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Name.....

Reg. No.....

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

B.Com.

BCM 6B 15—FUNDAMENTALS OF INVESTMENT (FINANCE SPECIALISATION)

(2014 Admissions)

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Part I

Answer all questions.

Each question carries 1 mark.

(A) Multiple Choice Questions :

1. The Sensex has _____.

(a) 25 Stocks.

(b) 30 Stocks.

(c) 33 Stocks.

(d) 35 Stocks.

2. Diversification reduces _____.

(a) Interest rate risk.

(b) Market risk.

(c) Unique risk.

(d) Inflation risk.

3. A highly liquid security is _____.

(a) Mutual fund investment.

(b) Treasury bill.

(c) Share.

(d) Commercial paper.

4. The rise of dividend taxes affects _____.

(a) Investor.

(b) The Corporate.

(c) The stock market.

(d) The financial institution.

5. An investor is having their portfolio with the combination of stock and bonds in the ratio of 75 : 25. He is _____.

(a) Risk averse.

(b) Risk neutral.

(c) A risk taker.

(d) Active in portfolio management.

Turn over

(B) Fill in the blanks :

6. S & P NSE 50 index is known as _____.
7. An investor can measure the return on bond in terms of _____.
8. _____ is affected by the leverage decisions of a firm.
9. Risk can be referred as the _____ in the return with respect to the expected return.
10. Sweat equity is _____.

(10 × 1 = 10 marks)

Part II

Answer any eight questions.

Each question carries 2 marks.

11. What are Market Indicators ?
12. What do you understand by standard deviation under risk measurement ?
13. The face value of a bond is Rs. 100 with a coupon rate of 9%. The market price of the bond is Rs. 90. What is the current yield ?
14. What do you mean by Stock Charts ?
15. What are Permitted Securities ?
16. What is Unsystematic Risk ?
17. What do you mean by Investment Environment ?
18. The annual dividend from a preference share is Rs. 5 and the required rate of return is 10%. What is it worth today ?
19. Who are the participants in the Financial Market ?
20. What is Yield to Maturity ? How it is calculated ?

(8 × 2 = 16 marks)

Part III

Answer any six questions.

Each question carries 4 marks.

21. Describe the facilities available in India for trading in Future Contracts.
22. Differentiate between Fundamental Analysis and Technical Analysis.
23. An investor purchases for Rs. 5,555 a zero coupon bond whose face value is Rs. 7,000 and maturity period is three years. Calculate the spot interest rate of the bond.
24. Describe the functions of Stock Exchanges.

25. Write a short note on Elliot Wave Theory.
26. A company paid a cash dividend of Rs. 4 per share on its stock during the current year. The earnings and dividends of the company are expected to grow at an annual rate of 8% indefinitely. Investors expect a rate of return of 14% on the company's shares. What is a fair price for this company's shares ?
27. Explain the weak form of the efficient market hypothesis. Describe the empirical tests used for testing the weak form efficiency.
28. What is the present value of bond with face value Rs. 1,000, coupon rate 8% and maturity period of 3 years and YTM 10% ?

(6 × 4 = 24 marks)

Part IV

Answer any two questions.

Each question carries 15 marks.

29. Describe briefly the important investment avenues available to savers in India.
30. A stock costing Rs.120 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probabilities as follows :

Price (Rs.)	Probability
115	0.1
120	0.1
125	0.2
130	0.3
135	0.2
140	0.1

- (a) Calculate the expected return.
- (b) Calculate the standard deviations of returns.
31. Discuss various factors that should be considered for industry analysis.

(2 × 15 = 30 marks)