securities having the following characteristics. Calculate Expected Return?

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

(Ceiling: 35 Marks)

Part C (Essay questions)

Answer any *two* questions. Each question carries 10 marks.

24. A stock costing Rs. 100 pays no dividends. The possible prices that the stock might sell for at year-end and the probability of each are:

Year-end Price (Rs.)	Probability
90	0.1
95	0.2
100	0.4
110	0.2
115	0.1

- (a) What is the expected return on the stock?
- (b) What is the standard deviation of the expected return?
25. Rs. 1000 face value bond, carrying a coupon rate of 9 % maturing after 8 years. The bond is currently selling for Rs. 800. What is the YTM on this bond?
26. Technical analysts believe that one can use past price changes to predict future price changes. How do they justify this belief?

27. The rate of return and its probabilities of occurrence of two stocks A and B are given in the table.

Return on Stock A	Return on Stock B	Probability
-2	-3	0.05
9	6	0.20
12	11	0.50
15	14	0.20
26	9	0.05

- (a) Find out the expected rate of return for A and B stock?
- (b) If one invests in equal proportions on both the stocks, what would be the return?
- (c) If the proportion is changed to 25% and 75% and then to 75% and 25%, what would be the expected rate of return?

(2 × 10 = 20 Marks)
