

BACHELOR OF COMMERCE (Hons)
SIXTH SEMESTER
FUNDAMENTALS OF INVESTMENT
BCM-604B

Duration : 3 hrs.

Full Marks: 70

Time : 20 min.

(PART-A: Objective)

Marks : 20

Choose the correct answer from the following:

1X20=20

1. Investment is the -----.
 - a. person's commitment to buy a flat or house
 - b. employment of funds on goods and services that are used in production process
 - c. employment of funds on assets to earn returns
 - d. market addition made to the nation's capital stocks
2. The risk that exist in the market portfolio that cannot be eliminated by future diversification is
 - a. Systematic risk
 - b. Unsystematic risk
 - c. Financial risk
 - d. Business risk
3. Dematerialization eliminates the risk of
 - a. fake certificate
 - b. theft of share certificate
 - c. delay in the transfer of shares
 - d. All of the above
4. The base year of CNX Nifty is
 - a. 1994
 - b. 1995
 - c. 1996
 - d. 1996
5. Holders of fixed income securities are of the issuer.
 - a. Debtors
 - b. Creditors
 - c. Bankers
 - d. None of the above
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. The return on zero coupon bond is in the form of aon issue of the bond.
 - a. Premium
 - b. Rebate
 - c. Discount
 - d. None 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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(PART-B : Descriptive)

Time: 2 HRS 40 MINS

Marks : 50

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

1. Describe briefly the important investment avenues available to savers in India. 10

2. What are Bonds? What are its common features? Is it same as a debenture? 2+6+2=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) Mr. X is planning to buy an equity share, hold it for 2 years and then sell it. The expected dividend at the end of year 1 is Rs.7 and Rs. 7.50 at the end of year 2. The expected selling price of the share at the end of year 2 is Rs. 220. Calculate the value of the share today taking 15% discount rate. 5
(b) A company is expected to pay a dividend of Rs. 6 per share next year. The dividends are expected to grow perpetually at a rate of 9%. What is the value of its share if the required rate of return is 15%? 5

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 are the objectives of constitution of SEBI? Discuss the role of SEBI in investors' protection. 4+6=10

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