

FIRST SEMESTER FYUGP EXAMINATION NOVEMBER 2024**MINOR****AFA1MN112 FUNDAMENTALS OF INVESTMENT**

Time : 2 Hrs

Maximum Marks : 70

BL - Bloom's Taxonomy Level (1 to 6)

CO - Course Outcome

Section A		Ceiling Marks : 24		
Answer all questions. Each carries 3 marks.				
No.	Question	M	BL	CO
1.	Mention different types of insurance schemes	3	1	CO1 CO2
2.	List down various specific risk	3	1	CO1
3.	What are the two sources of inflation.	3	1	CO1 CO2
4.	How does covariance indicate the relationship between the returns of two assets?	3	2	CO1 CO2
5.	How does the dividend discount model work?	3	2	CO1 CO2
6.	Identify at least two limitations or challenges associated with intrinsic value calculations.	3	1	CO2
7.	What component of a bond represents the future cash flows?	3	2	CO2
8.	What are the different types of bond	3	1	CO1
9.	What is yield-to-maturity (YTM)?	3	1	CO1 CO2
10.	How does interest rate change affect bond prices?	3	2	CO2
Section B		Ceiling Marks : 36		
Answer all questions. Each question carries 6 marks.				
No.	Question	M	BL	CO
11.	In what ways does the Indian stock market impact our daily lives and decision-making?	6	3	CO3 CO4
12.	What are the underlying principles that differentiate investment from speculation?	6	4	CO2 CO3
13.	Explain the different types of unsystematic risk	6	2	CO2
14.	Discuss valuation of shares based on accounting information	6	3	CO3
15.	Explain the key factors that influence the valuation of a company's shares?	6	4	CO2 CO3
16.	A firm had paid dividend at 2 per share last year. The estimated growth of the dividends from the company is estimated to be 5% p.a. Determine the estimated market price of equity share if the estimated growth rate of dividends (i) rises to 8%, and (ii) falls to 3%. Also find out the present market price of the share, given that the required rate of return of the equity investors is 15.5%.	6	3	CO3
17.	Explain the concept of bond duration. How does duration measure a bond's sensitivity to interest rate changes?	6	5	CO3
18.	Briefly explain the different concepts of yield with reference to bond investment	6	4	CO3 CO4
Section C				
Answer any 1 question. Each carries 10 marks. (1x10=10 marks)				
No.	Question	M	BL	CO

19.	<p>Raj is a 35-year-old professional who wants to ensure his family's financial security while also preparing for his retirement. He is evaluating various investment options, including fixed deposits, gold, and a combination of insurance schemes and provident funds.</p> <p>a) Compare and contrast the features of fixed deposits and gold as investment options, focusing on their security, liquidity, and convenience for Raj's objectives. (5 marks)</p> <p>b) Explain how insurance schemes and provident funds can contribute to Raj's long-term financial planning. Discuss the risks and returns associated with these options. (5 marks)</p>	10	6	CO3 CO4																																	
20.	<p>Mr. A has identified two securities whose expected returns (%) over a period of next 10 years are as follows</p> <table border="1" data-bbox="293 607 1206 797"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> <th>7</th> <th>8</th> <th>9</th> <th>10</th> </tr> </thead> <tbody> <tr> <td>Security X</td> <td>6</td> <td>21</td> <td>6</td> <td>32</td> <td>37</td> <td>18</td> <td>24</td> <td>-7</td> <td>18</td> <td>-5</td> </tr> <tr> <td>Security Y</td> <td>1</td> <td>18</td> <td>10</td> <td>30</td> <td>32</td> <td>27</td> <td>29</td> <td>-12</td> <td>15</td> <td>0</td> </tr> </tbody> </table> <p>a) What is the expected return of both securities X and Y.</p> <p>b) What is the standard deviation of both securities X and Y.</p>	Year	1	2	3	4	5	6	7	8	9	10	Security X	6	21	6	32	37	18	24	-7	18	-5	Security Y	1	18	10	30	32	27	29	-12	15	0	10	4	CO3 CO4
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