

**SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH/APRIL 2016**

(UG—CCSS)

Core Course

**BC 6B 15—FUNDAMENTALS OF INVESTMENTS**

Three Hours

Maximum : 30 Weightage

**Part A***This part consists of questions carrying equal weightage of  $\frac{1}{4}$ .**Each question consists of four objective type questions.**Answer all questions.***A. Fill in the blanks :**

- 1 \_\_\_\_\_ risk is that portion of total risk that is unique to a firm.
- 2 According to the Dow Theory, daily fluctuations and secondary movements in the stock market are used to identify the \_\_\_\_\_ trend.
- 3 A right to sell without an obligation to sell is a \_\_\_\_\_ option.
- 4 \_\_\_\_\_ is the index of Bombay Stock Exchange.

**B. Choose the correct answer from the given options :**

- 5 A tradable instrument with detachable warrant against which the holder gets equity shares after a fixed period of time :  
(a) Deep discount bonds.                      (b) Secured premium notes.
- 6 Listing of securities is done by :  
(a) Stock Exchanges.                      (b) SEBI.
- 7 Credit rating is assigned to :  
(a) A specific instrument issued by a company.  
(b) A Company.
- 8 A risk which can be reduced by proper diversification is :  
(a) Systematic risk.                      (b) Unsystematic risk.

**C. Answer the following questions in one word :**

- 9 What is the pre-fixed price at which an option is exercisable ?
- 10 What is the name of the ratio of market price per share to earnings per share ?

- 11 How many movements are tracked by Dow Theory in the capital market ?
- 12 If a Director of a company uses unpublished price sensitive information for making profit from the market, it is :

(12 × ¼ = 3 weightage)

### Part B

*Answer all nine questions in one or two sentences each.  
Each question carries a weightage of 1.*

- 13 What do you understand by dividend cover ?
- 14 State the advance decline theory of technical analysis.
- 15 What do you mean by price band in a book building process ?
- 16 Define an option contract.
- 17 What do you mean by credit rating ?
- 18 What is default risk in the case of a bond ?
- 19 Define an efficient market.
- 20 State Markowitz theorem.
- 21 What is portfolio diversification ?

(9 × 1 = 9 weightage)

### Part C

*Answer any five questions.  
Each question carries a weightage of 2.*

- 22 How do you calculate value of a share under earning yield method ?
- 23 Briefly explain the various uses of forward contracts.
- 24 Explain the concept market portfolio.
- 25 Differentiate between futures and forwards.
- 26 Compute the profit/loss made by a put option holder from the following particulars :  
Strike price Rs. 120.  
Lot size 2000.  
Premium paid for buying the option Rs. 5.  
Market price of the underlying instrument as on the date of settlement Rs. 90.
- 27 K Ltd.'s shares gives a return of 20 % and L Ltd.'s shares gives 32 % return. If you have invested 25 % of your money available for investment in K Ltd. and remaining 75 % in L Ltd., what would be the expected return of the portfolio ?

- 28 XIL Ltd. is a company having its shares quoted in a major stock exchange. It has paid a dividend of Rs. 2 during the last year, which is expected to grow at the rate of 8 % in the future. If the company's cost of equity capital is 16 %, calculate value of equity share of XIL Ltd.

(5 × 2 = 10 weightage)

**Part D**

*Answer any two questions.*

*Each question carries a weightage of 4.*

- 29 Describe the major macro-economic factors affecting the performance of securities.
- 30 Explain the role played by SEBI in regulating the capital markets in India.
- 31 Discuss about the various functions performed by Securities Markets.

(2 × 4 = 8 weightage)