

**BACHELOR OF COMMERCE [HONs]
SIXTH SEMESTER
FUNDAMENTALS OF INVESTMENT
BCM – 604B**



[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

(Objective)

Marks: 20

Choose the correct answer from the following:

1 × 20 = 20

1. Which of the following is not a financial investment?
 - a. Purchase of shares
 - b. Purchase of debentures
 - c. Purchase of bonds
 - d. Purchase of car
2. Exchange rate risk are usually offset by
 - a. Currency stability
 - b. Government policies
 - c. Inflation
 - d. External factors
3. The Bombay Stock Exchange Ltd was originally known as
 - a. The Native Share and Stock Brokers Association
 - b. The Native Share and Stock Brokers Union
 - c. The Native Stock Brokers Association
 - d. The Native Share and Stock Brokers Academy of India
4. A depository interacts with clients through.....
 - a. Public sector bank
 - b. Private sector bank
 - c. Depository participants
 - d. Regional rural bank
5. In India, debt securities issued by the government and public sector units are generally referred as.....
 - a. Bonds
 - b. Stock
 - c. Shares
 - d. Debentures
6.may be defined as the compound rate of return an investor is expected to receive from a bond purchased at the current market price and held to maturity.
 - a. Current Yield
 - b. Yield to Call
 - c. Coupon Rate
 - d. Yield to Maturity
7.refers to the possibility that a company may fail to pay the interest or principal on the stipulated dates.
 - a. Interest rate risk
 - b. Default risk
 - c. Exchange risk
 - d. Inflation risk
8. Which of the following is the rate of interest fixed and printed on the bond certificate?
 - a. Coupon rate
 - b. Spot interest rate
 - c. Market rate
 - d. Bank rate

9. Which of the following is the final stage of fundamental analysis?
 - a. Economy
 - b. Company
 - c. Industry
 - d. None of the above
10.is generally described as a homogeneous group of companies.
 - a. A company
 - b. A firm
 - c. An industry
 - d. None of the above
11.is the name given to forecasting techniques that utilize historical share price data.
 - a. Modern analysis
 - b. Technical analysis
 - c. Portfolio analysis
 - d. Fundamental analysis
12. Theform of efficient market deals with the information regarding the past sequence of security price movements.
 - a. Weak
 - b. Semi-weak
 - c. Semi-strong
 - d. strong
13. Diversification reduces
 - a. Interest rate risk
 - b. Market risk
 - c. Unique risk
 - d. Inflation risk
14. In.....scheme, the investor can make entry and exit at any time.
 - a. An open ended
 - b. Close ended
 - c. Both (a) & (b)
 - d. None of the above
15. Which of the following is not a financial derivative?
 - a. Stock
 - b. Futures
 - c. Options
 - d. Forward Contracts
16. The amount paid for an option is the
 - a. Strike price
 - b. Premium
 - c. Discount
 - d. Commission
17. When was SEBI established?
 - a. 1980
 - b. 1988
 - c. 1990
 - d. 1992
18. Which among the following complaints not dealt by SEBI?
 - a. Complaints falling under the purview of the regulatory bodies like RBI, IRDA, PFEDA, CCI, FMC etc.
 - b. Complaints regarding Pension Fund
 - c. Complaints regarding Commodities
 - d. All of the above
19. Stock exchange.....
 - a. Provides a market place for purchase and sale of securities
 - b. Provides liquidity to the investment in securities
 - c. Helps in the valuation of securities
 - d. All of the above

20.refers to the practice of purchasing or selling a publicly-traded company's securities while in possession of material information that is not yet public information.
- a. Commodity trading
 - b. Stock trading
 - c. Insider trading
 - d. Outsider trading

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Explain the term 'Investment' and its various types. 10
2. Discuss the different types of bonds. 10
3. A company is proposing to issue a 5 year debenture of Rs. 2,000 redeemable in equal installments at 14% rate of interest per annum. If an investor has a minimum required rate of return of 10%. Calculate the debenture's present value for him. What should he be willing to pay now to purchase the debenture? 10
4. What do you mean by fundamental analysis? Describe the key economic variables that an investor must monitor as part of his fundamental analysis. 2+8=10
5. A company is currently paying a dividend of Rs. 4.24 per share. The dividend is expected to grow at a 18 % annual rate for five years and then at 12% for ever. What is the present value of the share, if the capitalization rate is 14%? 10
6. What is a Mutual Fund? Explain briefly the classification of mutual funds. 2+8=10
7. What are financial derivatives? How is a futures contract different from a forward contract? 2+8=10
8. What do you mean by investor protection? Explain the role of SEBI in this regard. 2+8=10

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