C 60010–A (Pages : 4) Name...

Reg. No...................................

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2019

(CUCBCSS)

B.Com.

BCM 6B 15—FUNDAMENTALS OF INVESTMENT

(Finance Specialisation)

(Multiple Choice Questions for SDE Candidates)

Time : 15 Minutes	Total No. of Questions : 20	Maximum : 20 Marks

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.

2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.

3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.

4. The MCQ question paper will be supplied after the completion of the descriptive examination.

BCM 6B 15—FUNDAMENTALS OF INVESTMENT

(Multiple Choice Questions for SDE Candidates)

1. Equity cult is spreading very fast in India due to :

    (A) High propensity to save among the Indians.

    (B) Tax concession on divided income in India.

    (C) Tax concession on capital gain in India.

    (D) All of these.

2. Private placement is preferred by companies, because it is :

    (A) Cost effective.   (B) Time effective.

    (C) Access effective.   (D) All of these.

3. Grey market is an :

    (A) Official market   (B) Unofficial market.

    (C) Regulated market.   (D) None of these.

4. The latest stock market to come up in India is :

    (A) NSE.   (B) BSE.

    (C) MCX-stock exchange.   (D) None of these.

5. Saving is for :

    (A) Funding happy retirement.   (B) Hedging inflation.

    (C) Materializing dream.   (D) All of these.

6. ———— is the rate banks receive for depositing funds with the central bank.

    (A) Reverse repo rate.   (B) Repo rate.

    (C) Interest rate.   (D) All of these

7. ———— policy is taken by RBI.

    (A) Monetary policy.   (B) Fiscal Policy.

    (C) Both of them.   (D) All of these.

8. Rate at which RBI lends to bank is :

   (A) Repo rate.   (B) Reverse repo.

   (C) Interest rate.   (D) Bank rate.

9. ———— are unsecured promissory note issued by a well rated corporate.

   (A) Commercial paper.   (B) Certificate of deposit.

   (C) Commercial bill.   (D) All of these.

10. ———— is a must for issuing commercial paper.

   (A) Good credit rating.   (B) Good Bank Balance.

   (C) Goodwill.   (D) All of these

11. Which is not a constituent of money market .

   (A) Call money market   (B) Discount houses.

   (C) Share market .   (D) Acceptance market.

12. Money market provides fund for :

   (A) More than one year.   (B) For a period of up to one year.

   (C) One week to about six weeks. (D) None of these.

13. Which is not a constituent of capital market ?

   (A) Public finance institution.   (B) Stock exchange.

   (C) Commercial bank.   (D) Unit trust of India.

14. ———— is the other name for Zero Coupon bonds.

   (A) Bond.   (B) Debenture.

   (C) Deep discount bonds.   (D) Coupon bond.

15. Holders of fixed income securities are ———— of the issuer.

   (A) Debtors.   (B) Creditor.

   (C) Issuer.   (D) Banker.

Turn over

16. The term structure of the bond is the relationship between the :

    (A) Interest rate and bond's maturity period.

    (B) Interest rate of the bond and market rate of interest.

    (C) Interest rate and the price of bond.

    (D) Yield and time taken to mature.

17. The problem with Markowitz's model is that a number of covariance have to be estimated, for example for a portfolio of 30 stocks, the covariance that to .be estimated are :

    (A) 300.   (B) 350.

    (C) 435.   (D) 450.

18. The unsystematic risk is explained by :

    (A) Variance of the index.   (B) Unexplained variance of index.

    (C) Explained variance of the index.   (D) None of the above.

19. The X stocks return relationship with the stock index is given by its correlation co-efficient being 0.8. What is the percentage of variation explained by the index ?

    (A) 80 %.   (B) 60 %.

    (C) 64 %.   (D) 20 %.

20. The broker shall have to furnish SEBI a copy of audited balance sheet and profit and loss account within :

    (A) One month of each accounting year.

    (B) Two month of each accounting year

    (C) Three months of each accounting year.

    (D) Six month of each accounting year.

Name..................................

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BCM 6B 15—FUNDAMENTALS OF INVESTMENT

(Finance Specialisation)

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 Which of the following financial market is dealing in short term funds ?

   (a) Money Market.   (b) Capital Market.

   (c) Commodity Market.   (d) None of the above.

2 This option gives the holder or buyer the right to buy the specified quantity of the underlying asset at a specified price on or before a specified time.

   (a) Call Option.   (b) Put Option.

   (c) Swap option.   (d) None of the above.

3 Which of the following is a market place for trading unlisted financial instruments ?

   (a) OTC Market.   (b) EFT Market.

   (c) Swap Market.   (d) None of the above.

4 Which of the following is the most common method of using employees as a source of equity financing ?

   (a) IPO.   (b) EPSO.

   (c) ESOP.   (d) None of the above.

Turn over

5   Which of the following shares have a Priority to get dividend and the return of capital at the time of winding up of the company ?

    (a)   Preference share.   (b)   Equity share.

    (c)   Bonus share.   (d)   Swap.

(B)   Fill in the blanks :

6   IPO stands for ————.

7   Which is the apex body of stock market in India ?

8   ———— was the father of technical analysis.

9   The risk of doing business in a particular industry or environment is called ———— risk.

10   Aggressive portfolio consists of bonds and stocks in the ratio of ————.

                                              (10 × 1 = 10 marks)

Part II

*Answer any **eight** questions.*

Each question carries 2 marks.

11   What is Portfolio ?

12   What is Systematic Risk ?

13   State the difference between "Top-down "and "Bottom-up" forecasting approach ?

14   What is Candlestick chart ?

15   What is Short Selling ?

16   Define Investment.

17   Assume Mr. John investing in Y Ltd. The correlation co-efficient between the company's risk and the return on the market is 0.875. The standard deviation of the return on the stock is 20.42. The standard deviation of the returns on the market is 14.84. Calculate the beta value.

18   What is Put Option ?

19 What is Security Market Line ?

20 If the price of an equity share at the beginning is Rs. 240, the price at the end is Rs. 320 and the holder receives a dividend of Rs. 30 per share, calculate the rate of return.

(8 × 2 = 16 marks)

Part III

Answer any **six** *questions.*

Each question carries 4 marks.

21. Briefly discus the factors that should be considered for portfolio selection ?

22. Stock Y and Z have the following parameters :

	Stock Y	Stock Z
Expected Return ...	20	30
Expected Variance ...	16	25
Covariance YZ ...	20	

Is there any advantage of holding a combination of Y and Z ?

23 An investor would like to get a dividend of 30 paise from a share and want to sell it next year for Rs. 60 after keeping if for one year. The required rate of return is 20 %. What will be the present value of this share ?

24 What are the differences between option and swap ?

25 What is Dow Theory ?

26 The details of two portfolios M and N is given in the table below :

Fund		Return	Beta	Rr
M	...	30	0.4	15
N	...	30	0.8	15

Evaluate which portfolio performs better ?

27 What are the benefits of investment ?

28 Write a short note on NSE.

(6 × 4 = 24 marks)

Turn over

Part IV

Answer any **two** *questions.*

Each question carries 15 *marks.*

29 Explain the steps in buying and selling of shares ?

30 Stock H and M have the following returns for the past two years :

Stocks		Returns (%)	
		2009	2010
H	...	12	18
M	...	14	12

(a) What is the expected return on portfolio made up of 60 % of H and 40 % of M ?

(b) Find out standard deviation of each stock.

(c) What is Co-variance and Co-efficient of correlation between stock H and M ?

31 What is Fundamental Analysis? State the important tools of Fundamental Analysis.

(2 × 15 = 30 marks)