

20U673

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Name: .....

Reg.No: .....

**SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2023**

(CBCSS - UG)

(Regular/Supplementary/Improvement)

**CC19U BCM6 B14 - FUNDAMENTALS OF INVESTMENT**

(Commerce - Core Course)

(2019 Admission onwards)

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 capital market?
2. What is Fundamental Approach Under investment decision making?
3. What is risk return trade off?
4. What is Systematic risk?
5. What are fixed income securities?
6. What is par value?
7. What is YTM?
8. What is bond duration?
9. What is industrial life cycle?
10. What is black candlestick chart?
11. What is trend?
12. What is optimum portfolio?
13. There are two equity shares, A and B in a portfolio with expected return of 20 and 30 percent respectively total fund invested between A and B is 40% and 60%. Compute expected return from its portfolio.
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. Distinguish between investment and speculation.

17. Risk free rate of return is 11%. Beta coefficient is 1.25. Compute the cost of equity capital under CAPM model assuming market return is 15%. What would be the cost of equity if beta coefficient increases to 1.75?
18. What are the statistical tools used to measure the risk of securities return?
19. Define bond. State its features.
20. Mr. X is planning to buy an equity share to hold it for one year and sell it. The expected dividend at the end of first year is Rs. 7 and the expected sale proceeds are Rs. 200 after one year. Determine the present value of the share to the investor assuming the discount rate of 15%.
21. Distinguish between technical and fundamental analysis.
22. Explain head and shoulder bottom?
23. A senior citizen has Rs. 50,0000 to invest. He wants to invest this amount in different securities. He wants that beta of his portfolio should be 0.90. He selected 5 securities, average Beta 1.20 and risk free securities beta is Zero. How can he weight his portfolio to reach his target beta?

**(Ceiling: 35 Marks)**

**Part C (Essay questions)**

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

24. What are the statistical tools used to measure the risk of securities return? Explain in detail.
25. Reliance Ltd paid a dividend of Rs. 2 per share during the current year. It is expected to pay a dividend of Rs. 3 per share during the next year. Investors forecast a dividend of Rs. 3.50 and Rs. 4 per share respectively. After that it is expected that annual dividend will grow at 10% per year into an indefinite period. If investors required rate of return is 20%. Find the true value of shares.
26. Define the Efficient Market Hypothesis in each of its three forms. What are its implications?
27. A portfolio consists of three securities P, Q and R. The proportions of investment are 0.20, 0.30 and 0.50 respectively. Form the following variance-covariance matrix; calculate the portfolio variance and standard deviation.

Weight	Security	0.2	0.3	0.5
		P	Q	R
0.2	P	49	67	42
0.3	Q	67	38	81
0.5	R	42	81	45

**(2 × 10 = 20 Marks)**

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